



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

May 24, 2018

Board of Commissioners  
Housing Authority of Kittitas County  
Ellensburg, Washington

**Contracted CPA Firm's Audit Report on Financial Statements**

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the Housing Authority of Kittitas County's financial statements for the fiscal year ended March 31, 2017. The Housing Authority contracted with the CPA firm for this audit.

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

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

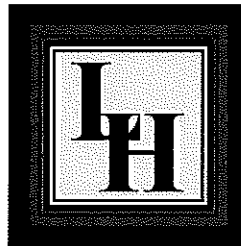
Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

HOUSING AUTHORITY OF KITTITAS COUNTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017



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

**Housing Authority of Kittitas County  
Ellensburg, Washington**

**Financial Statements**

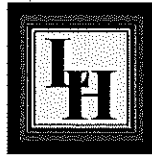
April 1, 2016 through March 31, 2017

**For further information please contact:**

Lowel Krueger, Executive Director  
Housing Authority of Kittitas County  
107 West 11<sup>th</sup> Avenue  
Ellensburg, WA 98926  
(509) 962-9006

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

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

Board of Commissioners  
Housing Authority of Kittitas County  
Ellensburg, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of Kittitas County (the Authority) as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 18, 2017.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

*Loveland Hunt & Co., PLLC*

Bellevue, Washington  
December 18, 2017



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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Commissioners  
Housing Authority of Kittitas County  
Ellensburg, Washington

### Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of Kittitas County (the Authority), as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of March 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 to 11 and pension schedules on page 30 to 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operation, economic or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Financial Data Schedule and the Actual Comprehensive Grant Cost Certificates are presented for the purpose of additional analysis as required by HUD, and are not a required part of the basic financial statements.



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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards accepted in United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended March 31, 2017. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Loveridge Hunt + Co., PLLC*

Bellevue, Washington  
December 18, 2017

## FINANCIAL SECTION

**Housing Authority of Kittitas County  
Management's Discussion and Analysis  
For the Year Ended March 31, 2017**

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As management of the Housing Authority of Kittitas County ("the Authority"), we offer this narrative and analysis of the financial activities of the authority for the year ended March 31, 2017. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Authority's assets exceeded its liabilities as of March 31, 2017 by \$4,583,766 (net position).
- The Authority's unrestricted cash balance as of March 31, 2017 was \$870,422 representing an increase of \$74,309 from the prior year.
- The Authority had revenues of \$290,062 in HUD Operating grants and \$53,419 of HUD Capital grants for the year ended March 31, 2017.
- The Authority's total revenues were \$1,056,511 as of March 31, 2017, representing a decrease of \$483,694. Total expenses were \$1,106,942 representing a decrease of \$168,408.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements are comprised of two components: 1) the basic financial statements and 2) notes to the basic financial statements that provide additional information and more detailed data.

The *Statement of Net Position* presents information on assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position of the Authority at the end of the fiscal year. Assets and liabilities are presented in the order of liquidity and are classified as "current" (convertible to cash within one year) and "noncurrent". The purpose of this statement is to provide readers with a snapshot of the fiscal condition of the Authority as of a certain point in time. Over time, increases or decreases in net position may serve as useful indicators as to whether the Authority's financial health is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Authority's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported for some items that will only result in cash flows in future years.

The *Statement of Cash Flows* reports how cash was used in and provided by its operating, noncapital financing, capital and related financing, and investing activities during the year. The net of these activities is added to the beginning year cash balance to reconcile to the cash balance at March 31, 2017. The Authority uses the direct method of presenting cash flows, which includes a reconciliation of operating activities to operating income. This statement provides answers to such questions as where did cash come from, how was cash used, and what was the change in the cash balance during the year.

*Notes to the Basic Financial Statements* provide financial statement disclosures that are an integral part of the basic financial statements. Such disclosures are essential to a comprehensive understanding of the information provided in the basic financial statements.

**Housing Authority of Kittitas County  
Management's Discussion and Analysis  
For the Year Ended March 31, 2017**

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**THE AUTHORITY'S PROGRAMS**

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30 percent of household income.

State/Local Programs:

*Alder Terrace Apartments* – This program is a 51-unit project located near Ellensburg, Washington. It was originally financed with a Multi-family property loan through HUD and continues to operate under a HUD use agreement.

*Helena Annex* – This program is a 4-unit project located near Ellensburg, Washington. This project was sold in November 2015.

**AUTHORITY WIDE STATEMENTS**

The following table compares the condensed Statement of Net Position for the current and previous fiscal year.

**Table 1 - Condensed Statement of Net Position Compared to Prior Year**

	March 31, 2017	March 31, 2016	Net Change
<b><u>Assets and Deferred Outflows</u></b>			
Current Assets	\$ 977,250	\$ 941,693	\$ 35,557
Current Assets - Restricted	738,879	786,355	(47,476)
Capital Assets - Net	3,271,773	3,280,368	(8,595)
Other Assets - Net	-	21,937	(21,937)
Deferred Outflows of Resources	61,215	40,664	20,551
Total Assets and Deferred Outflows	<u>\$ 5,049,117</u>	<u>\$ 5,071,017</u>	<u>\$ (21,900)</u>
<b><u>Liabilities and Deferred Inflows</u></b>			
Current and Other Liabilities	\$ 141,264	\$ 125,745	\$ 15,519
NonCurrent Liabilities	314,438	269,514	44,924
Deferred Inflows of Resources	9,649	41,561	(31,912)
Total Liabilities and Deferred Outflows	<u>465,351</u>	<u>436,820</u>	<u>28,531</u>
<b><u>Net Position</u></b>			
Net Investment in Capital Assets	3,271,773	3,280,368	(8,595)
Restricted	682,125	730,995	(48,870)
Unrestricted	629,868	622,834	7,034
Total Net Position	<u>4,583,766</u>	<u>4,634,197</u>	<u>(50,431)</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 5,049,117</u>	<u>\$ 5,071,017</u>	<u>\$ (21,900)</u>

**Housing Authority of Kittitas County  
Management's Discussion and Analysis  
For the Year Ended March 31, 2017**

**MAJOR FACTORS AFFECTING THE STATEMENT OF NET POSITION**

Current assets of the Authority decreased by \$11,919 mainly due to the reduction of accounts receivables and prepaid expenses.

Current liabilities increased by \$15,519. The increase in current liabilities is attributed to the adjustment in the payment date for salary and payroll tax expenses from the last day of the month to the 5<sup>th</sup> day of the next month.

Net position decreased by a combined total of \$50,431 mainly due to the purchase of capital assets from restricted funds at Alder Terrace.

**Statement of Revenues, Expenses, and Changes in Net Position**

The following schedule compares the revenues and expenses for the current and previous fiscal year.

**Table 2 - Statement of Revenues, Expenses, and Changes in Net Position**

	<u>March 31, 2017</u>	<u>March 31, 2016</u>	<u>Net Change</u>
Operating Revenues			
Tenant Revenues	\$ 699,574	\$ 688,929	\$ 10,645
Government Operating Grants and Subsidies	290,062	422,070	(132,008)
Other Revenues	18,333	9,447	8,886
Total Operating Revenues	<u>1,007,969</u>	<u>1,120,446</u>	<u>(112,477)</u>
Operating Expenses			
Administration	300,834	364,281	(63,447)
Utilities	129,948	119,966	9,982
Ordinary Maintenance and Operations	359,401	443,984	(84,583)
General Expenses	64,072	65,785	(1,713)
Depreciation	252,687	281,334	(28,647)
Total Operating Expenses	<u>1,106,942</u>	<u>1,275,350</u>	<u>(168,408)</u>
Non Operating Revenues (Expenses)			
Interest and Investment Revenue	2,603	2,480	123
Interest Expense	-	(6,041)	6,041
Gain (Loss) on Sale of Capital Assets	(7,480)	230,148	(237,628)
Capital Grants	53,419	193,172	(139,753)
Total Non Operating Revenues (Expenses)	<u>48,542</u>	<u>419,759</u>	<u>(371,217)</u>
Changes in Net Position before contributions	(50,431)	264,855	(315,286)
Net Position, Beginning of Year	4,634,197	4,672,431	(38,234)
Change in Accounting Principle - GASB 68	-	(286,519)	286,519
Prior Period Adjustments	-	(16,570)	16,570
Net Position, End of Year	<u>\$ 4,583,766</u>	<u>\$ 4,634,197</u>	<u>\$ (50,431)</u>

**Housing Authority of Kittitas County  
Management's Discussion and Analysis  
For the Year Ended March 31, 2017**

**MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**

The major factors decreasing the overall revenue were a reduction of operating subsidies and capital grants for the Public Housing Program. The decrease in the gain on sale of capital of assets is attributed to the sale of Helena Annex in November 2015. Tenant and other revenues increased slightly.

There was an overall decrease in expenses which can be attributed to a reduction in administrative salaries, administrative employee benefits, and maintenance contract costs.

**Capital Asset**

The following table summarizes the changes in capital assets between March 31, 2017 and 2016:

**Table 3 - Condensed Statement of Changes in Capital Assets**

	March 31, 2017	March 31, 2016	Net Change
Land	\$ 424,791	\$ 424,791	\$ -
Construction in Progress	27,516	118,749	(91,233)
Total Non Depreciable Capital Assets	452,307	543,540	(91,233)
Buildings	5,810,625	5,524,451	286,174
Equipment, Dwelling	237,011	440,216	(203,205)
Equipment, Non Dwelling	493,871	427,771	66,100
Site Improvements	4,704,434	4,704,434	-
Subtotal Depreciable Capital Assets	11,245,941	11,096,872	149,069
Accumulated Depreciation	(8,426,475)	(8,360,044)	(66,431)
Total Depreciable Capital Assets, Net	2,819,466	2,736,828	82,638
Total Capital Assets, Net	\$ 3,271,773	\$ 3,280,368	\$ (8,595)

Major changes in capital assets include the disposal of obsolete equipment; placing in service of elevator, flooring, and roofing improvements; and computer equipment purchases from the Capital fund program.

**Debt**

The Authority had no debt at March 31, 2017.

**Housing Authority of Kittitas County  
Management's Discussion and Analysis  
For the Year Ended March 31, 2017**

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**Economic Factors and Future Events**

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

Significant future event affecting the Authority is as follows:

- CHAP Commitment Pursuant to RAD Conversion - On October 6, 2017, the Authority received from HUD a Commitment to Enter into a Housing Assistance Payment (CHAP) pursuant to a Rental Assistance Demonstration (RAD) conversion to Project Based Vouchers of assistance for 110 units at the Mt. Stuart Vista development. In order to convert the project, the Authority must fulfill certain milestones and deadlines outlined in the CHAP.

**Financial Contact**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. The individual to be contacted regarding this report is Lowel Krueger, Executive Director of the Housing Authority of Kittitas County. Specific requests may be submitted to Housing Authority of Kittitas County at 107 West 11<sup>th</sup> Avenue, Ellensburg, WA 98926.

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**Housing Authority of Kittitas County**  
**Statement of Net Position**  
**March 31, 2017**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**Current Assets**

Cash and Cash Equivalents	\$ 870,422
Investments	80,668
Accounts Receivable, net	1,082
Inventories	19,924
Prepaid Expenses and Other Assets	5,154
Restricted Assets:	
Cash and Cash Equivalents	738,879
Total Current Assets	<u>1,716,129</u>

**Noncurrent Assets**

Capital Assets:	
Land	424,791
Property and Equipment, net	2,819,466
Constuction in Progress	27,516
Total Capital Assets	<u>3,271,773</u>
Total Noncurrent Assets	<u>3,271,773</u>

**TOTAL ASSETS** 4,987,902

**Deferred Outflows of Resources** 61,215

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** \$ 5,049,117

**LIABILITIES**

**Current Liabilities**

Accounts Payable	27,907
Accrued Liabilities	23,311
Accrued Compensated Absences	30,653
Tenant Security Deposits	56,754
Unearned Revenue	2,639
Total Current Liabilities	<u>141,264</u>

**Noncurrent Liabilities**

Net Pension Liability	<u>314,438</u>
Total Noncurrent Liabilities	<u>314,438</u>

**TOTAL LIABILITIES** 455,702

**Deferred Inflows of Resources** 9,649

**NET POSITION**

Net Investment in Capital Assets	3,271,773
Restricted	682,125
Unrestricted	629,868
<b>TOTAL NET POSITION</b>	<u>4,583,766</u>

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION** \$ 5,049,117



**Housing Authority of Kittitas County**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended March 31, 2017**

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**Operating Revenues**

Tenant Revenues	\$ 699,574
Government Operating Grants and Subsidies	290,062
Other Revenues	18,333
<b>Total Operating Revenues</b>	<u>1,007,969</u>

**Operating Expenses**

Administrative	300,834
Utilities	129,948
Maintenance	359,401
General	64,072
Depreciation	252,687
<b>Total Operating Expenses</b>	<u>1,106,942</u>
Operating Income (Loss)	<u>(98,973)</u>

**Non-Operating Revenues (Expenses):**

Interest and Investment Revenue	2,603
Loss on Sale of Capital Assets	(7,480)
Capital Grants	53,419
<b>Total Non-Operating Revenues (Expenses)</b>	<u>48,542</u>

Change in Net Position	(50,431)
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<b>Total Net Position at Beginning of Year</b>	<u>4,634,197</u>
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<b>Total Net Position at End of Year</b>	<u><u>\$ 4,583,766</u></u>
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**Housing Authority of Kittitas County**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2017**

**Cash Flows from Operating Activities**

Operating Grants Received	\$ 290,062
Tenant Revenue Received	700,449
Other Revenue Received	18,333
Operating Expenses	(835,087)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>173,757</u></b>

**Cash Flows from Investing Activities**

Proceeds from Sale of Investments	26,689
Interest Income	2,603
<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>29,292</u></b>

**Cash Flows from Capital and Related Activities**

Capital Grant Funds Received	53,419
Disposition of Capital Assets	33,796
Acquisition of Capital Assets	(255,951)
Loss from Disposal of Capital Assets	(7,480)
<b>Net Cash Provided (Used) by Capital and Related Activities</b>	<b><u>(176,216)</u></b>

Net Increase (Decrease) in Cash	26,833
Cash and Cash Equivalents at Beginning of Year	<u>1,582,468</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$1,609,301</u></b>

**Reconciliation of Operating Income to Net Cash Provided by Operating Activities**

Net Operating Income (Loss)	\$ (98,973)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation expense	252,687
(Increase) Decrease in:	
Accounts Receivable	1,968
Inventories	390
Prepaid Assets	9,705
Deferred Outflows	(20,551)
Increase (Decrease) in:	
Accounts Payable	2,324
Accrued Liabilities	22,677
Accrued Compensated Absences	(8,389)
Tenant Security Deposits	1,394
Unearned Revenue	(2,487)
Net Pension Liability	44,924
Deferred Inflows	(31,912)
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 173,757</u></b>

**Housing Authority of Kittitas County**  
**Schedules of Required Supplementary Information**  
**For the Year Ended March 31, 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Housing Authority of Kittitas County (the Housing Authority) 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):

**Reporting Entity**

The Housing Authority was incorporated in 1971 and operates under the laws of the State of Washington applicable to public housing authorities. The Housing Authority is a general-purpose government entity providing low-income housing and rental assistance to elderly, disabled and low-income families. The Housing Authority's financial statements include the financial position and results of operations of all funds that are controlled by, or departments of, the Housing Authority.

**Basis of Accounting**

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 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 with housing

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.

**Budgetary Accounting**

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. Budgets are submitted to the Department of Housing and Urban Development when applicable. Budgets are adopted by the Board of the Housing Authority.

**Housing Authority of Kittitas County**  
**Schedules of Required Supplementary Information**  
**For the Year Ended March 31, 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and cash equivalents**

For purposes of the Statement of Cash Flows, the Housing Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased or available on demand to be cash equivalents. See Note 3 for more information.

**Restricted Funds**

In accordance with bond resolutions (and certain related agreements) separate restricted accounts are required to be established. The assets held in these accounts are restricted for specific uses, including construction and other special reserve requirements. The Housing Authority receives security deposits when tenants move into their units. These deposits have been segregated in the general checking account and considered a liability of the Housing Authority. Restricted resources currently include the following:

Residual Reserves	\$ 125,740
Replacement Reserves	556,385
Tenant Security Deposits	56,754
	<u>\$ 738,879</u>

**Accounts Receivable**

Accounts receivable consist primarily of amounts due from tenants for rent and other charges. Annually, tenant receivable balances are analyzed and the allowance for doubtful accounts is estimated and adjusted in accordance with historical experience. Other receivable allowances are established for uncertain collectibles. A total of \$1,292 in allowances existed at March 31, 2017, including allowance for tenant accounts receivable and allowance for fraud receivable.

**Prepaid and Other Assets**

Prepaid and other assets represent amounts paid in advance of the period which the expenses benefit. Prepaids consist of water expenses paid early.

**Inventories**

Inventories consist of expendable supplies held for consumption and are valued by the FIFO method which approximates the market value.

**Capital Assets**

See Note 4.

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Payable**

Accounts payable consists of invoices less than 90 days old which the Housing Authority has accrued as of March 31, 2017.

**Accrued Compensated Absences**

Compensated absences are absences for which employees will be paid, such as vacation, comp and sick leave. All vacation, comp and sick pay are accrued when incurred in the financial statements. Vacation and comp pay, which each may be accumulated up to 240 hours, is payable upon resignation, retirement or death. Sick pay, for employees of the Housing Authority is payable at 25% of accumulated time upon resignation, retirement or death, unless used in subsequent years. The Housing Authority has accrued compensated absences of \$30,653 as of March 31, 2017.

	Balance 4/1/16	Additions	Payments	Balance 3/31/17	Due Within One Year
Compensated Absences	39,042	15,696	(24,085)	30,653	30,653

**Unearned Revenue**

Unearned revenue arises when revenues are received before revenue recognition criteria have been satisfied.

**Net Position**

Net Position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is recorded as restricted when there are limitations imposed on its use by internal or external restrictions.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary fund and expenses incurred for the day to day operation. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD, and other miscellaneous revenue.

Operating expenses are those expenses that are generated from the primary activity of the proprietary fund. For the Authority, these expenses are administrative, utilities, maintenance, PILOT, insurance, bad debt and housing assistance payments.

**Capital Grant**

This represents grants provided by HUD that the Authority spends on capital assets.

**Housing Authority of Kittitas County**  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 5.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 5)

**Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**Subsequent Events**

Subsequent events have been evaluated and disclosed through December 18, 2017, which is the date the financial statements were available to be issued. See Note 9.

**NOTE 2 – ADOPTION OF NEW ACCOUNTING STANDARDS**

For fiscal year 2017, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Authority.

**Housing Authority of Kittitas County**  
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**NOTE 2 – ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)**

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports for state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect of the financial statements of the Authority.

GASB Statement No. 76 identified - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Authority.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Authority.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

The Housing Authority's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

As of the year ended March 31, 2017, the Housing Authority had the following investments valued at fair value:

	<b>Maturity Date</b>	<b>March 31, 2017</b>
Certificate of Deposit	3/19/2018	\$ 80,668

**NOTE 4 – CAPITAL ASSETS**

Capital asset purchases greater than \$1,000 are capitalized and recorded at cost. Capitalized purchases may also include capital leases and major repairs that increase useful lives. Maintenance, repair and minor renewals are accounted for as operating expenses when incurred.

The Housing Authority has acquired certain assets with funding provided by federal assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the Housing Authority has sufficient legal interest to accomplish the purposes for which the assets were acquired and has included such assets within the applicable accounting group or fund.

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**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

Capital assets are depreciated using the straight-line method over the useful lives of the assets as follows:

Computers	3 years
Vehicles	5 years
Equipment	8 years
Leasehold Improvements	15 - 25 years
Buildings	50 years

Capital asset summary for the year ended March 31, 2017 is as follows:

	4/1/2016	Additions	Disposals	Transfers	3/31/2017
Land	\$ 424,791	\$ -	\$ -	\$ -	\$ 424,791
Construction in Progress	118,749	27,516	(26,316)	(92,433)	27,516
Total Non Depreciable Capital Assets	543,540	27,516	(26,316)	(92,433)	452,307
Buildings	5,524,451	237,550	(31,766)	80,390	5,810,625
Equipment, Dwelling	440,216	-	(203,205)	-	237,011
Equipment, Non Dwelling	427,771	54,057	-	12,043	493,871
Site Improvements	4,704,434	-	-	-	4,704,434
Subtotal Depreciable Capital Assets	11,096,872	291,607	(234,971)	92,433	11,245,941
Accumulated Depreciation	(8,360,044)	(293,922)	227,491	-	(8,426,475)
Total Depreciable Capital Assets, Net	2,736,828	(2,315)	(7,480)	92,433	2,819,466
Total Capital Assets, net	\$ 3,280,368	\$ 25,201	\$ (33,796)	\$ -	\$ 3,271,773

**NOTE 5 – RESTRICTED NET POSITION**

Restricted net position of \$682,125 consists of funds that are restricted for the following purposes:

- Residual Reserves – Funds totaling \$125,740 held by the Housing Authority in compliance with legal, regulatory, or lending requirements.
- Replacement Reserves – Funds totaling \$556,385 restricted for future capital improvements, and require the approval from the governmental agency prior to expenditure of the funds.

**NOTE 6 – PENSION PLANS**

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB 68 for the year 2017:

Aggregate Pension Amounts - All Plans	
Pension Liabilities	314,438
Deferred Outflow of Resources	61,215
Deferred Inflow of Resources	9,649
Pension expense	31,771

Substantially all of the Housing Authority's full-time employees participate in the Public Employees Retirement System (PERS). The plan is administered by the Washington State Department of Retirement Systems; under cost-sharing multiple-employer public employee defined benefit and



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**NOTE 6 – PENSION PLANS (CONTINUED)**

defined contribution 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](http://www.drs.wa.gov).

**Public Employees' Retirement System (PERS) Plans I, II and III**

**Plan Description**

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

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

**Contributions** – The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the State Pension Funding Council adopts Plan 1 employer contribution rates.

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**NOTE 6 – PENSION PLANS (CONTINUED)**

The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016/2017 were as follows:

Actual Contribution Rates:	Employer	Employee*
April 2016 through March 2017	11.18%	6.00%

\*The Housing Authority has no current participants in Plan 1 for the year ending March 31, 2017. The Housing Authority's actual contributions to the plan were \$15,073 for the year ended March 31, 2017.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

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**NOTE 6 – PENSION PLANS (CONTINUED)**

**Contributions**

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016/2017 were as follows:

Actual Contribution Rates:	Employer 2/3	Employee 2
April through March 2017	11.18%	6.12%
Employee PERS Plan 3		Varies

The Housing Authority's actual contributions to the plan were \$19,686 for the year ended March 31, 2017.

**Actuarial Assumptions**

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

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

- Inflation: 3% total economic inflation; 3.75% salary inflation
- Salary increases: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB.

Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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**NOTE 6 – PENSION PLANS (CONTINUED)**

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

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefits definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

**Discount Rate**

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

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent percent).

Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities).

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

**Long-Term Expected Rate of Return**

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

**Estimated Rates of Return by Asset Class**

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

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**NOTE 6 – PENSION PLANS (CONTINUED)**

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

**Sensitivity of NPL**

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

Authority's proportionate share of the net pension liability (asset)	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Plan 1	\$ 172,139	\$ 142,747	\$ 117,454
Plan 2/3	\$ 316,114	\$ 171,691	\$ (89,375)

**Pension Plan Fiduciary Net Position**

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

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

At March 31, 2017, the Authority reported a total pension liability of \$314,438 for its proportionate share of the net pension liabilities as follows:

Net Pension Liability (NPL)	Plan 1	Plan 2	Total
Proportionate Share of the NPL	\$ 142,747	\$ 171,691	\$ 314,438
Proportionate Share 6/30/16	0.002658%	0.003410%	
Proportionate Share 6/30/17	0.002737%	0.003536%	
Change in Proportion	0.000079%	0.000126%	

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

**Housing Authority of Kittitas County**  
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**NOTE 6 – PENSION PLANS (CONTINUED)**

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

Pension Expense for the year ended March 31, 2017, the Authority recognized pension expense as follows:

	<u>Plan 1</u>	<u>Plan 2/3</u>	<u>Total</u>
<b>Pension Expense</b>	<b>\$ 8,349</b>	<b>\$ 23,422</b>	<b>\$ 31,771</b>

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At March 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Outflows of Resources</u>	<u>Plan 1</u>	<u>Plan 2/3</u>	<u>Total</u>
<b>Difference between expected and actual experience</b>	<b>\$ -</b>	<b>\$ 9,142</b>	<b>\$ 9,142</b>
<b>Change in assumptions</b>	<b>-</b>	<b>1,775</b>	<b>1,775</b>
<b>Net difference between projected and actual earnings on pension plan investments</b>	<b>3,594</b>	<b>21,010</b>	<b>24,604</b>
<b>Changes in proportion and differences between Authority contributions and proportionate share of contributions</b>	<b>-</b>	<b>96</b>	<b>96</b>
<b>Authority contributions subsequent to the measurement date</b>	<b>11,100</b>	<b>14,497</b>	<b>25,598</b>
<b>Total Deferred Outflows of Resources</b>	<b>\$ 14,694</b>	<b>\$ 46,520</b>	<b>\$ 61,215</b>
<u>Deferred Inflows of Resources</u>	<u>Plan 1</u>	<u>Plan 2/3</u>	<u>Total</u>
<b>Net difference between projected and actual earnings on pension plan investments</b>	<b>\$ -</b>	<b>\$ 5,668</b>	<b>\$ 5,668</b>
<b>Changes in proportion and differences between Authority contributions and proportionate share of contributions</b>	<b>-</b>	<b>3,981</b>	<b>3,981</b>
<b>Total Deferred Inflows of Resources</b>	<b>\$ -</b>	<b>\$ 9,649</b>	<b>\$ 9,649</b>

**Housing Authority of Kittitas County**  
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**NOTE 6 – PENSION PLANS (CONTINUED)**

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended March 31</u>	<u>Plan 1</u>	<u>Plan 2/3</u>	<u>Total</u>
2018	(885)	(1,086)	(1,970)
2019	(885)	(1,086)	(1,970)
2020	3,301	14,836	18,137
2021	2,063	9,709	11,047
Total	\$ 3,594	\$ 22,374	\$ 25,968

**NOTE 7 – CONTINGENCIES AND LITIGATION**

In the opinion of management, the Housing Authority's insurance policies are adequate to pay all known or pending claims.

The Housing Authority participates in federally assisted programs. These programs are subject to audit by the grantors or their representatives. Such audits could result in disallowed requests for expenditure reimbursement to grantor agencies, under the terms of the grants. The Housing Authority's management believes that such disallowances, if any, are immaterial.

**NOTE 8 – PARTICIPATION IN HOUSING AUTHORITY RISK RETENTION POOL**

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

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

General and Automobile Liability coverages are written on an occurrence basis, without member deductibles. Errors & Omissions coverage (which includes Employment Practices Liability) is written on a claims made basis, and the members are responsible for 10% of the incurred costs of the

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**NOTE 8 – PARTICIPATION IN HOUSING AUTHORITY RISK RETENTION POOL  
(CONTINUED)**

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 \$1,000,000/\$1,000,000.

HARRP self-insures the full layer of coverage for liability lines (\$2,000,000 per occurrence and \$2,000,000 annual aggregate). There is no purchased reinsurance above this limit. For property, HARRP retains \$2,000,000 and \$63,000,000 of reinsurance from St. Paul/Travelers Insurance Company for a combined total of \$65,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

HARRP provides loss control 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.

The Housing Authority has opted to have the \$1,000,000 excess auto liability insurance and has chosen the \$1,000 per occurrence deductible in the property insurance option. In the past three years, the Housing Authority has not had any insurance settlements which exceed this coverage.

There have not been any insurance settlements that exceeded coverage in any of the last three years.

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**NOTE 9: COMMITMENTS AND SUBSEQUENT EVENTS**

**Construction Contract**

The Authority has entered into a construction contract with G & G Construction for roofing at Alder Terrace in the amount of \$167,629 (stipulated sum of \$163,682 plus change orders totaling \$3,947). As of March 31, 2017, construction costs earned and paid under the contract totaled \$125,193 and construction costs as of the audit report date are \$42,436.

**Subsequent Events**

Management of the Housing Authority has evaluated events occurring after March 31, 2017 through the audit report date of December 18, 2017, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements.

The following event and transitions is required for recognition in the financial statements:

CHAP Commitment Pursuant to RAD Conversion and Subsequent Event – On October 6, 2017, the Authority received from HUD a Commitment to Enter into a Housing Assistance Payment (CHAP) pursuant to a Rental Assistance Demonstration (RAD) conversion to Project Based Vouchers of assistance for 110 units at the Mt. Stuart Vista development. In order to convert the project, the Authority must fulfill certain milestones and deadlines outlined in the CHAP.

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**Housing Authority of Kittitas County**  
**Schedules of Required Supplementary Information**  
**For the Year Ended March 31, 2017**

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Schedule of the Housing Authority's Proportionate Share of the Net Pension Liability  
Pension Plans  
Last 10 Fiscal Years\*

These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

\* The amounts presented for each fiscal year were determined as of the June year-end that occurred within the fiscal year.

<b><u>PERS # 1</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Housing Authority's proportion of the net pension liability (asset)	0.002658%	0.002737%	0.002860%
Housing Authority's proportionate share of the net pension liability (asset)	142,747	143,171	144,074
Housing Authority's covered-employee payroll	-	-	-
Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	57.03%	59.10%	61.19%

<b><u>PERS # 2/3</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Housing Authority's proportion of the net pension liability (asset)	0.003410%	0.003536%	0.003682%
Housing Authority's proportionate share of the net pension liability (asset)	171,691	126,343	74,427
Housing Authority's covered-employee payroll	202,890	303,139	304,593
Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	84.62%	41.68%	24.43%
Plan fiduciary net position as a percentage of the total pension liability	85.82%	89.20%	93.29%

**Housing Authority of Kittitas County**  
**Schedules of Required Supplementary Information**  
**For the Year Ended March 31, 2017**

Schedule of the Housing Authority Contributions  
Pension Plans  
Last 10 Fiscal Years as of March 31\*

<u>PERS # 1</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	15,073	12,581	12,658
Contributions in relation to the contractually required contribution	<u>(15,073)</u>	<u>(12,581)</u>	<u>(12,658)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
Housing Authority's covered-employee payroll	-	-	-
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%
 <u>PERS # 2/3</u>	 <u>2017</u>	 <u>2016</u>	 <u>2015</u>
Contractually required contribution	19,686	15,751	15,553
Contributions in relation to the contractually required contribution	<u>(19,686)</u>	<u>(15,751)</u>	<u>(15,553)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
Housing Authority's covered-employee payroll	202,890	303,139	304,593
Contributions as a percentage of covered-employee payroll	9.70%	5.20%	5.11%

Notes to Required Supplementary Information  
For the Year Ended March 31, 2017

**Changes of benefit terms:** There were no changes in the benefit terms for the pension plans.

**Changes of assumptions:** There were no changes in the assumptions for the pension plans.

Housing Authority of Kittitas County (WA009)  
Ellensburg, WA  
Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 03/31/2017

	Project Total	2 State/Local	Subtotal	ELIM	Total
11 Cash - Unrestricted	\$616,378	\$254,044	\$870,422		\$870,422
12 Cash - Restricted - Modernization and Development					
13 Cash - Other Restricted		\$682,125	\$682,125		\$682,125
14 Cash - Tenant Security Deposits	\$32,275	\$24,479	\$56,754		\$56,754
15 Cash - Restricted for Payment of Current Liabilities					
00 Total Cash	\$648,653	\$960,648	\$1,609,301		\$1,609,301
21 Accounts Receivable - PHA Projects					
22 Accounts Receivable - HUD Other Projects					
24 Accounts Receivable - Other Government					
25 Accounts Receivable - Miscellaneous					
26 Accounts Receivable - Tenants	\$724	\$30	\$754		\$754
26.1 Allowance for Doubtful Accounts - Tenants	-\$25	-\$4	-\$29		-\$29
26.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0
27 Notes, Loans, & Mortgages Receivable - Current	\$357		\$357		\$357
28 Fraud Recovery	\$1,263		\$1,263		\$1,263
28.1 Allowance for Doubtful Accounts - Fraud	-\$1,263		-\$1,263		-\$1,263
29 Accrued Interest Receivable					
20 Total Receivables, Net of Allowances for Doubtful Accounts	\$1,056	\$26	\$1,082		\$1,082
31 Investments - Unrestricted	\$80,668		\$80,668		\$80,668
32 Investments - Restricted					
35 Investments - Restricted for Payment of Current Liability					
42 Prepaid Expenses and Other Assets	\$5,154		\$5,154		\$5,154
43 Inventories	\$19,924		\$19,924		\$19,924

Housing Authority of Kittitas County (WA009)  
Ellensburg, WA  
Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 03/31/2017

	Project Total	2 State/Local	Subtotal	ELIM	Total
43.1 Allowance for Obsolete Inventories	\$0		\$0		\$0
44 Inter Program Due From					
45 Assets Held for Sale					
50 Total Current Assets	\$755,455	\$960,674	\$1,716,129		\$1,716,129
61 Land	\$187,976	\$236,815	\$424,791		\$424,791
62 Buildings	\$3,869,760	\$1,940,865	\$5,810,625		\$5,810,625
63 Furniture, Equipment & Machinery - Dwellings	\$129,462	\$107,549	\$237,011		\$237,011
64 Furniture, Equipment & Machinery - Administration	\$449,785	\$44,086	\$493,871		\$493,871
65 Leasehold Improvements	\$4,486,549	\$217,885	\$4,704,434		\$4,704,434
66 Accumulated Depreciation	-\$6,634,546	-\$1,791,929	-\$8,426,475		-\$8,426,475
67 Construction in Progress	\$7,899	\$19,617	\$27,516		\$27,516
68 Infrastructure					
60 Total Capital Assets, Net of Accumulated Depreciation	\$2,496,885	\$774,888	\$3,271,773		\$3,271,773
71 Notes, Loans and Mortgages Receivable - Non-Current					
72 Notes, Loans, & Mortgages Receivable - Non Current - Past					
73 Grants Receivable - Non Current					
74 Other Assets		\$0	\$0		\$0
76 Investments in Joint Ventures					
80 Total Non-Current Assets	\$2,496,885	\$774,888	\$3,271,773		\$3,271,773
90 Deferred Outflow of Resources	\$61,215		\$61,215		\$61,215
90 Total Assets and Deferred Outflow of Resources	\$3,313,555	\$1,735,562	\$5,049,117		\$5,049,117

Housing Authority of Kittitas County (WA009)  
Ellensburg, WA  
Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit      Fiscal Year End: 03/31/2017

	Project Total	2 State/Local	Subtotal	ELIM	Total
11 Bank Overdraft					
12 Accounts Payable <= 90 Days	\$8,786	\$19,121	\$27,907		\$27,907
13 Accounts Payable >90 Days Past Due					
21 Accrued Wage/Payroll Taxes Payable	\$18,754		\$18,754		\$18,754
22 Accrued Compensated Absences - Current Portion	\$30,653		\$30,653		\$30,653
24 Accrued Contingency Liability					
25 Accrued Interest Payable					
31 Accounts Payable - HUD PHA Programs					
32 Account Payable - PHA Projects					
33 Accounts Payable - Other Government					
41 Tenant Security Deposits	\$32,275	\$24,479	\$56,754		\$56,754
42 Unearned Revenue	\$1,904	\$735	\$2,639		\$2,639
43 Current Portion of Long-term Debt - Capital					
44 Current Portion of Long-term Debt - Operating Borrowings					
45 Other Current Liabilities	\$237	\$249	\$486		\$486
46 Accrued Liabilities - Other	\$2,104	\$1,967	\$4,071		\$4,071
47 Inter Program - Due To					
48 Loan Liability - Current					
10 Total Current Liabilities	\$94,713	\$46,551	\$141,264		\$141,264
51 Long-term Debt, Net of Current - Capital Projects/Mortgage					
52 Long-term Debt, Net of Current - Operating Borrowings					
53 Non-current Liabilities - Other					
54 Accrued Compensated Absences - Non Current					
55 Loan Liability - Non Current					
56 FASB 5 Liabilities					

Housing Authority of Kittitas County (WA009)  
Ellensburg, WA  
Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit      Fiscal Year End: 03/31/2017

	Project Total	2 State/Local	Subtotal	ELIM	Total
57 Accrued Pension and OPEB Liabilities	\$314,438		\$314,438		\$314,438
50 Total Non-Current Liabilities	\$314,438	\$0	\$314,438		\$314,438
00 Total Liabilities	\$409,151	\$46,551	\$455,702		\$455,702
00 Deferred Inflow of Resources	\$9,649		\$9,649		\$9,649
08.4 Net Investment in Capital Assets	\$2,496,885	\$774,888	\$3,271,773		\$3,271,773
11.4 Restricted Net Position		\$682,125	\$682,125		\$682,125
12.4 Unrestricted Net Position	\$397,870	\$231,998	\$629,868		\$629,868
13 Total Equity - Net Assets / Position	\$2,894,755	\$1,689,011	\$4,583,766		\$4,583,766
00 Total Liabilities, Deferred Inflows of Resources and Equity -	\$3,313,555	\$1,735,562	\$5,049,117		\$5,049,117

Housing Authority of Kittitas County (WA009)  
Ellensburg, WA

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Non Single Audit

Fiscal Year End: 03/31/2017

	Project Total	2 State/Local	Subtotal	ELIM	Total
'0300 Net Tenant Rental Revenue	\$363,459	\$302,482	\$665,941		\$665,941
'0400 Tenant Revenue - Other	\$29,647	\$3,986	\$33,633		\$33,633
'0500 Total Tenant Revenue	\$393,106	\$306,468	\$699,574	\$0	\$699,574
'0600 HUD PHA Operating Grants	\$290,062		\$290,062		\$290,062
'0610 Capital Grants	\$53,419		\$53,419		\$53,419
'0710 Management Fee					
'0720 Asset Management Fee					
'0730 Book Keeping Fee					
'0740 Front Line Service Fee					
'0750 Other Fees					
'0700 Total Fee Revenue			\$0	\$0	\$0
'0800 Other Government Grants					
'1100 Investment Income - Unrestricted	\$1,177		\$1,177		\$1,177
'1200 Mortgage Interest Income					
'1300 Proceeds from Disposition of Assets Held for Sale					
'1310 Cost of Sale of Assets					
'1400 Fraud Recovery					
'1500 Other Revenue	\$77,097	\$7,693	\$84,790	-\$66,457	\$18,333
'1600 Gain or Loss on Sale of Capital Assets	-\$5,097	-\$2,383	-\$7,480		-\$7,480
'2000 Investment Income - Restricted		\$1,426	\$1,426		\$1,426
'0000 Total Revenue	\$809,764	\$313,204	\$1,122,968	-\$66,457	\$1,056,511
'1100 Administrative Salaries	\$78,680		\$78,680		\$78,680



Housing Authority of Kittitas County (WA009)  
Ellensburg, WA

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Non Single Audit

Fiscal Year End: 03/31/2017

	Project Total	2 State/Local	Subtotal	ELIM	Total
1200 Auditing Fees	\$8,085	\$3,840	\$11,925		\$11,925
1300 Management Fee	\$82,880	\$31,566	\$114,446	-\$2,461	\$111,985
1310 Book-keeping Fee					
1400 Advertising and Marketing		\$786	\$786		\$786
1500 Employee Benefit contributions - Administrative	\$38,035		\$38,035		\$38,035
1600 Office Expenses	\$26,742	\$39,536	\$66,278	-\$29,858	\$36,420
1700 Legal Expense	\$6,358	\$1,072	\$7,430		\$7,430
1800 Travel	\$3,831	\$1,650	\$5,481		\$5,481
1810 Allocated Overhead					
1900 Other	\$6,523	\$4,832	\$11,355	-\$1,340	\$10,015
1000 Total Operating - Administrative	\$251,134	\$83,282	\$334,416	-\$33,659	\$300,757
2000 Asset Management Fee					
2100 Tenant Services - Salaries					
2200 Relocation Costs	\$77		\$77		\$77
2300 Employee Benefit Contributions - Tenant Services					
2400 Tenant Services - Other					
2500 Total Tenant Services	\$77	\$0	\$77	\$0	\$77
3100 Water	\$44,283	\$18,743	\$63,026		\$63,026
3200 Electricity	\$14,005	\$4,358	\$18,363		\$18,363
3300 Gas	\$325	\$616	\$941		\$941
3400 Fuel					
3500 Labor					
3600 Sewer	\$36,587	\$11,031	\$47,618		\$47,618
3700 Employee Benefit Contributions - Utilities					

Housing Authority of Kittitas County (WAO09)  
Ellensburg, WA  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 03/31/2017

	Project Total	2 State/Local	Subtotal	ELIM	Total
13800 Other Utilities Expense					
13000 Total Utilities	\$95,200	\$34,748	\$129,948	\$0	\$129,948
14100 Ordinary Maintenance and Operations - Labor	\$119,768		\$119,768		\$119,768
14200 Ordinary Maintenance and Operations - Materials and	\$35,862	\$11,718	\$47,580		\$47,580
14300 Ordinary Maintenance and Operations Contracts	\$101,341	\$64,651	\$165,992	-\$32,798	\$133,194
14500 Employee Benefit Contributions - Ordinary Maintenance	\$58,859		\$58,859		\$58,859
14000 Total Maintenance	\$315,830	\$76,369	\$392,199	-\$32,798	\$359,401
15100 Protective Services - Labor					
15200 Protective Services - Other Contract Costs					
15300 Protective Services - Other					
15500 Employee Benefit Contributions - Protective Services					
15000 Total Protective Services	\$0	\$0	\$0	\$0	\$0
16110 Property Insurance	\$13,649	\$6,007	\$19,656		\$19,656
16120 Liability Insurance	\$1,510	\$640	\$2,150		\$2,150
16130 Workmen's Compensation					
16140 All Other Insurance	\$4,817	\$956	\$5,773		\$5,773
16100 Total insurance Premiums	\$19,976	\$7,603	\$27,579	\$0	\$27,579
16200 Other General Expenses					
16210 Compensated Absences	\$15,696		\$15,696		\$15,696
16300 Payments in Lieu of Taxes					
16400 Bad debt - Tenant Rents	\$20,793	\$4	\$20,797		\$20,797
16500 Bad debt - Mortgages					

Housing Authority of Kittitas County (WA009)  
Ellensburg, WA  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 03/31/2017

	Project Total	2 State/Local	Subtotal	ELIM	Total
16600 Bad debt - Other					
16800 Severance Expense					
16000 Total Other General Expenses	\$36,489	\$4	\$36,493	\$0	\$36,493
16710 Interest of Mortgage (or Bonds) Payable					
16720 Interest on Notes Payable (Short and Long Term)					
16730 Amortization of Bond Issue Costs					
16700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0
16900 Total Operating Expenses	\$718,706	\$202,006	\$920,712	-\$66,457	\$854,255
17000 Excess of Operating Revenue over Operating Expenses	\$91,058	\$111,198	\$202,256	\$0	\$202,256
17100 Extraordinary Maintenance					
17200 Casualty Losses - Non-capitalized					
17300 Housing Assistance Payments					
17350 HAP Portability-In					
17400 Depreciation Expense	\$196,289	\$56,398	\$252,687		\$252,687
17500 Fraud Losses					
17600 Capital Outlays - Governmental Funds					
17700 Debt Principal Payment - Governmental Funds					
17800 Dwelling Units Rent Expense					
10000 Total Expenses	\$914,995	\$258,404	\$1,173,399	-\$66,457	\$1,106,942
0010 Operating Transfer In	\$39,511		\$39,511	-\$39,511	\$0
0020 Operating transfer Out	-\$39,511		-\$39,511	\$39,511	\$0

Housing Authority of Kittitas County (WA009)  
Ellensburg, WA  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 03/31/2017

	Project Total	2 State/Local	Subtotal	ELIM	Total
0030 Operating Transfers from/to Primary Government					
0040 Operating Transfers from/to Component Unit					
0050 Proceeds from Notes, Loans and Bonds					
0060 Proceeds from Property Sales					
0070 Extraordinary Items, Net Gain/Loss					
0080 Special Items (Net Gain/Loss)					
0091 Inter Project Excess Cash Transfer In					
0092 Inter Project Excess Cash Transfer Out					
0093 Transfers between Program and Project - In					
0094 Transfers between Project and Program - Out					
0100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
0000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$105,231	\$54,800	-\$50,431	\$0	-\$50,431
1020 Required Annual Debt Principal Payments	\$0	\$0	\$0		\$0
1030 Beginning Equity	\$2,999,986	\$1,634,211	\$4,634,197		\$4,634,197
1040 Prior Period Adjustments, Equity Transfers and Correction	\$0		\$0		\$0
1050 Changes in Compensated Absence Balance					
1060 Changes in Contingent Liability Balance					
1070 Changes in Unrecognized Pension Transition Liability					
1080 Changes in Special Term/Severance Benefits Liability					
1090 Changes in Allowance for Doubtful Accounts - Dwelling					
1100 Changes in Allowance for Doubtful Accounts - Other					
1170 Administrative Fee Equity					
1180 Housing Assistance Payments Equity					

Housing Authority of Kittitas County (WA009)  
Ellensburg, WA  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 03/31/2017

	Project Total	2 State/Local	Subtotal	ELIM	Total
1190 Unit Months Available	1308	612	1920		1920
1210 Number of Unit Months Leased	1290	609	1899		1899
1270 Excess Cash	\$574,506		\$574,506		\$574,506
1610 Land Purchases	\$0		\$0		\$0
1620 Building Purchases	\$562		\$562		\$562
1630 Furniture & Equipment - Dwelling Purchases	\$0		\$0		\$0
1640 Furniture & Equipment - Administrative Purchases	\$52,857		\$52,857		\$52,857
1650 Leasehold Improvements Purchases	\$0		\$0		\$0
1660 Infrastructure Purchases	\$0		\$0		\$0
3510 CFFP Debt Service Payments	\$0		\$0		\$0
3901 Replacement Housing Factor Funds	\$0		\$0		\$0