



Washington State Auditor's Office

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Financial Statements and Federal Single Audit Report

City of Walla Walla Housing Authority

Walla Walla County

For the period January 1, 2014 through December 31, 2014

Published July 2, 2015

Report No. 1014629





Washington State Auditor's Office

July 2, 2015

Board of Commissioners
City of Walla Walla Housing Authority
Walla Walla, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

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

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FEDERAL SUMMARY

**City of Walla Walla Housing Authority
Walla Walla County
January 1, 2014 through December 31, 2014**

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

Financial Statements

An unmodified opinion was issued on the basic financial statements of the business-type activities and the aggregate discretely presented component units.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

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

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
14.871	Housing Voucher Cluster - Section 8 Housing Choice Vouchers
64.024	VA Homeless Providers Grant and Per Diem Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The Housing Authority did not qualify as a low-risk auditee under OMB Circular A-133.

SCHEDULE OF FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

City of Walla Walla Housing Authority Walla Walla County January 1, 2014 through December 31, 2014

2014-001 The Housing Authority's internal controls are inadequate to ensure compliance with federal procurement requirements.

CFDA Number and Title:	64.024 Veterans Affairs Homeless Providers Grant and Per Diem Program
Federal Grantor Name:	U.S. Department of Veterans Affairs
Federal Award/Contract Number:	96-036-WA and 05-72-WA
Pass-through Entity Name:	NA
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$0

Description of Condition

The Housing Authority received \$324,390 in federal funds during fiscal year 2014 for the U.S. Department of Veterans Affairs' Homeless Providers Grant and Per Diem Program. The Housing Authority paid one vendor \$253,989 for housing provided to veterans.

Federal regulations require recipients of federal money to establish and follow internal controls to ensure compliance with program requirements. These controls include knowledge of grant requirements and monitoring of program controls. We found the Housing Authority did not adequately design or follow controls for the program to ensure compliance with procurement requirements.

Federal law requires the Housing Authority to follow State law and obtain price quotations from at least three qualified sources for purchases up to \$75,000 and formal bids for purchases exceeding \$75,000. For purchases not covered under state law, such as professional services, grantees must follow federal procurement regulations. Federal grant recipients are required to obtain price or rate quotations from an adequate number of qualified sources for purchases up to \$100,000 and formal bids for contracts exceeding \$100,000. A grantee may solicit services

from only one vendor if it determines the services are available from a sole source or if they determine competition is inadequate. Grantees must keep documentation to show how they reached this conclusion.

The Housing Authority determined the vendor to be a sole source for housing services since 1996 for the area. This vendor continues to provide these services; however, no further competitive purchasing procedures for these services has been performed to ensure the contractor continues to be a sole source for these services. The Housing Authority was unable to provide adequate documentation to justify the sole source designation.

We consider this weakness in internal controls to be a material weakness.

Cause of Condition

The Housing Authority was aware of procurement requirements, but did not verify nor adequately document the reasons for sole source vendor status.

Effect of Condition and Questioned Costs

Without adequate procurement records, the Housing Authority is unable to determine whether it has utilized federal funds in the most efficient manner. However, the services purchased are allowable under the federal program, and as a result, we are not questioning these costs.

Recommendation

We recommend the Housing Authority strengthen internal controls and establish procedures that will ensure compliance with federal procurement requirements for these services.

Housing Authority's Response

The WWAHA acknowledges the CORD contract file was not properly documented as to the procurement method used for this contract with Valley Residential Services for case management services provided for housing for homeless veterans. Internal education has occurred on the importance of file documentation and we strongly believe the issue is resolved.

Auditor's Remarks

We appreciate the Housing Authority's commitment to resolve this finding and thank the Housing Authority for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 300 – Auditee Responsibilities, states in part:

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows:

Deficiency in 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 on a timely basis. A deficiency in *design* exists when (a) a control necessary to meet the

control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in *operation* exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Material weakness in internal control over compliance.

A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Remote. The chance of the future event or events occurring is slight.

Probable. The future event or events are likely to occur.

Significant deficiency in internal control over compliance. A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Title 34, Code of Federal Regulations, Section 80.36 – Procurement, states in part:

b) Procurement standards.

(1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section . . .

(9) Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited

to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

(d) Methods of procurement to be followed.

(1) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the simplified acquisition threshold fixed at 41 U.S.C. 403(11) (currently set at \$100,000). If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources . . .

(2) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price . . .

(3) Procurement by competitive proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids . . .

(4) Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate

SCHEDULE OF FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

City of Walla Walla Housing Authority Walla Walla County January 1, 2014 through December 31, 2014

2014-002 Walla Walla Housing Authority did not comply with federal allowable cost requirements for its Veterans Affairs Homeless Providers Grant and Per Diem Program.

CFDA Number and Title:	64.024 Veterans Affairs Homeless Providers Grant and Per Diem Program
Federal Grantor Name:	U.S. Department of Veterans Affairs
Federal Award/Contract Number:	96-036-WA
Pass-through Entity Name:	NA
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$11,540

Description of Condition

The Housing Authority received \$324,390 in federal funds during fiscal year 2014 for the U.S. Department of Veterans Affairs' Homeless Providers Grant and Per Diem Program. The Housing Authority is reimbursed for expenditures at a rate of \$41.90 per bed per day. The rate is based on expenditure information compiled by the Housing Authority and Veterans Affairs based on the assumption that unallowable costs have been excluded from the compilation. Agreements with the grantor further stipulate the costs associated with the grant will comply with federal Office of Management and Budget (OMB) Circular A-87 cost principles.

In its reported expenses for the program, the Housing Authority included \$4,997 in inter-program payables. These are amounts above that funded by the grant but were previously included as program expenses. This resulted in a double counting of these program costs.

The Housing Authority also included \$6,543 in loan principal payments. These costs are not an allowable expense chargeable to federal programs according to

OMB, except where approved in advance by the awarding agency. The Department of Veterans Affairs has disallowed these costs.

Cause of Condition

Housing Authority staff believed, since a per diem rate was approved by the grantor, essentially all operating costs of the program were allowable as long as they were spent for the program.

Effect of Condition and Questioned Costs

The Housing Authority claimed \$11,540 of unallowable costs as part of its operational costs. We are questioning these costs. This increases the risk that the Housing Authority was approved for a higher per diem bed rate than it was entitled to receive.

Recommendation

We recommend the Housing Authority ensure all costs charged to federal grants are allowable and comply with grant requirements.

Housing Authority's Response

The Walla Walla Housing Authority acknowledges the error and appreciates the audit team's diligence in correcting. We believe that it is of the utmost importance to comply with all applicable laws and regulations with regards to any program that we administer. We have administered the VA Grant Per Diem program for a number of years, and have understood during the entire period that we were complying with the original intention and permissions of the VA. After recent discussions we will be re-evaluating our per diem rates with the VA and making internal adjustments to correct our error.

Auditor's Remarks

We appreciate the Housing Authority's commitment to resolve this finding and thank the Housing Authority for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section .300(b), states in part:

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* (2 CFR Part 225), states:

Attachment A

C. Basic Guidelines

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.

Attachment B

15. *Equipment and other capital expenditures.*

b. The following rules of allowability shall apply to equipment and other capital expenditures:

(1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency.

(2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5000 or more have the prior approval of the awarding agency.

(3) Capital expenditures for improvements to land, buildings, or equipment which materially

increase their value or useful life are unallowable as a direct cost except with the prior approval of the awarding agency.

(4) When approved as a direct charge pursuant to Attachment B, section 15.b (1), (2), and (3) above, capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate and negotiated with the awarding agency. In addition, Federal awarding agencies are authorized at their option to waive or delegate the prior approval requirement.

(5) Equipment and other capital expenditures are unallowable as indirect costs. However, see section 11, Depreciation and use allowance, for rules on the allowability of use allowances or depreciation on buildings, capital improvements, and equipment. Also, see section 37, Rental costs, concerning the allowability of rental costs for land, buildings, and equipment.

**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**

**City of Walla Walla Housing Authority
Walla Walla County
January 1, 2014 through December 31, 2014**

Board of Commissioners
City of Walla Walla Housing Authority
Walla Walla, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the City of Walla Walla Housing Authority, Walla Walla County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated June 25, 2015. Our report includes a reference to other auditors who audited the financial statements of the Lariat Housing LLLP, the Creekside Cottages Limited Partnership, the Marcus Whitman Homes Limited Partnership, Rosehaven Cottages Limited Partnership, Galbraith Gardens LLC, Walla Walla Family Homes LLC and Walla Walla Family Homes Two LLC, as described in our report on the Housing Authority's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



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

June 25, 2015

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

**City of Walla Walla Housing Authority
Walla Walla County
January 1, 2014 through December 31, 2014**

Board of Commissioners
City of Walla Walla Housing Authority
Walla Walla, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the City of Walla Walla Housing Authority, Walla Walla County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The Housing Authority's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

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

Auditor's Responsibility

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

occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-002. Our opinion on each major federal program is not modified with respect to these matters.

Housing Authority's Response to Findings

The Housing Authority's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The Housing 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 Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001 to be a material weakness.

Housing Authority's Response to Findings

The Housing Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The Housing 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.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It

also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



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

June 25, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Walla Walla Housing Authority Walla Walla County January 1, 2014 through December 31, 2014

Board of Commissioners
City of Walla Walla Housing Authority
Walla Walla, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the City of Walla Walla Housing Authority, Walla Walla County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 26.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lariat Housing LLLP, which represent 14 percent, 3 percent and 3 percent, Creekside Cottages Limited Partnership, which represents 4 percent, 4 percent and 12 percent, the Marcus Whitman Homes Limited Partnership, which represents 8 percent, 11 percent and 25 percent, Rosehaven Cottages Limited Partnership, which represent 6 percent, 11 percent and 13 percent, Galbraith Gardens LLC, which represent 10 percent, 3 percent and 18 percent, Walla Walla Family Homes LLC, which represent 24 percent, 57 percent and 27 percent, and Walla Walla Family Homes Two LLC, which represent 34 percent, 11 percent and 2 percent, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other

auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Lariat Housing LLLP, the Creekside Cottages Limited Partnership, the Marcus Whitman Homes Limited Partnership, Rosehaven Cottages Limited Partnership, Galbraith Gardens LLC, Walla Walla Family Homes LLC and Walla Walla Family Homes Two LLC, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the City of Walla Walla Housing Authority, as of December 31, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 27 through 33 be presented to supplement the

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

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2015 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.



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

June 25, 2015

FINANCIAL SECTION

**City of Walla Walla Housing Authority
Walla Walla County
January 1, 2014 through December 31, 2014**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014

Statement of Revenues, Expenses and Changes in Net Position – 2014

Statement of Cash Flows – 2014

Notes to the Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2014

Notes to the Schedule of Expenditures of Federal Funds – 2014

Entity Wide Balance Sheet Summary (Financial Data Schedule) – 2014

Entity Wide Revenue and Expense Summary (Financial Data Schedule) – 2014

Actual Modernization Cost Certificate – WA19P057501-11

Overview of the Housing Authority and Financial Statements

The Housing Authority of the City of Walla Walla (the Authority) was established in 1973 by the City of Walla Walla, Washington. The Authority owns and operates multiple Public Housing and Market properties, a Homeless Veterans Program (CORD), a Tenant Based Rental Assistance (TBRA) program and administers Housing Choice Voucher (HCV) and Veterans Affairs Supportive Housing (HUD-VASH) programs, which altogether, are identified as Primary Government.

The Component Units consist of four partnerships and three limited liability corporations for which the Authority is the managing partner. The properties are eligible for low-income housing tax credits. Component Units include also the Washington School Homes Planned Unit Development Property Owners Association and the Walla Walla Housing Foundation.

The mission of the Housing Authority is to create housing choices and energize neighborhoods while focusing on providing opportunities for low to moderate income families to prosper with dignity and respect.

The Authority is proud to present its basic financial statements for the fiscal year ended December 31, 2014, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP requires the inclusion of three basic financial statements: The Statement of Net Position (balance sheet); the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. In addition, GAAP requires the inclusion of a Management's Discussion and Analysis (MD&A) section as required supplementary information.

The basic financial statements provide both long-term and short-term information about the Authority's overall financial condition. The basic financial statements also include notes that explain financial data reported in the statements and provide more detailed information related to those balances. The statements are followed by a section of other supplementary information that further explains and supports the information in the basic financial statements, including information required to be reported by the Authority's main oversight agency, the U.S. Department of Housing and Urban Development (HUD).

Financial Analysis

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the Authority and its Component Units at the end of the fiscal year. The purpose of the Statement of Net Position is to give the financial statement readers a snapshot of the

fiscal condition of the Authority as of a certain point in time. It presents end-of-year data for assets, liabilities and net position (assets minus liabilities).

Total assets of the Primary Government at December 31, 2014 are \$13,183,730. Current assets are comprised of several categories. Cash and cash equivalents include the cash and investments maturing within 90 days. Accounts receivable include tenant receivables, receivables from other governments and receivables from component units. Prepaid expenses and inventory are also assets of the Housing Authority. Non-current assets include capitalized costs, mortgages receivable, certain investments held for operating and replacement reserves and capital assets. Capital assets include land, buildings, construction in progress, equipment and accumulated depreciation of those assets.

Total liabilities of the Primary Government are \$7,091,367 at December 31, 2014. Liabilities are also presented in current and non-current portions. Current liabilities include accounts payable, other accrued liabilities, unearned revenue, retainage payable and current portions of long-term debt. A liability is considered to be current if it is due within one year. Long-term liabilities consist of notes and mortgages payable over a period of years.

Net position represents the Authority's equity, a portion of which is restricted for certain uses. Net position is divided into three major categories. The first category, invested in capital assets net of related debt, shows the equity in land, structures, construction in progress and equipment, net of related capital debt outstanding. The next net category is restricted net assets. These assets have external limitations on the way in which they may be used. The last category is unrestricted net assets. They are available to use for any lawful and prudent purpose of the Authority.

Statement of Revenues, Expenses and Changes in Net Position

The purpose of the statement of revenues, expenses and changes in net position is to present the revenues earned by the Authority, both operating and non-operating, and the expenses incurred, operating and non-operating and any other revenues, expenses, gains, or losses received or spent by the Authority. Generally, the operating revenues are amounts received for providing housing to the tenants. Non-operating revenues are funds received for which goods or services are not provided, except that non-operating revenues also include operating grants and subsidies. Capital contributions represent capital grants received to improve or develop capital assets of the Authority.

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended December 31, 2014.

Condensed Comparative Financial Information for Primary Government

<u>STATEMENT OF NET POSITION</u>	<u>2014</u>	<u>2013</u>	<u>Variance</u>	<u>% Change</u>
<u>ASSETS</u>				
Cash & Cash Equivalents	1,626,430	1,526,489	99,941	6.55%
Accounts Receivable	931,725	418,694	513,031	122.53%
Investments	284,513	284,107	406	0.14%
Other Current Assets	177,014	204,205	(27,191)	-13.32%
TOTAL CURRENT ASSETS	3,019,682	2,433,495	586,187	24.09%
Capital Assets	9,727,709	10,811,195	(1,083,486)	-10.02%
Other Non-Current Assets	436,339	458,924	(22,585)	-4.92%
TOTAL NON-CURRENT ASSETS	10,164,048	11,270,119	(1,106,071)	-9.81%
TOTAL ASSETS	13,183,730	13,703,614	(519,884)	-3.79%
<u>LIABILITIES & NET POSITION</u>				
Accounts Payable	179,456	162,600	16,856	10.37%
Other Current Liabilities	185,467	253,727	(68,260)	-26.90%
Current Portion - Long Term Debt	142,997	142,997	-	0.00%
TOTAL CURRENT LIABILITIES	507,920	559,324	(51,404)	-9.19%
Long Term Debt - Commercial	6,583,447	7,440,966	(857,519)	-11.52%
TOTAL NON-CURRENT LIABILITIES	6,583,447	7,440,966	(857,519)	-11.52%
TOTAL LIABILITIES	7,091,367	8,000,290	(908,923)	-11.36%
<u>NET POSITION</u>				
Unrestricted	2,383,784	1,669,565	714,219	42.78%
Restricted	652,582	750,818	(98,236)	-13.08%
Invested in Capital	3,055,997	3,282,941	(226,944)	-6.91%
TOTAL NET POSITION	6,092,363	5,703,324	389,039	6.82%
TOTAL NET POSITION	6,092,363	5,703,324	389,039	6.82%
TOTAL LIABILITIES & NET POSITION	13,183,730	13,703,614	(519,884)	-3.79%

**STATEMENT OF REVENUES,
EXPENSES, & CHANGES IN NET
POSITION**

	2014	2013	Variance	% Change
<u>REVENUES</u>				
Tenant Income	1,417,847	1,377,306	40,541	2.94%
Other Income	1,275,994	749,763	526,231	70.19%
TOTAL OPERATING REVENUE	2,693,841	2,127,069	566,772	26.65%
Operating Subsidies & Other Grants	5,359,730	5,267,939	91,791	1.74%
Other Non-Operating Revenue	157,067	(34,865)	191,932	-550.50%
TOTAL NON-OPERATING REVENUE	5,516,797	5,233,074	283,723	5.42%
GROSS REVENUE	8,210,638	7,360,143	850,495	11.56%
<u>EXPENSES</u>				
Payroll & Related Expenses	1,488,188	1,425,121	63,067	4.43%
Other Rental Operations Expenses	1,620,130	1,369,730	250,400	18.28%
TOTAL OPERATING EXPENSES	3,108,318	2,794,851	313,467	11.22%
Payments from Operating Subsidies	4,490,192	4,561,998	(71,806)	-1.57%
Other Non-Operating Expenses	225,830	248,450	(22,620)	-9.10%
TOTAL NON-OPERATING EXPENSES	4,716,022	4,810,448	(94,426)	-1.96%
TOTAL EXPENSES	7,824,340	7,605,299	219,041	2.88%
NET INCOME	386,298	(245,156)	631,454	-257.57%
Capital Grant Revenue	43,074	149,196	(106,122)	-71.13%
TOTAL CAPITAL CONTRIBUTIONS	43,074	149,196	(106,122)	-71.13%
CHANGE IN NET POSITION	429,372	(95,960)	525,332	-547.45%
Prior Period Adjustments	-	-	-	0.00%
Equity Transfers	(40,333)	591,715	(632,048)	-106.82%
Net Position at January 1	5,703,324	5,207,569	495,755	9.52%
NET POSITION AT DECEMBER 31	6,092,363	5,703,324	389,039	6.82%

Overall Financial Position and Results of Operations

The Housing Authority's financial position is sound; the fundamental activities of housing and voucher administration performed routinely although with necessary adjustments to average voucher expense and case worker staffing. The Authority is pursuing funding for projects anticipated in its medium-term plans.

Financial Highlights Primary Government

- 1) On January 1, 2014, the Housing Authority took possession of the Washington School Apartments via transfer of assets and liabilities. The partnership Washington School Limited Partnership was dissolved effective that same date. The physical assets were re-valued at the then-current debt service due on the property of \$856,081. Current assets consisted of cash, cash equivalents, and accounts receivable of \$116,246. Current liabilities totaled \$156,956, which included \$143,519 of intra-company payables. \$77,995 of the intra-company payables were forgiven.
- 2) Walla Walla Housing Authority closed on the partnership agreement with WWHA-Lariat Housing LLLP in June of 2014. The Authority's is the managing partner of the LLLP, which was formed to develop and manage the Low-Income-Housing-Tax-Credit project Lariat Gardens. The project is located in downtown Walla Walla and will consist of 43 apartment units and a shared laundry facility. The partnership acquired the property, consisting of three buildings and a total of 35 residential units and laundry room, from the Housing Authority. The existing buildings are being remodeled and updated, and a new building with 8 townhome units is being added. Construction began in June 2014 and is slated for completion in April of 2015.
- 3) The Housing Choice Voucher (HCV) and Veterans Affairs Supportive Housing (VASH) programs expended \$179,889 more than was received for current year vouchers. Net Restricted Position (NRP) declined accordingly. This apparent loss is due in large part to the transition of NRP on-hand to HUD-held reserves, in which HUD reduced the 2014 distributions by the NRP on hand at 12/31/2013 of \$220,616. Administrative support pro-rations for the HCV and VASH programs came in slightly higher than budgeted at roughly 79%, however, lower than expected recapture of assistance overpayments, higher salaries, and delayed quarterly reconciliations from HUD contributed to generating a \$77,207 decrease to Unrestricted Net Position (UNP) by year end.
- 4) Walla Walla Housing Authority has slated the Low-Rent Public Housing (LRPH) portfolio (84 units) and Linden Place (20 units) for re-development pending capital financing. The LRPH portfolio will be redeveloped and repositioned through the HUD Rental Assistance Demonstration program, and converted to a Low-Income-Housing-Tax-Credit scattered-site portfolio. The medium-term financing used to purchase the Linden property will come due in 2016. A Low-Income-Housing-Tax-Credit application has also been submitted to redevelop Linden Place. These properties currently are income-producing.

- 5) The Authority holds a purchase option as managing partner on the Low-Income-Housing-Tax-Credit property Creekside Cottages which reached the end of its initial 15-year compliance period in late 2014. The limited partner interest was transferred to a holding company, WWHA Interim LLC, effective May 29, 2015. The Authority is the sole member of the LLC. Beginning in 2015, WWHA-Creekside Cottages LP will be classified as a blended component unit of the Authority and, as such, reported under the primary government. Assets and liabilities are to be transferred at the January 1, 2015 values of \$225,207.49 (cash & cash equivalents), \$1,077,580.26 (net fixed assets), \$14,593.47 (current liabilities), and \$796,970.50 (long-term debt). Prior to completion of the transfer, operating reserve funds were used to pay down the then current balance of the Promissory Note with WWHA in the amount of \$16,247.91, including accrued interest.

Capital Asset and Debt Administration

Creekside Cottages paid down its note to the Authority by \$9,860 to a balance of \$24,166. The note pay down was consistent with the priority of payments in the partnership agreement.

Walla Walla Family Homes Two, LLC drew \$8,573,701 in construction loan funds in 2014 to pay for general construction costs. The project received Certificates of Occupancy in October of 2014, and was 65% leased-up by the end of the year. Final lease-up continues into 2015. Once leasing is complete, the close-out of the construction loan and final equity installments will occur. This is currently estimated for completion by June 2015.

WWHA-Lariat Housing LLLP received \$349,680 in equity installments in 2014. The funds were used to pay \$60,600 in developer fees to WWHA, 122,841 in closing costs, and \$166,239 in pre-development and other general project costs. There was an additional \$1,475,814 and \$1,388,460 drawn from the HOME and HTF funds, respectively, as well as a further \$1,550,922 from the tax-exempt bond financing from Banner Bank. All loan funds were used for property acquisition (\$1,617,338) and general pre-development and construction expenses (\$2,797,858).

Economic Factors Affecting the Authority's Future

Availability of finance capital is essential for WWHA to meet its commitment to the growth of local housing opportunities. The current financial climate with declining asset values and increasing security requirements makes it steadily more challenging for the Authority to finance worthy projects. Federal tax credits for low-income housing are an especially important tool for attracting capital to low-income housing. The Washington State Housing Finance Commission (WSHFC) establishes the priorities for the award of tax credits within the state. The Authority's service area is classified as non-rural, typically putting local projects at a competitive disadvantage for WSHFC awards and increasing the challenge in raising capital.

Linden Place was originally financed under the assumption that replacement funding would be available for rehabilitation and longer-term financing. Management continues to work on finance mechanisms to implement the plan for Linden Place.

The Housing Authority is also challenged in its core activity of administering HUD-funded vouchers. HUD provides both Housing Assistance Payments (HAP) and Administrative Fees. Appropriations for administrative funds were pro-rated to 70% in 2013, 79% in 2014, and are projected to be at 75% for 2015 - hence there are fewer processing dollars to handle an increased workload.

Request for information

This financial report is designed to provide a general overview of the Authority and its Component Units for all those interested. Questions concerning any of the information presented in this report or requests for additional information should be addressed to Amy V Allred, Finance Director, at 501 Cayuse Street, Walla Walla, WA 99362.

Housing Authority of the City of Walla Walla
Statement of Net Position
Current as of: December 31, 2014

	Primary Government	Component Units
<u>ASSETS</u>		
Cash & Cash Equivalents		
Unrestricted	1,332,298	294,589
Restricted for Modernization	203,774	1,008,848
Tenant Security Deposits	42,205	54,935
Current Liability Payment	-	-
Other Restricted	48,154	131,319
Total Cash & Cash Equivalents	1,626,430	1,489,691
Accounts Receivable		
HUD: HCV / VASH / PH / CFP	22,633	-
CORD / TBRA	41,416	-
Notes Receivable - Current	7,727	2,787
Due from Component Units	781,251	-
Intra-PG Bridge Financing	65,988	-
Tenant Rents	4,260	6,586
HAP Recovery	6,498	-
Miscellaneous Billings	8,761	3,292
Allowance for Doubtful Accts.	(6,808)	(2,462)
Total Accounts Receivable	931,726	10,202
Investments		
Unrestricted	256,544	-
Restricted	27,969	52,282
Total Investments	284,513	52,282
Other Current Assets		
Prepaid Expenses	85,226	42,614
Inventory (Maintenance)	91,788	-
Total Other Current Assets	177,014	42,614
TOTAL CURRENT ASSETS	3,019,683	1,594,788
Capital Assets		
Land	1,261,897	1,752,196
Buildings	13,931,795	35,197,440
Furniture / Equipment / Machinery	991,531	1,268,761
Leasehold Improvements	1,082,045	1,197,172
Accumulated Depreciation	(7,556,651)	(6,133,126)
Construction in Progress	17,090	3,968,580
Total Capital Assets	9,727,707	37,251,023
Other Non-Current Assets		
Notes: Mortgage Assistance	370,173	-
LP Mortgages & Accrued Interest	24,166	-
Managing Partner Capital in LP	42,000	-
Total Other Non-Current Assets	436,339	-
TOTAL NON-CURRENT ASSETS	10,164,047	37,251,023
TOTAL ASSETS	13,183,730	38,845,810

The Accompanying Notes are an Integral Part of these Financial Statements.

Housing Authority of the City of Walla Walla
Statement of Net Position
Current as of: December 31, 2014

	Primary Government	Component Units
<u>LIABILITIES & NET POSITION</u>		
Current Liabilities		
AP - less than 90-days	186,159	1,101,110
Accrued Payroll / Taxes	14,208	-
Compensated Absences	27,642	-
Accrued Interest	16,196	10,189
AP - Other	5,104	1,088,191
Tenant Security Deposits	43,274	59,000
Prepaid Rent	6,582	16,982
Inter-Program Due-To	65,754	779,909
Current Portion - Long Term Debt	142,997	42,179
Total Current Liabilities	507,916	3,097,560
Non-Current Liabilities		
Compensated Absences - Non-Current	54,732	-
Long Term Debt - Commercial	6,528,715	13,805,765
Long Term Debt - WWHA	-	24,166
Construction Note	-	10,120,242
Total Non-Current Liabilities	6,583,447	23,950,174
TOTAL LIABILITIES	7,091,362	27,047,733
Net Position		
Unrestricted	2,383,790	(12,773,283)
Restricted	652,581	1,192,448
Invested in Capital	3,055,996	23,378,912
Total Net Position	6,092,367	11,798,077
TOTAL NET POSITION	6,092,367	11,798,077
TOTAL LIABILITIES & NET POSITION	13,183,730	38,845,810

The Accompanying Notes are an Integral Part of these Financial Statements.

Housing Authority of the City of Walla Walla
Statement of Revenues, Expenses, and Changes in Net Position
For the Period Ended: December 31, 2014

	Primary Government	Component Units
<u>OPERATING REVENUES</u>		
Tenant Income		
Tenant Rents	1,327,071	1,171,373
Other Tenant Income	90,776	27,747
Net Tenant Income	1,417,847	1,199,120
Other Operating Revenues		
Contract Payroll Reciepts	333,878	-
Partnership Income	162,896	-
HAP Recovery	11,144	-
Other Income	766,443	20,999
GROSS REVENUE	2,692,209	1,220,119
<u>OPERATING EXPENSES</u>		
Payroll Expenses		
Salaries - Administration	691,440	-
Benefits & Taxes - Administration	135,521	-
Contract Administrative Payroll	-	61,950
Salaries - Maintenance	505,300	-
Benefits & Taxes - Maintenance	155,927	-
Contract Maintenance Payroll	-	242,710
Subtotal Payroll	1,488,188	304,660
Administrative Expenses		
Legal & Auditing	54,397	80,318
Partnership Fees	-	162,896
Development Costs	142,504	8,096
Other Administrative Expenses	128,928	28,882
Total Administration	325,829	280,192
Utility Expenses		
Water	97,966	67,767
Sewer	149,823	106,827
Electricity	71,508	29,564
Gas	12,316	3,834
Total Utility Expenses	331,613	207,992
Maintenance Expenses		
Equipment Rentals	72,690	44,857
Interior Maintenance Contracts	124,330	57,626
Garbage Removal Contract	55,480	53,720
Exterior Maintenance Contracts	54,280	28,475
Total General Maintenance	306,780	184,677

The Accompanying Notes are an Integral Part of these Financial Statements.

Housing Authority of the City of Walla Walla
Statement of Revenues, Expenses, and Changes in Net Position
For the Period Ended: December 31, 2014

	Primary Government	Component Units
Other G & A Expenses		
Insurance	51,890	46,754
Depreciation & Amortization	579,739	1,102,046
Business Taxes & Other General Exp.	2,653	35,710
Bad Debt	21,624	8,134
Total Other G & A Expenses	655,906	1,192,644
TOTAL OPERATING EXPENSES	3,108,317	2,170,165
NET OPERATING INCOME	(416,108)	(950,046)
<u>NON-OPERATING ACTIVITIES</u>		
Grant Revenues		
Voucher Funding	4,028,796	-
Operating Subsidies	796,461	-
Other Grant Revenue	339,990	-
Net Grant Revenues	5,165,247	-
Housing Assistance Payments		
Voucher Payments	4,452,160	-
Utility Assistance	35,583	-
Deposit Assistance	2,450	-
Total Housing Assistance Payments	4,490,193	-
Other Non-Operating Activities		
(Gain) / Loss on Sale of Assets	(148,174)	38,400
Interest (Income)	(8,893)	(1,297)
Interest Expense	225,830	129,749
NET NON-OPERATING ACTIVITIES	606,290	(166,852)
NET INCOME	190,181	(1,116,898)
TOTAL CAPITAL CONTRIBUTIONS	239,191	-
CHANGE IN NET POSITION	429,372	(1,116,898)
Prior Period Adjustments	-	-
Equity Transfers	(40,333)	123,783
Net Position at January 1	5,703,328	12,791,192
NET POSITION AT DECEMBER 31	6,092,367	11,798,077

The Accompanying Notes are an Integral Part of these Financial Statements.

Housing Authority of the City of Walla Walla
Statement of Cash Flows
For the Period Ended: December 31, 2014

	Primary Government	Component Units
Cash Flow from Operating Activities		
Receipts from Tenants	1,410,129	1,200,551
Receipts - Other	1,270,999	21,592
Payments to Suppliers	(965,798)	(567,447)
Payroll: Earnings / Benefits / Taxes	(1,492,110)	23
Net Cash Flow from Operating Activities	223,220	654,720
Cash Flow from Non-Capital Financing Activities		
Voucher Funds Received	4,054,835	-
Voucher Payments	(4,490,194)	-
Operating Subsidies	1,112,564	-
Mortgage Assistance	2,725	-
Interfunding - NET	-	-
Security Deposits / Cafeteria Plan	(23,854)	10,700
Inter-Company	(20)	415,560
Component Unit - NET	(299,255)	(23,681)
Net Cash Flow from Non-Capital Financing Activities	356,801	402,578
Cash Flow from Capital Financing Activities		
Capital Contributions & Grants	178,076	124,159
Land / Building / Equipment Additions	292,065	(13,435,751)
Gain / (Loss) on Sale of Assets	148,174	(38,400)
Principal Payment on Debt	(856,543)	12,105,586
Interest Paid (non-capitalized)	(241,981)	(136,531)
Net Cash Flow from Capital Financing Activities	(480,209)	(1,380,937)
Cash Flow from Investing Activities		
Purchases of Investments	(407)	70,466
Interest & Dividends	535	1,289
Net Cash Flow from Investing Activities	128	71,755
TOTAL PERIOD CASH FLOW	99,939	(251,884)
Cash & Cash Equivalents at January 1	1,526,490	1,741,575
Net Increase / (Decrease) in Cash and Cash Equivalents	99,939	(251,884)
Cash and Cash Equivalents at December 31	1,626,430	1,489,691
<u>Reconcile Income Statement to Cash Flow from Operations</u>		
Net Income / (Loss) from Operations per Income Statement	(416,108)	(950,046)
Add Back: Depreciation	579,739	1,102,046
Adjusted Net Income / (Loss) from Operations	163,631	152,000
Cash adjustment from changes in Assets and Liabilities		
(Increase) Decrease in accounts receivable	(1,526)	(4,733)
(Increase) Decrease in prepaid expenses	31,029	(15,523)
(Increase) Decrease in inventory	(3,839)	-
Increase (Decrease) in accounts payable	47,400	516,221
Increase (Decrease) in accrued liabilities	(3,922)	-
Increase (Decrease) in unearned revenue	(9,553)	6,754
Net Cash Adjustments	59,589	502,720
Net Cash Flow from Operating Activities	223,220	654,720

The Accompanying Notes are an Integral Part of these Financial Statements.

Housing Authority of the City of Walla Walla

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Housing Authority of the City of Walla Walla 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:

A. Reporting Entity

The Housing Authority of the City of Walla Walla is a municipal corporation governed by an appointed six member board. As required by GAAP, management has considered all potential component units in defining the reporting entity. These financial statements present the Authority, the Primary Government, and its Component Units. The Component Units discussed below are included in the Authority's reporting entity because of the significance of their operational or financial relationships with the Authority.

WWHA-Creekside Cottages Limited Partnership

The partnership was formed as a limited partnership under the laws of the State of Washington on April 24, 1998. The partnership agreement was amended June 20, 2000. The purpose of the partnership is to construct and operate a rental housing project. It consists of 25 residential units located in College Place, Washington and operates under the name of Creekside Cottages. The project is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one general partner, the Authority which has a 0.01 percent interest and one limited partner, Banc of America Housing Fund IIID with a 99.99 percent interest. All profits and losses are allocated 0.01 percent to the general partner and 99.99 percent to the limited partner. Year 15 for WWHC-Creekside Cottages Limited Partnership is 2014.

WWHA-Galbraith Gardens Limited Liability Company

The partnership was formed as a limited liability company under the laws of the State of Washington on January 4, 2008. The purpose of the partnership is to rehabilitate and operate a rental housing project consisting of 34 residential units and a community room. The project is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one general partner, the Authority which has a 0.01 percent interest and one limited partner, Enterprise Housing Partners XVIII Limited Partnership, with a 99.99 percent interest. All profits and losses are allocated 0.01

percent to the general partner and 99.99 percent to the limited partner. Year 15 for WWhA-Galbraith Gardens Limited Liability Company is 2023.

WWhA-Lariat Housing Limited Liability Limited Partnership

The partnership was formed as a limited liability limited partnership under the laws of the State of Washington on February 19, 2014. The purpose of the partnership is to rehabilitate and operate a rental housing project consisting of 43 residential units and a community room. The project is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one general partner, WWhA-Lariat Limited Liability Company, which has a 0.01 percent interest, and one limited partner, Enterprise Housing Partner XXIV Limited Partnership, with a 99.99 percent interest. All profits and losses are allocated 0.01 percent to the general partner and 99.99 percent to the limited partner. Year 15 for WWhA-Lariat Housing Limited Liability Limited Partnership is 2029.

WWhA-Marcus Whitman Homes Limited Partnership

The partnership was formed as a limited partnership under the laws of the State of Washington on May 5, 2003. The purpose of the partnership is to rehab and operate a rental housing project. It consists of 50 residential units and a community room located in Walla Walla, Washington and operates under the name of Marjorie Terrace. The project is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one general partner, the Authority, which has a 0.01 percent interest and two limited partners, Enterprise Housing Partners III Series II Limited Partnership with a 48.99 percent interest, and Enterprise Housing Partners XI Limited Partnership with a 51.00 percent interest. All profits and losses are allocated 0.01 to the general partner and 99.99 percent to the limited partners. Year 15 for WWhA-Marcus Whitman Homes Limited Partnership is 2019.

WWhA-Rosehaven Cottages Limited Partnership

The partnership was formed as a limited partnership under the laws of the State of Washington on May 5, 2003. The purpose of the partnership is to construct and operate a rental housing project. The project consists of 25 residential units and a community room located in Walla Walla, Washington and operates under the name of Rosehaven Cottages. The project is eligible for low-income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one general partner, the Authority with a 0.01 percent interest and one limited partner, National Equity Assignment Corporation, which has a 99.99 percent interest. All profits and losses are allocated 0.01 percent to the general partner and 99.99 percent to the limited partner. Year 15 for WWhA-Rosehaven Cottages Limited Partnership is 2019.

Walla Walla Family Homes Limited Liability Company

The partnership was formed as a limited liability company under the laws of the State of Washington on January 06, 2010. The purpose of the partnership is to construct and operate a rental housing project, targeted to farm workers, consisting of 60 residential units and one community room. The land is leased from the Housing Authority. The project is eligible for low income housing tax credits established

under the program described in Section 42 of the Internal Revenue Code. The partnership has one managing member, the Authority, which has a 0.01 percent interest and one special member, Boston Capital Corporate Tax Credit Fund XXXIII Limited Partnership, with 99.99 percent interest. All profits and losses are allocated 0.01 percent to the managing member and 99.99 percent to the special member. Year 15 for Walla Walla Family Homes Limited Liability Company is 2025.

Walla Walla Family Homes Two Limited Liability Company

The partnership was formed as a limited liability company under the laws of the State of Washington on November 26, 2013. The purpose of the partnership is to construct and operate a rental housing project, targeted to farm workers, consisting of 68 residential units and one community room. The land is leased from the Housing Authority. The project is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one managing member, the Authority, which has a 0.01 percent interest and one special member, NEF Assignment Corporation, with 99.99 percent interest. All profits and losses are allocated 0.01 percent to the managing member and 99.99 percent to the special member. Year 15 for Walla Walla Family Homes Two Limited Liability Company is 2029.

Washington School Limited Partnership

The partnership was formed as a limited partnership under the laws of the State of Washington on May 14, 1994. The purpose of the partnership is to construct and operate a rental housing project. The project consists of 24 residential units located in Walla Walla, Washington and operates under the name of Washington School Apartments. The project is eligible for low-income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one general partner, the Authority with a 0.01 percent interest and one limited partner, National Equity Fund 1995 Series II Limited Partnership, which has a 99.99 percent interest. All profits and losses are allocated 0.01 percent to the general partner and 99.99 percent to the limited partner. Year 15 for Washington School Limited Partnership is 2014. NOTE: this partnership was dissolved effective January 1, 2014.

Copies of the annual reports of the limited partnerships and limited liability corporations may be obtained by contacting Amy V Allred, Finance Director, 501 Cayuse Street, Walla Walla, WA 99362.

Washington School Homes Planned Unit Development Property Owners Association

The property owners association was formed as a non-profit corporation under the laws of the State of Washington on August 15, 2007. The purpose of the corporation is to manage the affairs of Washington School Homes Planned Unit Development, which property is made subject to Declaration of Covenants, Conditions, Restrictions and Reservations of Washington School Homes Planned Unit Development. It consists of 25 single-family lots and three additional lots owned by the Housing Authority. The number of memberships available equals the total number of lots within the Planned Unit Development; the Housing Authority holds three

memberships plus all memberships of unsold lots or living units. The Housing Authority maintains memberships for the unsold lots or living units until such time termination occurs by selling or disposing of an ownership interest or property interest covered under the Declarations, and membership is transferred as a part of title.

Walla Walla Housing Foundation

The Walla Walla Housing Foundation was formed as a non-profit corporation under the laws of the State of Washington on December 5, 2006. The purpose of the corporation is to support the Housing Authority of the City of Walla Walla's educational, charitable, and scientific programs by performing fundraising exclusively for the benefit of the Housing Authority of the City of Walla Walla. The corporation has one member, the Housing Authority of the City of Walla Walla who is responsible for appointing the Board of Directors and such other powers, including voting rights and approval rights.

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 special purpose governmental fund model.

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

Low-Rent Public Housing

The Low-Rent Public Housing program consists of 84 housing units. The Authority maintains these housing units and provides them as rental units for low-income families located in Walla Walla, Washington. The U.S. Department of Housing and Urban Development provides the funding to operate these housing units and provides ongoing operating and capital subsidies to the program.

Housing Choice Voucher Program

The Housing Choice Voucher Program was established to provide rental assistance to eligible families to rent in the private market. The Authority administers approximately 750 housing vouchers in Walla Walla and Columbia counties. The Authority's vouchers are designated for low-income individuals and families.

HUD-Veterans Affairs Supportive Housing (VASH)

The VASH Program was established to provide rental assistance for homeless veterans to rent in the private market. The Veterans Administration Medical Center is responsible for screening and referral. The Authority administers 196 VASH

vouchers in Walla Walla, Columbia, Franklin, and Benton counties in Washington State and the greater Milton-Freewater area of Umatilla County in Oregon State.

Tenant Based Rental Assistance Program

The Tenant Based Rental Assistance Program was established to provide rental and deposit assistance to eligible homeless families to rent in the private market. Funding is provided from the State Department of Commerce using HOME funds under CFDA 14.239. The Authority administers the program and provides assistance to an annual average of 20 homeless individuals and families.

HUD Capital Fund Program

The HUD Capital Fund Program (CFP) was established to account for capital funds provided by HUD to improve and upgrade existing low-rent public housing units operated by the Authority.

Veterans Homeless Program

The Corps of Recovery Discovery program is a transitional housing and vocational rehabilitation program for homeless veterans. The Authority constructed 4 duplexes and two single units for the program and contracts with Valley Residential Services to provide services for the homeless program. This program has the highest success rate per capita of any homeless Veterans program within the United States.

Neighborhood Stabilization Program

The Housing Authority purchased two homes in 2010 as a sub-recipient of Neighborhood Stabilization Program funding for conversion to use as transitional housing for homeless veterans. The Authority contracts with Valley Residential Services to provide services for the homeless program.

Belmont Apartments

The Belmont Apartments consists of 21 apartments owned and operated by the Housing Authority. The project receives no federal subsidies and the units are rented at market rate. A minimum of 10 units are dedicated to developmentally disabled individuals.

Farmworker Housing (Lado Viejo Apartments)

Farmworker Housing consists of 68 apartments owned and operated by the Housing Authority. The project receives no federal subsidies and the units are rented at market rate. These units will be decommissioned and demolished in conjunction with the Valle Lindo Two project under construction by Walla Walla Family Homes Two, LLC.

Foothill Homes

Foothill Homes consists of 25 townhome-style apartments located on various sites throughout Walla Walla and is owned and operated by the Housing Authority. The project receives no federal subsidies and the units are rented at market rate.

Lariat Apartments

The Lariat Apartments consists of 34 apartments owned and operated by the Housing Authority. The Housing Authority purchased the property on December 22, 2009. The project receives no federal subsidies and the units are rented at market rate. This property was sold to WWHA-Lariat Housing LLLP effective June 13, 2014.

Linden Place

Previously known as Galbraith Gardens Apartments, Linden Place consists of 20 apartments owned and operated by the Authority. The project receives no federal subsidies and the units are rented at market rate.

Enterprise Program

The Authority uses the Enterprise Program to account for indirect program revenue and expenses. These indirect revenues and expenses are allocated to the Authority's ongoing programs based on the level of resources the programs require. This is the central office cost center and houses the administrative building, including community space which is available for use by each program's tenants and other groups and individuals.

Also included in the Enterprise Program are the revenues and expenses associated with the well-water system, sewer lift-stations, daycare facility and laundry facility located at the Valle Lindo property.

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

The Authority applies GASB pronouncements and has elected to apply Financial Accounting Standard Board (FASB) statements and Accounting Principles Board (APB) pronouncements issued after November 30, 1989.

C. Cash and Cash Equivalents

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

D. Capital Assets: See Note 4.**E. Restricted Assets**

In accordance with long-term debt resolutions and certain related agreements, grant agreements, and partnership agreements separate restricted accounts are required to be established. The assets held in these accounts are restricted for specific uses, including construction, debt service and other special reserve requirements. Restricted resources currently include the following:

Primary Government - Restricted Net Assets

HCV & VASH Housing Assistance	46,299
Mortgage Assistance - Revolving Loan Fund	370,173
Deposit Assistance - Revolving Loan Fund	4,367
Water/Sewer System Replacement Reserves	75,437
CORD Replacement Reserve	27,969
Belmont Replacement Reserve	24,412
Footill Homes Operating/Replacement Reserves	64,054
Washington School Replacement Reserve	39,871
Total Net Restricted Assets	652,581

Primary Government - Other Restricted Cash

Public Housing Security Deposits	15,603
Enterprise Security Deposits	26,601
Cafeteria Plan	5,104
Total Other Restricted Cash	47,309

Component Units - Restricted Net Assets

Operating/Replacement Reserves	1,061,129
Total Net Restricted Assets	1,061,129

Component Units - Other Restricted Cash

Construction Funds - WWFH2 / WWHA-Lariat	131,319
Security Deposits	42,918
Total Other Restricted Cash	174,238

F. Receivables

Tenant account receivables consist of amounts owed from private individuals for unpaid rents, maintenance charges and/or late fees. Allowances for doubtful accounts are established for all accounts receivable, except receivables from component units, and inventory balances. The allowances are adjusted to "at-risk" balances on a monthly basis. An "at-risk" balance is designated as all balances due from past residents/participants plus the entire balance of a note receivable for which any payments are past due.

Other receivables include amounts due from partnerships and federal, state, and local grantors for expenses incurred but not yet reimbursed. No estimate for uncollectible amounts of governmental receivables has been established as management believes that all accounts will be collected in full.

G. Inventories

Inventories are valued at average cost. The accounting system, implemented in fiscal year 2007, initially accounted for inventory using the LIFO methodology. An updated module adopted in 2008 revised the valuation to average cost. The effect was judged to be immaterial and the Authority recorded no entry for accounting change.

H. Investments

State statutes authorize the Authority to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the primary government, as well as for its component units, are reported at fair value. No investments are reported at amortized costs.

Interest is allocated to the appropriate program based on the fair value of its share of pooled funds.

I. Operating Revenues/Expenses

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

J. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The Authority utilizes undifferentiated Paid Time Off (PTO) for vacation, sick leave, and personal leave. The Authority records unpaid leave for compensated absences as an expense and a liability when incurred. PTO may be accumulated and carried-over at year end up to 80 hours. The employee's PTO balance is payable upon resignation, retirement, or death.

K. Construction Financing

Currently the Authority has no active interim or construction financing, however, two of the component unit entities have secured construction financing which will be retired and/or converted to permanent financing with funds from the investor partner/member:

Walla Walla Family Homes Two, LLC has secured construction financing in the amount of \$10,250,000 with Wells Fargo Bank for the construction of Valle Lindo Two. This loan will be fully retired at the close of the project.

WWHA-Lariat Housing LLP has secured interim financing, via tax-exempt bonds, with Banner Bank in the amount of \$4,150,000 for the rehabilitation of Lariat

Gardens. This loan will be reduced to \$2,000,000 and converted to permanent financing at the close of the project.

L. Conditional Assets

The Authority holds mortgages in second position on eight Washington School Homes properties in the total amount of \$219,455. The terms are as follows:

Borrowers making at or below 80% of the area median income are eligible for a deferred-payment second mortgage subsidy recorded as a promissory note secured by a mortgage document with a recapture clause. No interest will be assessed and the borrower will make no payments. If the home is sold within the first 10 years, the Authority will collect the original subsidy and share a portion of the sales proceeds after the retirement of other outstanding debt against the property. Two of the agreements accounting for \$15,000 require no repayment of the mortgage after year-10. The remaining agreements accounting for \$204,455 require 50% repayment of the mortgage after year-10.

The portion of the sales proceeds in which the Authority will share is based on the percentage of the subsidy to the original price of the home. If the home is sold within the first five years of ownership, the Authority will be entitled to a percentage of equity (sales proceeds) equal to the full percentage of the original subsidy. If the home is sold in years 6-10, the Authority will be entitled to a percentage of equity equal to half the percentage of the original subsidy.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

The Authority's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC).

B. Investments

As of the year ended December 31, 2014, the Authority had the following investments:

Primary Government Certificates of Deposit	284,513
Component Unit Certificates of Deposit	52,282

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction the Authority or its Component Units would not be able to recover the value of the investment or collateral securities. Of the Authority's total

position of \$1,910,943 and its Component Units total position of \$1,541,972 at December 31, 2014, \$0.00 is exposed to custodial credit risk because the investments and deposits are fully insured and held in the Authority's name.

NOTE 4 – CAPITAL ASSETS

Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. The Authority and its Component Units do not have any obligations under capital leases.

Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. The Executive Director is also authorized to make determinations on a case-by-case basis for application of the capitalization policy to non-expendable personal property that does not meet the aforementioned policy but where capitalization of the specific equipment purchase would afford more desirable administrative control over the equipment.

Capital assets are recorded at historical cost. Donations are recorded at fair market value at the time of donation or the appraised value.

Primary Government capital asset activity for the year ended December 31, 2014 was as follows:

Non-Depreciating Capital Assets	Beginning	Additions	Retirements	Ending
Land	1,586,560	-	(324,663)	1,261,897
Construction in Progress	287,755	342,855	(613,519)	17,090
Total Non-Depreciating Capital Assets	1,874,315	342,855	(938,182)	1,278,988
Depreciating Capital Assets	Beginning	Additions	Retirements	Ending
Buildings & Site Improvements	15,256,237	1,103,077	(1,345,475)	15,013,840
Equipment	605,549	275,415	(166,251)	714,714
Capitalized Costs	309,903	-	(33,086)	276,817
Total Depreciating Capital Assets	16,171,690	1,378,492	(1,544,811)	16,005,371
Accumulated Depreciation	Beginning	Additions	Retirements	Ending
Buildings & Site Improvements	(6,848,335)	192,400	(497,648)	(7,153,583)
Equipment	(347,895)	60,735	(72,496)	(359,657)
Capitalized Costs	(38,578)	4,971	(9,802)	(43,409)
Total Accumulated Depreciation	(7,234,808)	258,105	(579,946)	(7,556,649)
NET CAPITAL ASSETS	10,811,196	1,979,452	(3,062,939)	9,727,709

Component Unit capital asset activity for the year ended December 31, 2014 was as follows:

Non-Depreciating Capital Assets	Beginning	Additions	Retirements	Ending
Land	1,022,772	729,424	-	1,752,196
Construction in Progress	3,164,027	16,061,731	(15,257,178)	3,968,580
Total Non-Depreciating Capital Assets	4,186,799	16,791,155	(15,257,178)	5,720,776
Depreciating Capital Assets	Beginning	Additions	Retirements	Ending
Buildings & Site Improvements	24,704,163	13,312,495	(2,250,424)	35,766,234
Equipment	731,786	333,683	(21,997)	1,043,471
Capitalized Costs	523,359	360,381	(30,072)	853,668
Total Depreciating Capital Assets	25,959,308	14,006,559	(2,302,493)	37,663,373
Accumulated Depreciation	Beginning	Additions	Retirements	Ending
Buildings & Site Improvements	(5,591,035)	1,208,013	(986,859)	(5,369,881)
Equipment	(523,390)	18,709	(93,559)	(598,240)
Capitalized Costs	(154,562)	21,491	(31,934)	(165,005)
Total Accumulated Depreciation	(6,268,987)	1,248,213	(1,112,352)	(6,133,126)
NET CAPITAL ASSETS	23,877,119	32,045,927	(18,672,023)	37,251,023

In the case of the sale of a significant operating unit or system, the original cost is removed from the capital asset accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

Depreciation is computed on the straight-line method with useful lives of 3 to 50 years. Internal Revenue guidelines are used to determine the depreciation terms of acquired assets.

NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The Housing Authority has active construction commitments as of December 31, 2014. Projects listed on the table below have contractor commitments at year end as noted:

Primary Government - Construction	Expended	Remaining
Capital Fund Project Year 2011	154,502	-
Capital Fund Project Year 2012	137,603	-
Capital Fund Project Year 2013	-	134,911
Capital Fund Project Year 2014	-	152,359
Total Construction In Progress	292,105	287,270
Component Units - Construction	Expended	Remaining
Walla Walla Family Homes Two, LLC	13,131,136	1,089,697
WWHA-Lariat Housing LLLP	5,295,268	2,900,996
Total Construction In Progress	18,426,404	3,990,693

The Housing Authority nor the Component Units will be required to raise further capital to complete the projects currently underway.

NOTE 6 – SHORT-TERM DEBT

The Housing Authority had no external short-term financing in 2014.

NOTE 7 – LEASES

The Authority and its component units have no operating or capital lease agreements.

NOTE 8 – LONG-TERM DEBT AND LIABILITIES

A. Real Estate Mortgages

Primary Government has long term loans secured by capital assets, and one unsecured loan. These loans were used to acquire capital assets that provide low income housing and to improve the Authority's offices in one case. All loans are being repaid from revenues generated by the Primary Government.

Primary Government - Mortgages	Principal	Issue Date	Rate	Due	Outstanding
Washington School Homes - Bridge Loan	114,220	03/01/13	3.88%	2016	110,570
Alder – Secured by Real Estate	316,800	03/21/07	5.00%	2016	176,767
Linden Place – Secured by Real Estate***	500,000	12/23/08	1.00%	2016	243,491
Linden Place – Secured by Real Estate	300,000	12/24/08	5.00%	2016	532,135
Commercial Loan-Unsecured and variable rate	100,000	06/27/11	6.50%	2021	72,668
WWHA Office – Secured Real Estate	205,000	05/29/98	4.50%	2023	98,252
Foothill Homes - Banner Permanent	2,054,600	07/01/10	5.00%	2024	1,917,681
CORD – Secured by Real Estate	126,000	01/18/98	4.50%	2028	44,323
CORD – Secured by Real Estate	70,000	09/13/98	4.50%	2028	77,167
Drinking Water State Reserve Fund	253,595	05/03/13	3.00%	2028	221,896
Belmont Apartments – Secured by Real Estate	237,250	09/24/99	4.50%	2029	157,278
Washington School Apts - Secured by Real Estate				2030	252,984
Washington School Apts - Secured by Real Estate			1.00%	2047	580,101
Belmont Apartments – Secured by Real Estate	100,000	06/30/09	1.00%	2048	96,562
Belmont Apartments – Secured by Real Estate*	100,000	06/30/09	1.00%	2048	117,258
Belmont Apartments – Secured by Real Estate**	113,920	06/30/09	1.00%	2048	133,580
Foothill Homes - HTF secured by Real Estate	1,875,000	10/30/09	1.00%	2049	1,839,000
Total Current Mortgage Balances					<u>6,671,712</u>
* Capitalized Interest at Maturity - Belmont HTF 2					4,761
** Capitalized Interest at Maturity - Belmont HTF 3					19,967
*** Capitalized Interest at Maturity - Linden HFC					10,714
Total Mortgage Balances through Maturity					<u>6,707,153</u>

Service requirements to maturity for mortgages are as follows:

Primary Government Debt Summary

Year	Principal	Interest
2015	142,997	170,939
2016	1,186,165	161,738
2017	147,749	136,733
2018	152,742	131,264
2019	161,513	126,746
2020 - 2024	884,467	542,533
2025 - 2029	963,631	388,748
2030 - 2034	904,074	253,136
2035 - 2039	1,048,475	121,182
2040 - 2044	604,119	14,059
2045 - 2049	511,222	2,850
2050 - 2054	-	-
Total	6,707,153	2,049,927

The Authority is in compliance with all significant limitations and restrictions.

The Component Units have long term loans secured by capital assets. These loans were used to acquire capital assets that provide low income housing. They are being repaid from revenues generated by the component units.

Component Units - Mortgages	Principal	Issue Date	Rate	Due	Outstanding
M. Whitman Homes LP - Secured by Real Estate	2,547,775	09/15/04	6.84%	2020	376,115
Rosehave Cottages LP - Secured by Real Estate	207,714	05/13/05	6.50%	2020	182,881
Creekside Cottages Loan from WWAH*	160,000	08/17/00	3.00%	2027	24,166
Galbraith Gardens LLC - Secured by Real Estate	800,000	07/01/10	5.75%	2028	750,810
Creekside Cottages LP - Secured by Real Estate	162,106	09/24/00	6.00%	2030	122,804
M. Whitman Homes LP - Secured by Real Estate	1,363,000	08/01/05	1.00%	2045	1,374,678
Rosehave Cottages LP - Secured by Real Estate	850,000	03/31/06	1.75%	2045	822,000
Galbraith Gardens LLC - Secured by Real Estate	2,825,000	12/24/08	0.00%	2049	2,825,000
Creekside Cottages LP - Secured by Real Estate	650,000	12/01/01	1.00%	2050	650,000
WW Family Homes - Secured by Real Estate**	2,500,000	11/10/10	1.00%	2051	2,575,000
WWA-Lariat Housing - Secured by Real Estate****	1,700,000	05/05/14	1.00%	2054	1,390,651
WWA-Lariat Housing - Secured by Real Estate*****	1,800,000	05/05/14	1.00%	2054	1,478,005
WW Family Homes 2 - Secured by Real Estate***	1,300,000	06/10/13	1.00%	2054	1,300,000
Total Current Mortgage Balances					13,872,112
* Subject to Accelerated Pay Down					
** Accrued Interest Capitalized through 2031					425,000
*** Accrued Interest Capitalized through 2044					175,068
****Loan not fully drawn @ 12/31/2014 - Accrued interest is estimated & includes undrawn principal					831,743
*****Loan not fully drawn @ 12/31/2014 - Accrued interest is estimated & includes undrawn principal					842,105
Total Mortgage Balances through Maturity					16,146,028

Service requirements to maturity for mortgages are as follows:

<u>Component Unit Debt Summary</u>		
Year	Principal	Interest
2015	42,179	106,781
2016	59,981	111,080
2017	61,916	108,625
2018	56,315	106,028
2019	58,812	103,530
2020 - 2024	337,176	474,537
2025 - 2029	478,267	384,761
2030 - 2034	574,070	306,261
2035 - 2039	528,354	228,843
2040 - 2044	458,283	172,081
2045 - 2049	4,791,121	110,839
2190 2194	8,699,552	88,410
2195 - 2199	-	-
Total	<u>16,146,028</u>	<u>2,301,776</u>

The component units are in compliance with all significant limitations and restrictions.

B. Changes in Long-Term Liabilities

During the year ended December 31, 2014, the following changes occurred in long-term liabilities:

Primary Government	Beginning	Additions	Pay Downs	Ending
Mortgages Payable	7,528,255	2,859,078	(3,715,621)	6,671,712
Compensated Absences	83,700	22,938	(24,263)	82,374
Claims & Judgements	-	-	-	-
Total	<u>7,611,955</u>	<u>2,882,015</u>	<u>(3,739,884)</u>	<u>6,754,086</u>

Component Units	Beginning	Additions	Pay Downs	Ending
Mortgages Payable	11,886,767	2,897,822	(912,477)	13,872,112
Compensated Absences	-	-	-	-
Claims & Judgements	-	-	-	-
Total	<u>11,886,767</u>	<u>2,897,822</u>	<u>(912,477)</u>	<u>13,872,112</u>

NOTE 9 – PENSION PLAN

Substantially all of the Housing 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 retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of

Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements 27, *Accounting for Pensions by State and Local Government Employers* and 50, *Pension Disclosures, an Amendment of GASB Statements 25 and 27*.

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

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

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

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

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

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

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

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit, and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

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

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

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

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

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option. PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of

service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

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

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Terminated Plan Members Non-vested	101,191
Total	368,272

Funding Policy

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

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

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%*****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both Authority and the employees made the required contributions. The Authority's required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2014 Contributions	-	79,883	29,838
2013 Contributions	-	70,261	24,407
2012 Contributions	-	55,247	21,144
2011 Contributions	-	41,698	21,164
2010 Contributions	-	37,168	17,154

NOTE 10 – MAJOR COMPONENT UNITS

GAAP requires that separate presentation or disclosure be made for the major component units of an entity. However, the methodology in determining whether a component unit should be classified as a major or non-major component unit is not clearly defined in GASB 34 and therefore is left to the interpretation of the user of the financial statements. To promote accountability, fiscal integrity, and transparency in fiscal reporting the Authority is providing the following financial disclosures related to the component units:

A. Component Units

The purpose of the limited partnerships is to operate a rental housing project. The Authority has ownership interest in four limited partnerships and three limited liability corporations that are eligible for low-income housing tax credits established under the program described in Section 42 of the Internal Revenue Code.

B. Statement of Net Position (in Thousands)

	CLP	GG LLC	LLP	MWHLP	RLP	VL	VL2	WLP	Other	Total
ASSETS										
Cash & Equivalents										
Unrestricted	7.8	7.5	15.8	63.0	154.6	30.5	15.3	-	-	294.6
Restricted for Modernization	209.5	219.2	-	263.9	57.2	259.0	-	-	-	1,008.8
Tenant Security Deposits	4.8	6.6	2.8	10.0	5.0	16.5	9.2	-	-	54.9
Other Restricted	-	-	-	-	-	-	131.3	-	-	131.3
Total Cash & Equivalents	222.1	233.3	18.6	336.9	216.8	306.0	155.8	-	-	1,489.7
Accounts Receivable										
Notes Receivable - Current	1.7	-	0.4	0.6	0.1	0.1	-	-	-	2.8
Tenant Rents	0.0	0.1	0.8	(0.2)	0.1	1.4	4.5	-	-	6.6
Miscellaneous Billings	-	0.4	2.4	0.0	0.0	0.3	0.2	-	0.0	3.3
Allowance for Doubtful Accts.	(1.7)	(0.1)	-	(0.0)	-	(0.7)	-	-	-	(2.5)
Total Accounts Receivable	0.0	0.4	3.5	0.4	0.2	1.0	4.7	-	0.0	10.2
Investments										
Restricted	-	-	-	-	52.3	-	-	-	-	52.3
Total Investments	-	-	-	-	52.3	-	-	-	-	52.3
Other Current Assets										
Prepaid Expenses	3.3	5.4	0.2	4.6	3.4	12.1	13.5	-	-	42.6
Total Other Current Assets	3.3	5.4	0.2	4.6	3.4	12.1	13.5	-	-	42.6
TOTAL CURRENT ASSETS	225.5	239.2	22.3	342.0	272.7	319.2	174.0	-	0.0	1,594.8
Capital Assets										
Land	200.2	173.2	260.0	137.0	157.5	354.9	469.4	-	-	1,752.2
Buildings	1,848.0	4,467.2	165.3	3,810.8	2,703.9	9,852.2	12,350.0	-	-	35,197.4
Furniture / Equipment / Machinery	107.6	92.4	14.5	250.6	175.8	316.2	311.7	-	-	1,268.8
Leasehold Improvements	34.5	-	1,098.6	59.0	5.1	-	-	-	-	1,197.2
Accumulated Depreciation	(1,112.6)	(931.6)	(4.2)	(1,513.5)	(1,026.6)	(1,406.5)	(138.1)	-	-	(6,133.1)
Construction in Progress	-	-	3,968.6	-	-	-	-	-	-	3,968.6
Total Capital Assets	1,077.6	3,801.3	5,502.8	2,743.8	2,015.6	9,116.9	12,993.0	-	-	37,251.0
TOTAL NON-CURRENT	1,077.6	3,801.3	5,502.8	2,743.8	2,015.6	9,116.9	12,993.0	-	-	37,251.0
TOTAL ASSETS	1,303.1	4,040.5	5,525.1	3,085.8	2,288.3	9,436.0	13,167.1	-	0.0	38,845.8
LIABILITIES & NET POSITION										
Current Liabilities										
AP - less than 90-days	2.8	0.4	474.0	3.7	0.6	5.5	614.1	-	-	1,101.1
Accrued Interest	1.2	3.6	-	4.4	1.0	-	-	-	-	10.2
AP - Other	-	-	250.9	-	-	5.2	832.2	-	0.0	1,088.2
Tenant Security Deposits	4.8	6.6	2.4	10.0	5.0	17.0	13.2	-	-	59.0
Prepaid Rent	0.1	1.5	0.1	3.0	0.6	5.9	5.8	-	-	17.0
Inter-Program Due-To	5.7	49.8	60.2	6.9	3.8	61.6	591.6	-	0.2	779.9
Current Portion - Long Term Debt	12.9	13.2	-	8.6	7.5	-	-	-	-	42.2
Total Current Liabilities	27.4	75.1	787.6	36.7	18.6	95.1	2,056.8	-	0.2	3,097.6
Non-Current Liabilities										
Long Term Debt - Commercial	759.9	3,562.6	2,868.7	1,742.2	997.4	2,575.0	1,300.0	-	-	13,805.8
Long Term Debt - WWHA	24.2	-	-	-	-	-	-	-	-	24.2
Construction Note	-	-	1,546.5	-	-	-	8,573.7	-	-	10,120.2
Total Non-Current Liabilities	784.1	3,562.6	4,415.2	1,742.2	997.4	2,575.0	9,873.7	-	-	23,950.2
TOTAL LIABILITIES	811.6	3,637.7	5,202.8	1,778.9	1,016.0	2,670.1	11,930.5	-	0.2	27,047.7
Net Position										
Unrestricted	1.4	(41.9)	(2,311.8)	50.0	152.1	(35.0)	(10,587.8)	-	(0.2)	(12,773.3)
Restricted	209.5	219.2	-	263.9	109.5	259.0	131.3	-	-	1,192.4
Invested in Capital	280.6	225.5	2,634.1	993.0	1,010.7	6,541.9	11,693.0	-	-	23,378.9
Total Net Position	491.5	402.8	322.3	1,306.9	1,272.3	6,765.9	1,236.5	-	(0.2)	11,798.1
TOTAL NET POSITION	491.5	402.8	322.3	1,306.9	1,272.3	6,765.9	1,236.5	-	(0.2)	11,798.1
TOTAL LIAB. & NET POSITION	1,303.1	4,040.5	5,525.1	3,085.8	2,288.3	9,436.0	13,167.1	-	0.0	38,845.8

C. Statement of Revenues, Expenses, and Changes in Net Position (in Thousands)

	CLP	GG LLC	LLP	MWHLP	RLP	VL	VL2	WLP	Other	Total
<u>OPERATING REVENUES</u>										
Tenant Income										
Tenant Rents	147.3	209.8	39.3	269.1	152.1	325.8	28.0	-	-	1,171.4
Other Tenant Income	2.9	8.2	0.3	10.0	2.6	3.4	0.3	-	-	27.7
Net Tenant Income	150.2	218.0	39.6	279.1	154.7	329.3	28.3	-	-	1,199.1
Other Operating Revenues										
Other Income	-	-	0.6	20.4	-	-	-	-	-	21.0
GROSS REVENUE	150.2	218.0	40.1	299.6	154.7	329.3	28.3	-	-	1,220.1
<u>OPERATING EXPENSES</u>										
Payroll Expenses										
Contract Administrative Payroll	7.4	6.1	2.1	16.1	7.3	21.6	1.4	-	-	61.9
Contract Maintenance Payroll	30.6	33.1	6.2	61.8	30.2	75.5	5.3	-	-	242.7
Subtotal Payroll	38.0	39.1	8.3	77.9	37.5	97.1	6.7	-	-	304.7
Administrative Expenses										
Legal & Auditing	12.0	16.3	0.1	18.6	11.6	16.7	5.1	-	-	80.3
Partnership Fees	28.2	23.5	-	40.5	26.1	39.0	5.7	-	-	162.9
Development Costs	-	-	1.7	-	-	-	6.4	-	-	8.1
Other Administrative Expenses	0.6	0.6	0.9	1.2	0.6	5.5	19.4	-	0.0	28.9
Total Administration	40.8	40.4	2.7	60.3	38.3	61.2	36.6	-	0.0	280.2
Utility Expenses										
Water	10.3	3.5	2.6	9.8	10.3	26.1	5.2	-	-	67.8
Sewer	12.4	12.9	3.9	19.8	18.3	35.8	3.7	-	-	106.8
Electricity	1.8	8.5	1.6	4.5	0.6	6.9	5.7	-	-	29.6
Gas	-	3.7	-	-	-	0.1	-	-	-	3.8
Total Utility Expenses	24.5	28.6	8.1	34.2	29.1	69.0	14.6	-	-	208.0
Maintenance Expenses										
Equipment Rentals	3.1	5.0	0.5	8.1	3.5	19.6	5.1	-	-	44.9
Interior Maintenance Contracts	3.1	11.2	0.4	15.2	3.8	23.1	0.8	-	-	57.6
Garbage Removal Contract	3.9	4.3	2.0	5.2	7.2	27.5	3.6	-	-	53.7
Exterior Maintenance Contracts	-	0.1	-	27.6	0.1	0.7	-	-	-	28.5
Total General Maintenance	10.0	20.5	2.9	56.1	14.6	71.0	9.5	-	-	184.7
Other G & A Expenses										
Insurance	4.7	8.7	-	8.7	4.8	13.7	6.1	-	-	46.8
Depreciation & Amortization	77.0	175.4	1.0	150.3	109.9	450.4	138.1	-	-	1,102.0
Business Taxes	0.3	0.4	0.0	0.8	0.4	0.1	33.8	-	0.0	35.7
Bad Debt	0.9	2.4	-	1.6	1.1	2.0	-	-	-	8.1
Total Other G & A Expenses	83.0	186.8	1.0	161.4	116.1	466.2	178.0	-	0.0	1,192.6
TOTAL OPERATING EXP.	196.3	315.5	23.0	389.9	235.7	764.4	245.4	-	0.0	2,170.2
NET OPERATING INCOME	(46.1)	(97.5)	17.1	(90.3)	(81.0)	(435.2)	(217.1)	-	(0.0)	(950.0)
<u>NON-OPERATING ACTIVITIES</u>										
Other Non-Operating Activities										
(Gain) / Loss on Sale of Assets	(2.1)	0.7	(0.4)	31.5	(0.0)	1.0	7.8	-	-	38.4
Interest (Income)	(0.3)	(0.4)	(0.0)	(0.4)	(0.1)	(0.0)	(0.0)	-	-	(1.3)
Interest Expense	8.3	44.7	-	39.7	12.0	25.0	-	-	-	129.7
NET NON-OPERATING	(5.8)	(45.0)	0.4	(70.8)	(11.9)	(25.9)	(7.8)	-	-	(166.9)
NET INCOME	(51.9)	(142.5)	17.5	(161.1)	(92.9)	(461.1)	(224.9)	-	(0.0)	(1,116.9)
CHANGE IN NET POSITION	(51.9)	(142.5)	17.5	(161.1)	(92.9)	(461.1)	(224.9)	-	(0.0)	(1,116.9)
Prior Period Adjustments	-	-	-	-	-	-	-	-	-	-
Equity Transfers	-	-	304.8	-	-	-	(91.8)	(89.2)	-	123.8
Net Position at January 1	543.4	545.3	-	1,468.0	1,365.2	7,227.0	1,553.2	89.2	(0.2)	12,791.2
NET POSITION AT DECEMBER 31	491.5	402.8	322.3	1,306.9	1,272.3	6,765.9	1,236.5	0.0	(0.2)	11,798.1

D. Statement of Cash Flows (in Thousands)

	CLP	GG LLC	LLP	MWHLP	RLP	VL	VL2	WLP	Other	Total
Cash Flow from Operating Activities										
Receipts from Tenants	150.0	216.9	38.5	279.9	154.7	331.4	29.4	(0.3)	-	1,200.6
Receipts - Other	-	-	(1.8)	21.0	-	-	-	2.3	-	21.6
Payments to Suppliers	(119.3)	(140.7)	420.2	(240.2)	(126.5)	(319.9)	(39.2)	(1.8)	(0.0)	(567.4)
Net Cash Flow from Operating Activities	30.7	76.2	456.9	60.7	28.3	11.5	(9.8)	0.3	(0.0)	654.7
Cash Flow from Non-Capital Financing Activities										
Security Deposits / Cafeteria Plan	(0.2)	0.2	2.4	0.2	-	(0.5)	13.2	(4.6)	-	10.7
Inter-Company	(3.2)	(0.5)	(120.2)	(0.4)	0.3	18.0	655.0	(133.5)	0.0	415.6
Component Unit - NET	-	(1.9)	-	-	-	(21.7)	-	-	-	(23.7)
Net Cash Flow from Non-Capital Financing Activities	(3.4)	(2.3)	(117.8)	(0.2)	0.3	(4.2)	668.2	(138.1)	0.0	402.6
Cash Flow from Capital Financing Activities										
Capital Contributions & Grants	-	-	305.2	-	-	-	(91.8)	(89.2)	-	124.2
Land / Building / Equipment Additions	(0.6)	-	(5,041.3)	15.3	(3.0)	(1.5)	(9,390.8)	986.0	-	(13,435.8)
Gain / (Loss) on Sale of Assets	2.1	(0.7)	0.4	(31.5)	0.0	(1.0)	(7.8)	-	-	(38.4)
Principal Payment on Debt	(14.4)	(12.5)	4,415.2	(8.1)	(7.2)	25.0	8,573.7	(866.1)	-	12,105.6
Interest Paid (non-capitalized)	(8.5)	(44.8)	-	(39.8)	(12.0)	(25.0)	-	(6.4)	-	(136.5)
Net Cash Flow from Capital Financing Activities	(21.4)	(58.0)	(320.5)	(64.0)	(22.2)	(2.4)	(916.7)	24.3	-	(1,380.9)
Cash Flow from Investing Activities										
Purchases of Investments	-	-	-	-	(0.0)	-	-	70.5	-	70.5
Interest & Dividends	0.3	0.4	0.0	0.4	0.1	0.0	0.0	(0.0)	-	1.3
Net Cash Flow from Investing Activities	0.3	0.4	0.0	0.4	0.1	0.0	0.0	70.5	-	71.8
TOTAL PERIOD CASH FLOW	6.2	16.4	18.6	(3.1)	6.4	4.8	(258.3)	(43.0)	-	(251.9)
Cash & Cash Equivalents at January 1	215.9	216.9	-	340.0	210.4	301.2	414.1	43.0	-	1,741.6
Net Increase / (Decrease) in Cash and Cash Equivalents	6.2	16.4	18.6	(3.1)	6.4	4.8	(258.3)	(43.0)	-	(251.9)
Cash and Cash Equivalents at December 31	222.1	233.3	18.6	336.9	216.8	306.0	155.8	-	-	1,489.7
Reconcile Income Statement to Cash Flow from Operations	(0.0)	0.0	0.0	(0.0)	(0.0)	(0.0)	0.0	-	-	(0.0)
Net Income / (Loss) from Operations per Income Statement	(46.1)	(97.5)	17.1	(90.3)	(81.0)	(435.2)	(217.1)	-	(0.0)	(950.0)
Add Back: Depreciation	77.0	175.4	1.0	150.3	109.9	450.4	138.1	-	-	1,102.0
Adjusted Net Income / (Loss) from Operations	31.0	77.9	18.2	60.0	28.9	15.2	(79.0)	-	(0.0)	152.0
Cash adjustment from changes in Assets and Liabilities										
(Increase) Decrease in accounts receivable	(0.0)	0.3	(3.5)	0.6	(0.2)	0.4	(4.7)	2.3	(0.0)	(4.7)
(Increase) Decrease in prepaid expenses	(0.3)	(0.1)	(0.2)	(0.4)	(0.3)	(1.0)	(13.5)	0.4	-	(15.5)
Increase (Decrease) in accounts payable	0.2	(0.5)	442.4	(0.2)	(0.4)	(4.9)	81.6	(2.1)	-	516.2
Increase (Decrease) in unearned revenue	(0.2)	(1.4)	0.1	0.7	0.3	1.7	5.8	(0.3)	-	6.8
Net Cash Adjustments	(0.3)	(1.7)	438.7	0.7	(0.6)	(3.7)	69.2	0.3	(0.0)	502.7
Net Cash Flow from Operating Activities	30.7	76.2	456.9	60.7	28.3	11.5	(9.8)	0.3	(0.0)	654.7

NOTE 11 – MATERIAL RELATED PARTY TRANSACTIONS

WWHA-Creekside Cottages LP, WWHa-Galbraith Gardens LLC, WWHa-Lariat Housing LLLP, WWHa-Marcus Whitman Homes LP, WWHa-Rosehaven Cottages LP, Walla Walla Family Homes, LLC and Walla Walla Family Homes Two, LLC and Washington School Apartments LP are managed by the Housing Authority. As such, the managing partner is entitled to, per the partnership agreements, certain property management and administrative fees.

The Housing Authority earned the following fees during fiscal year 2014:

	Incentive Mgmt Fee	Developer Fee	Partnership Admin Fee	Property Mgmt Fee	Total Fees Paid
WWHA-Creekside Cottages LP	-	-	17,206	10,981	28,187
WWHA-Galbraith Gardens LLC	-	-	6,883	16,574	23,457
WWHA-Lariat Housing LLLP	-	120,000	-	-	120,000
WWHA-Marcus Whitman Homes LP	-	-	20,159	20,329	40,488
WWHA-Rosehaven Cottages LP	-	-	12,606	13,494	26,101
WWHA-Walla Walla Family Homes LLC	-	-	10,000	28,973	38,974
WWHA-Walla Walla Family Homes Two LLC	-	566,890	3,199	2,491	572,580
Washington School Apartments LP	-	-	-	-	-
Total	-	686,890	70,052	92,844	849,786

The Housing Authority has entered into ground leases with the limited partners. Annual lease payments are \$12, with the exception of Walla Walla Family Homes LLC which is \$10 annually, prepaid through 2017, and Walla Walla Family Homes Two LLC, which is \$1 annually.

The partnership agreements between the Housing Authority and its component units provide for various obligations of the general partner including its obligation to provide funds for any development and operating deficits. The specific details of the notes payable from the component units to the Housing Authority, if any, can be seen in Note 8.

- The Housing Authority entered into a note receivable with Creekside Cottages LP. The unpaid balance accrues interest at 3.0 percent per annum. Accrued interest receivable was \$551 at December 31, 2014.
- The accompanying table ties to Current Asset: Due from Component Unit and to Non-current Asset: Long-term Notes Due from Component Unit.

Amounts due from the Component Units at December 31, 2014, are as follows:

WWHA-Creekside Cottages LP	
Year-End Fees	5,715
Accrued Interest	551
Note Principal	24,166
WWHA-Galbraith Gardens LLC	
Year-End Fees	3,484
Partnership Fee	26,351
Developer Fee	20,000
WWHA-Lariat Housing LLLP	
Year-End Fees	850
Developer Fee	59,400
Accrued Interest	-
WWHA-Marcus Whitman Homes LP	
Year-End Fees	6,856
WWHA-Rosehaven Cottages LP	
Year-End Fees	3,830
WWHA-Walla Walla Family Homes LLC	
Year-End Fees	9,872
Partnership Fee	30,000
Developer Fee	21,744
WWHA-Walla Walla Family Homes Two LLC	
Year-End Fees	21,484
Partnership Fee	3,199
Developer Fee	566,890
Washington School Apartments LP	
Year-End Fees	-
Total Due From Component Units	804,392

NOTE 12 – ACCOUNTING CHANGES

There were no major accounting policy changes in 2014.

NOTE 13 – EXTRAORDINARY / SPECIAL ITEMS

There are no extraordinary or special items for 2014.

NOTE 14 - PRIOR PERIOD ADJUSTMENTS

There are no prior period adjustments in 2014.

NOTE 15 – CONTINGENT LIABILITIES AND LITIGATION

The Authority has made no material commitments nor have there been any events or actions in regards to contingent litigations between the effective dates of these financial statements and the date of issue to be reported.

NOTE 16 – SUBSEQUENT EVENTS

As noted in the Management's Discussion and Analysis Item #5, the Authority holds a purchase option as managing partner on the Low-Income-Housing-Tax-Credit property Creekside Cottages which reached the end of its initial 15-year compliance period in late 2014. The limited partner interest was transferred to a holding company, WWHA Interim LLC, effective May 29, 2015. The Authority is the sole member of the LLC. Beginning in 2015, WWHA-Creekside Cottages LP will be classified as a blended component unit of the Authority and, as such, reported under the primary government. Assets and liabilities are to be transferred at the January 1, 2015 values of \$225,207.49 (cash & cash equivalents), \$1,077,580.26 (net fixed assets), \$14,593.47 (current liabilities), and \$796,970.50 (long-term debt). Prior to completion of the transfer, operating reserve funds were used to pay down the then current balance of the Promissory Note with WWHA in the amount of \$16,247.91, including accrued interest.

NOTE 17 – JOINT VENTURES

The Authority does not participate in any joint ventures.

NOTE 18 – RISK MANAGEMENT

The Housing Authority of the City of Walla Walla is a member of the Housing Authorities Risk Retention Pool (HARRP). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Inter-local Cooperation Act), 55 public housing authorities in the states of Washington, Oregon and California originally formed HARRP in March 1987. HARRP was created for the purposes of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. HARRP currently has a total of 87 members in the states of Washington, Oregon, Nevada and California; 36 of the 87 members are Washington public housing entities.

New members originally contract for a 3- year term and thereafter automatically renew on an annual basis. Members may quit (after completion of the 3-year commitment) upon giving written notice to HARRP prior to their renewal date. HARRP can terminate the members after giving a sixty (60) day notice prior to the renewal date. Termination does not relieve a former member from its unresolved losses incurred during membership.

Members are placed into an actuarially determined rate tier designed to reflect loss experience of the member for the previous four years. The tiered system is designed to adjust rates based on claims experience.

Automobile Liability coverage is written on an occurrence basis, with \$250 - \$500 in deductibles. General Liability coverage is also written on an occurrence basis with a variable deductible ranging from \$0 to 10% of the claim. Errors & Omissions coverage and Employment Practices Liability coverage are written on a claims-made basis, and the members are responsible for \$2,500 or up to 10% of the incurred costs of the claims. Due to special underwriting circumstances, some members may be subject to a greater E&O co-payment. The Property coverage offered by HARRP is on a replacement cost basis with deductibles ranging from \$1,000 to \$25,000. Fidelity coverage, with limits of \$100,000 (with options up to \$500,000) for employee dishonesty and forgery or alteration and \$10,000 for theft are also provided with deductibles the same as Property.

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

In 2011 HARRP re-structured its self-insurance program to transfer a portion of the risk to the commercial marketplace. HARRP self-insures 50% of the full layer of coverage for liability lines (\$2,000,000 per occurrence and \$2,000,000 annual aggregate) and purchases reinsurance for the remaining \$1,000,000. For property, HARRP purchases \$45,000,000 of reinsurance for a combined total of \$47,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

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

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

Risk Exposure and Claims:

There were three damage claims in 2014:

1. Water damage from a frozen sprinkler line in Building G at Marjorie Terrace Apartments. Insurance covered \$20,431 of the \$27,626 in expenses. The damage occurred and the claim was initiated in December of 2013 however, the bulk of the repair work and pay-out on the claim occurred in 2014.
2. Unit 108 at Washington School Apartments received extensive water damage from the resident in Unit 208, above, leaving the water running in the sink for several hours. Insurance covered \$32,946 of the \$42,672 in expenses. The damage occurred and the claim was initiated in December of 2014 however, the bulk of the expense and pay-out of the claim occurred in 2015.

3. Unit 109 at Galbraith Gardens suffered water damage from a toilet leak in Unit 209, above. Insurance covered \$12,547 of the \$13,512 in expenses. The damage occurred and the claim was initiated in December of 2014 however, the contractor work pay-out of the claim occurred in 2015.

Claims have not exceeded insurance coverage in any of the last three years.

NOTE 19 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The Authority has no OPEB plans.

NOTE 20 – TERMINATION BENEFITS

The Authority has no outstanding termination benefit obligations.

NOTE 21 - PLEDGES AND SALES OF FUTURE REVENUES AND INTRA-ENTITY TRANSFERS OF ASSETS AND FUTURE REVENUES

The Authority has no applicable pledges or sales.

NOTE 22 – POLLUTION REMEDIATION OBLIGATIONS

The Authority has no pollution remediation obligations.

NOTE 23 – DERIVATIVE INSTRUMENTS

The Authority has no derivative instruments.

NOTE 24 – BANKRUPTCY

The Authority has not filed for bankruptcy.

NOTE 25 – GOING CONCERN

The Walla Walla Housing Authority is considered a going concern.

City of Walla Walla Housing Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Agency (Pass-Through Agency) CFP Cluster	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Public Housing Capital Fund	14.872	WA19P05701- 11	-	79,378	79,378	1, 2
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Public Housing Capital Fund	14.872	WA19P05701- 12	-	134,420	134,420	1, 2
Total CFP Cluster:				-	213,798	213,798	
Housing Voucher Cluster							
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Section 8 Housing Choice Vouchers	14.871	WA057	-	4,507,458	4,507,458	1, 2
Total Housing Voucher Cluster:				-	4,507,458	4,507,458	
Other Programs							
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Washington State Department Of Commerce)	Home Investment Partnerships Program	14.239	F07-47101-113	127,963	-	127,963	1, 2
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Public and Indian Housing	14.850	WA057-001- 06D	-	197,863	197,863	1, 2
Va Health Administration Center, Department Of Veterans Affairs	VA Homeless Providers Grant and Per Diem Program	64.024	96-036-WA	-	164,541	164,541	1, 2, 3
Va Health Administration Center, Department Of Veterans Affairs	VA Homeless Providers Grant and Per Diem Program	64.024	05-72-WA	-	159,849	159,849	1, 2, 3
Total CFDA 64.024:				-	324,390	324,390	
Total Federal Awards Expended:				127,963	5,243,509	5,371,472	

Notes to the Schedule of Expenditures of Federal Funds

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - HUD GRANT REPORTING REQUIREMENTS

The amounts shown in Schedule of Expenditures of Federal Awards represent Federal funds expended by the Authority in the reporting period. Excepting CFDA 14.850 and/or CFDA 14.871, the listed programs are cost reimbursement and are claimed via voucher. CFDA 14.850 and/or 14.871 are formula driven and are disbursed in advance of Authority expenditure.

HUD's Accounting Issue #10 on OMB A-133 reporting implications determines that "for subsidy programs (Low Rent [CFDA 14.850] and Section 8 [CFDA 14.871]) federal awards expended would equal the net ACC subsidy... Specifically the net Low Rent operating subsidy received and the net Section 8...dollars received would be the federal awards expended..."

The basis for reporting SEFA Schedule 16 by CFDA is as follows:

CFDA	Federal Program Name	Revenue	Expenditure
14.239	HOME Investment Partnership Program		127,963
14.850	Public and Indian Housing	197,863	
14.872	Public Housing Capital Fund Program		213,798
14.871	Section 8 Housing Choice Voucher	4,507,458	
64.024	VA Homeless Providers Grant and Per Diem Program		324,390
	Total Federal Funds Expended	4,705,321	666,151

CFDA 14.850 Public and Indian Housing Federal funds are commingled with local funds. In 2014, Public Housing revenues exceeded expenditures: CFDA 14.850 Unrestricted Net Position increased \$102,165 to \$321,449.

CFDA 14.871 Section 8 Housing Choice Voucher funds are not commingled with local funds. In 2014, Section 8 voucher expenditures exceeded revenues: CFDA 14.871 Restricted Net Position decreased \$174,317 to \$46,299.

Notes to the Schedule of Expenditures of Federal Funds		Expenditure	less
		Expenditure	Revenue
14.850	Public and Indian Housing	96,466	(101,397)
14.871	Section 8 Housing Choice Voucher	4,758,982	251,524
	Total Expenditures and Net Asset Change	4,855,448	150,127

NOTE 3 - VA HOMELESS PROVIDES PER DIEM PROGRAM

The Housing Authority contracts with Valley Residential Services as a subrecipient for transitional housing services. Of the \$324,390 in Federal funds received by the Authority under 64.024, \$253,989 to was paid to Valley Residential for services provided.

HA City of Walla Walla (WA057)
WALLA WALLA, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	14.226 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	6.1 Component Unit - Discreetly Presented	64.024 VA Homeless Providers Grant and Per Diem Program	14.239 HOME Investment Partnerships Program	2 State/Local	Subtotal	Total
111 Cash - Unrestricted	\$210,385		\$75,845	\$425,908	\$19,475	\$2,248	\$1,024,345	\$1,758,206	\$1,758,206
112 Cash - Restricted - Modernization and Development				\$1,008,848			\$203,774	\$1,212,622	\$1,212,622
113 Cash - Other Restricted			\$43,050					\$43,050	\$43,050
114 Cash - Tenant Security Deposits	\$15,603			\$54,936			\$26,601	\$97,139	\$97,139
115 Cash - Restricted for Payment of Current Liabilities							\$5,104	\$5,104	\$5,104
100 Total Cash	\$225,988	\$0	\$118,895	\$1,489,691	\$19,475	\$2,248	\$1,269,824	\$3,116,121	\$3,116,121
121 Accounts Receivable - PHA Projects									
122 Accounts Receivable - HUD Other Projects	\$22,633							\$22,633	\$22,633
124 Accounts Receivable - Other Government			\$1,846		\$28,282	\$11,334		\$41,462	\$41,462
125 Accounts Receivable - Miscellaneous			\$0	\$2,350			\$4,370	\$6,720	\$6,720
126 Accounts Receivable - Tenants	\$3,019			\$7,525			\$5,586	\$16,130	\$16,130
126.1 Allowance for Doubtful Accounts - Tenants	\$-873			\$-2,462			\$-2,375	\$-5,710	\$-5,710
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$-2,376	\$-2,376	\$-2,376
127 Notes, Loans, & Mortgages Receivable - Current	\$75			\$2,787			\$7,652	\$10,514	\$10,514
128 Fraud Recovery			\$6,498					\$6,498	\$6,498
128.1 Allowance for Doubtful Accounts - Fraud	\$0		\$-1,185					\$-1,185	\$-1,185
129 Accrued Interest Receivable							\$551	\$551	\$551
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$24,854	\$0	\$7,159	\$10,200	\$28,282	\$11,334	\$13,408	\$95,237	\$95,237
131 Investments - Unrestricted	\$66,861						\$189,693	\$256,544	\$256,544
132 Investments - Restricted				\$52,282	\$27,969			\$80,251	\$80,251
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets	\$22,605	\$1,187	\$27,155	\$42,614	\$2,812	\$610	\$30,857	\$127,840	\$127,840
143 Inventories							\$82,538	\$92,538	\$92,538
143.1 Allowance for Obsolete Inventories							\$-750	\$-750	\$-750
144 Inter Program Due From							\$946,688	\$946,688	\$946,688
145 Assets Held for Sale									
150 Total Current Assets	\$340,308	\$1,187	\$153,209	\$1,594,787	\$78,538	\$14,192	\$2,432,248	\$4,614,469	\$4,614,469
161 Land	\$302,750	\$35,241		\$1,752,196	\$62,500		\$861,407	\$3,014,094	\$3,014,094
162 Buildings	\$4,565,977	\$374,645		\$34,136,056	\$1,484,098		\$6,712,715	\$47,273,491	\$47,273,491
163 Furniture, Equipment & Machinery - Dwellings	\$229,534	\$4,125		\$948,766	\$23,454		\$19,936	\$1,325,815	\$1,325,815
164 Furniture, Equipment & Machinery - Administration	\$174,484			\$94,705			\$163,181	\$432,370	\$432,370
165 Leasehold Improvements	\$1,970,928			\$2,483,846			\$182,293	\$4,637,067	\$4,637,067
166 Accumulated Depreciation	\$-5,297,787	\$-53,084		\$-6,133,126	\$-559,499		\$-1,646,279	\$-13,689,775	\$-13,689,775
167 Construction in Progress				\$3,968,580			\$17,090	\$3,985,670	\$3,985,670
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,945,886	\$360,927	\$0	\$37,251,023	\$1,010,553	\$0	\$6,410,343	\$46,978,732	\$46,978,732
171 Notes, Loans and Mortgages Receivable - Non-Current									
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									
173 Grants Receivable - Non Current							\$394,339	\$394,339	\$394,339
174 Other Assets									
176 Investments in Joint Ventures							\$42,000	\$42,000	\$42,000
180 Total Non-Current Assets	\$1,945,886	\$360,927	\$0	\$37,251,023	\$1,010,553	\$0	\$6,846,682	\$47,415,071	\$47,415,071

HA City of Walla Walla (WA057)
WALLA WALLA, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	64.024 VA Homeless Providers Grant and Per Diem Program	14.239 HOME Investment Partnerships Program	2 State/Local	Subtotal	Total
200 Deferred Outflow of Resources									
290 Total Assets and Deferred Outflow of Resources	\$2,286,194	\$362,114	\$163,209	\$38,845,810	\$1,089,091	\$14,192	\$9,278,930	\$52,029,540	\$52,029,540
311 Bank Overdraft									
312 Accounts Payable <= 90 Days	\$888	\$12	\$117	\$1,094,020	\$22,627		\$155,830	\$1,273,474	\$1,273,474
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable							\$19,311	\$19,311	\$19,311
322 Accrued Compensated Absences - Current Portion							\$27,642	\$27,642	\$27,642
324 Accrued Contingency Liability									
325 Accrued Interest Payable		\$386		\$10,189	\$456		\$15,364	\$26,385	\$26,385
331 Accounts Payable - HUD PHA Programs									
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government									
341 Tenant Security Deposits	\$16,400			\$59,000			\$26,874	\$102,274	\$102,274
342 Unearned Revenue	\$1,265		\$15	\$15,982			\$5,302	\$23,564	\$23,564
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		\$9,172		\$10,162,421	\$6,843		\$126,982	\$10,305,418	\$10,305,418
344 Current Portion of Long-term Debt - Operating Borrowings									
345 Other Current Liabilities	\$326			\$1,095,275	\$101		\$4,016	\$1,099,718	\$1,099,718
346 Accrued Liabilities - Other			\$2,096	\$4		\$169		\$2,269	\$2,269
347 Inter Program - Due To		\$24,778		\$779,909	\$31,000	\$9,976		\$845,663	\$845,663
348 Loan Liability - Current									
310 Total Current Liabilities	\$18,859	\$34,348	\$2,228	\$13,217,800	\$61,027	\$10,145	\$381,311	\$13,725,718	\$13,725,718
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$63,496		\$13,829,932	\$114,647		\$6,350,572	\$20,358,647	\$20,358,647
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other									
354 Accrued Compensated Absences - Non Current							\$54,732	\$54,732	\$54,732
355 Loan Liability - Non Current									
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities									
350 Total Non-Current Liabilities	\$0	\$63,496	\$0	\$13,829,932	\$114,647	\$0	\$6,405,304	\$20,413,379	\$20,413,379
300 Total Liabilities	\$18,859	\$97,844	\$2,228	\$27,047,732	\$175,674	\$10,145	\$6,786,615	\$34,139,097	\$34,139,097
400 Deferred Inflow of Resources									
508.4 Net Investment in Capital Assets	\$1,945,886	\$288,259	\$46,299	\$13,256,670	\$889,063		-\$67,211	\$16,314,667	\$16,314,667
511.4 Restricted Net Position	\$0			\$1,061,130	\$27,969		\$78,314	\$1,713,712	\$1,713,712
512.4 Unrestricted Net Position	\$321,449	\$24,989	\$104,682	-\$2,521,722	-\$3,615	\$4,047	\$1,981,212	-\$137,936	-\$137,936
513 Total Equity - Net Assets / Position	\$2,267,335	\$264,270	\$150,981	\$11,798,078	\$913,417	\$4,047	\$2,492,315	\$17,890,443	\$17,890,443
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,286,194	\$362,114	\$163,209	\$38,845,810	\$1,089,091	\$14,192	\$9,278,930	\$52,029,540	\$52,029,540

HA City of Walla Walla (WA057)
WALLA WALLA, WA
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133 Fiscal Year End: 12/31/2014

	Project Total	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	6.1 Component Unit - Discreetly Presented	64.024 VA Homeless Providers Grant and Per Diem Program	14.239 HOME Investment Partnerships Program	2 State/Local	Subtotal	Total
70300 Net Tenant Rental Revenue	\$321,415			\$1,171,373			\$1,005,656	\$2,498,444	\$2,498,444
70400 Tenant Revenue - Other	\$23,214			\$27,747			\$67,962	\$118,523	\$118,523
70500 Total Tenant Revenue	\$344,629	\$0	\$0	\$1,199,120	\$0	\$0	\$1,073,218	\$2,616,967	\$2,616,967
70600 HUD PHA Operating Grants	\$395,587		\$4,507,458					\$5,019,740	\$5,019,740
70610 Capital Grants	\$16,074					\$116,695	\$27,000	\$43,074	\$43,074
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	\$107			\$53	\$324,390		\$15,600	\$339,990	\$339,990
71200 Mortgage Interest Income							\$8,886	\$8,846	\$8,846
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery			\$11,144					\$11,144	\$11,144
71500 Other Revenue	\$662	\$21,600	\$1,648	\$20,999	\$3,600	\$11,268	\$1,226,072	\$1,285,849	\$1,285,849
71600 Gain or Loss on Sale of Capital Assets	-\$2,367			-\$38,400			\$150,541	\$109,774	\$109,774
72000 Investment Income - Restricted				\$1,244	\$28		\$72	\$1,344	\$1,344
70000 Total Revenue	\$754,692	\$21,600	\$4,520,250	\$1,183,016	\$328,018	\$127,963	\$2,501,189	\$9,436,728	\$9,436,728
91100 Administrative Salaries	\$81,441	\$1,586	\$395,476	\$61,950	\$6,704	\$6,959	\$200,648	\$754,764	\$754,764
91200 Auditing Fees	\$1,557	\$93	\$14,078	\$34,140			\$12,715	\$62,583	\$62,583
91300 Management Fee									
91310 Book-keeping Fee									
91400 Advertising and Marketing	\$289	\$17	\$2,576	\$15,467		\$66	\$948	\$19,363	\$19,363
91500 Employee Benefit Contributions - Administrative	\$16,084	\$309	\$82,844		\$1,231	\$1,392	\$34,593	\$136,453	\$136,453
91600 Office Expenses	\$13,644	\$1,127	\$93,684	\$16,163	\$341	\$1,195	\$47,072	\$173,226	\$173,226
91700 Legal Expense	\$2,970			\$2,307			\$8,137	\$13,414	\$13,414
91800 Travel	\$4,466	\$74	\$11,342			\$330	\$4,640	\$20,852	\$20,852
91810 Allocated Overhead									
91900 Other	\$3,605			\$218,103			\$148,145	\$369,853	\$369,853
91000 Total Operating - Administrative	\$124,056	\$3,206	\$600,000	\$348,130	\$8,276	\$9,942	\$456,898	\$1,550,508	\$1,550,508
92000 Asset Management Fee									
92100 Tenant Services - Salaries									
92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services									
92400 Tenant Services - Other	\$1,043			\$3,266			\$25,036	\$29,345	\$29,345
92500 Total Tenant Services	\$1,043	\$0	\$0	\$3,266	\$0	\$0	\$25,036	\$29,345	\$29,345
93100 Water	\$34,624	\$1,069	\$1,528	\$67,767	\$4,826	\$36	\$55,883	\$165,733	\$165,733

HA City of Walla Walla (WA057)
WALLA WALLA, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	14,228 Community Development Block Grants/State's Program	14,871 Housing Choice Vouchers	6.1 Component Unit - Discreetly Presented	64,024 VA Homeless Providers Grant and Per Diem Program	14,239 HOME Investment Partnerships Program	2 State/Local	Subtotal	Total
93200 Electricity	\$5,289	\$29	\$4,325	\$29,564		\$105	\$61,761	\$101,073	\$101,073
93300 Gas	\$313	\$808	\$2,875	\$3,834		\$89	\$8,231	\$16,150	\$16,150
93400 Fuel									
93500 Labor									
93600 Sewer	\$42,069	\$1,433	\$3,244	\$106,827	\$5,047	\$75	\$97,964	\$256,649	\$256,649
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense									
93900 Total Utilities	\$62,295	\$3,339	\$11,972	\$207,992	\$9,873	\$305	\$223,829	\$539,605	\$539,605
94100 Ordinary Maintenance and Operations - Labor	\$124,155	\$2,163		\$242,710	\$9,751		\$369,231	\$748,010	\$748,010
94200 Ordinary Maintenance and Operations - Materials and Other	\$24,007	\$199	\$883	\$40,792	\$5,815	\$207	\$39,451	\$111,354	\$111,354
94300 Ordinary Maintenance and Operations Contracts	\$76,969	\$693	\$8,568	\$143,885	\$7,305		\$108,822	\$346,242	\$346,242
94500 Employee Benefit Contributions - Ordinary Maintenance	\$36,901	\$620			\$2,641		\$116,391	\$156,553	\$156,553
94600 Total Maintenance	\$262,032	\$3,675	\$9,451	\$427,387	\$25,512	\$207	\$633,895	\$1,362,159	\$1,362,159
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	\$13,692	\$787		\$46,754	\$1,730	\$191	\$28,197	\$91,351	\$91,351
96120 Liability Insurance			\$7,294					\$7,294	\$7,294
96130 Workmen's Compensation									
96140 All Other Insurance									
96100 Total Insurance Premiums	\$13,692	\$787	\$7,294	\$46,754	\$1,730	\$191	\$28,197	\$98,645	\$98,645
96200 Other General Expenses									
96210 Compensated Absences	-\$1		\$23,256	\$26,456	\$253,987	\$623	-\$63,788	\$240,533	\$240,533
96300 Payments in Lieu of Taxes							-\$1,325	\$1,325	\$1,325
96400 Bad debt - Tenant Rents	\$1,455			\$8,134				\$1,455	\$1,455
96500 Bad debt - Mortgages	\$14,635						\$6,695	\$29,464	\$29,464
96600 Bad debt - Other			\$294					\$294	\$294
96800 Severance Expense									
96900 Total Other General Expenses	\$16,089	\$0	\$23,550	\$34,590	\$253,987	\$623	\$58,418	\$270,421	\$270,421
96710 Interest of Mortgage (or Bonds) Payable									
96720 Interest on Notes Payable (Short and Long Term)				\$129,749	\$5,603		\$215,449	\$355,579	\$355,579
96730 Amortization of Bond Issue Costs									
96700 Total Interest Expense and Amortization Cost	\$0	\$4,778	\$0	\$129,749	\$5,603	\$0	\$215,449	\$355,579	\$355,579
96900 Total Operating Expenses	\$499,207	\$15,785	\$652,267	\$1,197,868	\$304,981	\$11,268	\$1,524,886	\$4,206,262	\$4,206,262
97000 Excess of Operating Revenue over Operating Expenses	\$255,485	\$5,815	\$3,867,983	-\$14,852	\$23,037	\$116,695	\$976,303	\$5,230,466	\$5,230,466

HA City of Walla Walla (WA057)
WALLA WALLA, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	14,228 Community Development Block Grants/State's Program	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	64,024 VA Homeless Providers Grant and Per Diem Program	14,239 HOME Investment Partnerships Program	2 State/Local	Subtotal	Total
97100 Extraordinary Maintenance									
97200 Casualty Losses - Non-capitalized									
97300 Housing Assistance Payments			\$4,118,029			\$116,695		\$4,234,724	\$4,234,724
97350 HAP Portability-In			\$1,481					\$1,481	\$1,481
97400 Depreciation Expense	\$222,246	\$17,960		\$1,102,046	\$53,129		\$286,405	\$1,681,786	\$1,681,786
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense									
90000 Total Expenses	\$721,453	\$33,745	\$4,771,777	\$2,299,914	\$358,110	\$127,963	\$1,811,291	\$10,124,253	\$10,124,253
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	\$33,239	\$12,145	\$251,527	\$1,116,898	\$30,092	\$0	\$689,898	\$687,525	\$687,525
11020 Required Annual Debt Principal Payments							\$1,707,423	\$1,739,856	\$1,739,856
11030 Beginning Equity	\$0	\$8,659	\$0	\$17,231	\$6,543	\$0	\$1,842,750	\$18,494,518	\$18,494,518
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$2,234,096	\$276,415	\$402,508	\$12,791,193	\$943,509	\$4,047	\$83,450	\$83,450	\$83,450
11050 Changes in Compensated Absence Balance				\$123,783					
11060 Changes in Contingent Liability Balance									
11070 Changes in Unrecognized Pension Transition Liability									
11080 Changes in Special Term/Severance Benefits Liability									
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents									
11100 Changes in Allowance for Doubtful Accounts - Other			\$104,662					\$104,662	\$104,662
11170 Administrative Fee Equity									
11180 Housing Assistance Payments Equity			\$46,299					\$46,299	\$46,299
11190 Unit Months Available	1008		11200	2698	308	240	1823	17277	17277
11210 Number of Unit Months Leased	985		10840	2404	254	236	1790	16509	16509
11270 Excess Cash	\$257,378							\$257,378	\$257,378
11610 Land Purchases	\$0							\$0	\$0
11620 Building Purchases	\$0							\$0	\$0
11630 Furniture & Equipment - Dwelling Purchases	\$116,413							\$116,413	\$116,413

HA City of Walla Walla (WA057)
WALLA WALLA, WA

Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2014

Submission Type: Audited/A-133

	Project Total	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	64.024 VA Homeless Providers Grant and Per Diem Program	14.239 HOME Investment Partnerships Program	2 State/Local	Subtotal	Total
11640 Furniture & Equipment - Administrative Purchases	\$40,310							\$40,310	\$40,310
11650 Leasehold Improvements Purchases	\$0							\$0	\$0
11660 Infrastructure Purchases	\$0							\$0	\$0
13510 CFFP Debt Service Payments	\$0							\$0	\$0
13901 Replacement Housing Factor Funds	\$0							\$0	\$0

Actual Modernization Cost Certificate

Department of Housing
and Urban Development
Office of Public and Indian Housing

OMB Control No. 2577-0157 (exp. 1/31/2017)

Comprehensive Improvement Assistance Program (CIAP)
Comprehensive Grant Program (CGP)

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.

HA Name: Housing Authority of the City of Walla Walla
Modernization Project Number: WA19P057501-11

The HA 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. Original Funds Approved	\$ 154,502
B. Funds Disbursed	\$ 154,502
C. Funds Expended (Actual Modernization Cost)	\$ 154,502
D. Amount to be Recaptured (A-C)	\$
E. Excess of Funds Disbursed (B-C)	\$ -0-

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 HA 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; and

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

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)

Signature of Executive Director & Date:

X



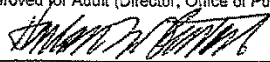
4/24/2015

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator)

X



Date:

05-08-2015

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)

Date:

X

Approved: (Director, Office of Public Housing / ONAP Administrator)

Date:

X

form HUD-53001 (1/2014)

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER OMB CIRCULAR A-133

City of Walla Walla Housing Authority Walla Walla County January 1, 2014 through December 31, 2014

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the City of Walla Walla Housing Authority.

Finding ref number: 2014-001	Finding caption: The Housing Authority's internal controls are inadequate to ensure compliance with federal procurement requirements.
Name, address, and telephone of auditee contact person: Amy Allred, Finance Director 501 Cayuse Street Walla Walla, WA 99362 (509) 527-4542	
Corrective action the auditee plans to take in response to the finding: <i>Walla Walla Housing Authority will educate staff on the importance of proper file documentation.</i>	
Anticipated date to complete the corrective action: Immediately	

Finding ref number: 2014-002	Finding caption: Walla Walla Housing Authority did not comply with federal allowable cost requirements for its Veterans Affairs Homeless Providers Grant and Per Diem Program.
Name, address, and telephone of auditee contact person: Amy Allred, Finance Director 501 Cayuse Street Walla Walla, WA 99362 (509) 527-4542	
Corrective action the auditee plans to take in response to the finding: <i>Walla Walla Housing Authority will work with the Veteran's Administration to adjust the current per diem rates and make any prior year corrective actions required by the VA.</i>	
Anticipated date to complete the corrective action: Currently working with VA – expect resolution by end of 2015.	

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Contact information for the State Auditor's Office	
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