



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Housing Authority of Grant County

For the period January 1, 2017 through December 31, 2017

Published September 20, 2018

Report No. 1022134





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

September 20, 2018

Board of Commissioners
Housing Authority of Grant County
Moses Lake, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Housing Authority of Grant County'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,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Housing Authority of Grant County January 1, 2017 through December 31, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Housing Authority of Grant County are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements of the business-type activities and the aggregate discretely presented component units in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 no deficiencies that we consider to be material weaknesses.

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.405	Farm Labor Housing Loans and Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Housing Authority did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**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**

**Housing Authority of Grant County
January 1, 2017 through December 31, 2017**

Board of Commissioners
Housing Authority of Grant County
Moses Lake, 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 Housing Authority of Grant County, as of and for the year ended December 31, 2017, 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 September 5, 2018.

Our report includes a reference to other auditors who audited the financial statements of the Baird Springs Apartments, Camas Court, Capehart Wherry Apartments, Dawn Village, Jardin de Rosas, Pelican Horn Apartments, and Pershing Apartments Tax Credit Partnerships, 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.

The financial statements of the Baird Springs Apartments, Camas Court, Capehart Wherry Apartments, Dawn Village, Jardin de Rosas, Pelican Horn Apartments, and Pershing Apartments Tax Credit Partnerships were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with those partnerships.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

The results of our tests 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 5, 2018

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**Housing Authority of Grant County
January 1, 2017 through December 31, 2017**

Board of Commissioners
Housing Authority of Grant County
Moses Lake, Washington

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

We have audited the compliance of the Housing Authority of Grant County, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the Housing Authority’s major federal programs for the year ended December 31, 2017. The Housing Authority’s major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2017.

Other Matters

We noted certain matters that we will report to the management of the Housing Authority in a separate letter dated September 12, 2018. Our opinion on each major federal program is not modified with respect to these matters

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

We noted certain matters that we will report to the management of the Housing Authority in a separate letter dated September 12, 2018.

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 the Uniform Guidance. 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 5, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Housing Authority of Grant County January 1, 2017 through December 31, 2017

Board of Commissioners
Housing Authority of Grant County
Moses Lake, 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 Housing Authority of Grant County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Baird Springs Apartments, Camas Court, Capehart Wherry Apartments, Dawn Village, Jardin de Rosas, Pelican Horn Apartments, and Pershing Apartments Tax Credit Partnerships, which represents 99 percent, 99 percent and 99 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 these partnerships, 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. The financial statements of the Baird Springs Apartments, Camas Court, Capehart Wherry Apartments, Dawn Village, Jardin de Rosas, Pelican Horn Apartments, and Pershing Apartments Tax Credit Partnerships were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component units of the Housing Authority of Grant County, as of December 31, 2017, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 16 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 an opinion on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The accompanying Financial Data Schedule and HUD form 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 opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, 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 September 5, 2018 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 5, 2018

FINANCIAL SECTION

Housing Authority of Grant County January 1, 2017 through December 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2017

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2017

Statement of Revenues, Expenses and Changes in Net Position – 2017

Statement of Cash Flows – 2017

Notes to Financial Statements – 2017

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Housing Authority's Proportionate Share of the Net Pension Liability –
PERS 1 and PERS 2/3 – 2017

Schedule of the Housing Authority's Contributions – PERS 1 and PERS 2/3 – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2017

Notes to the Schedule of Expenditures of Federal Awards – 2017

Financial Data Schedule – Entity Wide Balance Sheet Summary – 2017

Financial Data Schedule – Entity Wide Revenue and Expense Summary – 2017

Actual Modernization Cost Certificate – WA19P01450115

Housing Authority of Grant County Management's Discussion and Analysis December 31, 2017

The Housing Authority of Grant County is pleased to present its basic financial statements for the fiscal year that ended December 31, 2017. These financial statements were completed in conformance with the Governmental Accounting Standards Board (GASB) based on the financial reporting model set forth in GASB Statement No. 34.

In addition to providing financial statements, recently established reporting standards require the provision of a management discussion and analysis, which is a narrative review of the agency's financial performance during the previous year.

Overview of the Financial Statements

Financial reporting standards require the inclusion of three basic financial statements, including:

- Statement of Net Position (balance sheet);
- Statement of Revenues, Expenses and Changes in Net Position, and;
- Statement of Cash Flows

The financial statements provide both long term and short term information about the Housing Authority's overall financial condition. They also include notes that explain some of the information in the financial statements. The statements are followed by a section of other supplemental information that further explains and supports the information in the financial statements.

The Housing Authority's financial statements are prepared in conformance with accounting principles generally accepted in the United States of America as applied to governmental units on an accrual basis. Under this basis, revenues are recorded in the period in which they are earned, and expenses are recognized in the period in which they are incurred. Depreciation of assets is recognized in the Statement of Revenues, Expenses and Changes in Net Position.

The financial statements presented in 2017 show a significant change from 2016. The most notable change is in the construction in progress. At December 31, 2016 the Housing Authority had approximately \$3,500,000 of construction in progress and at December 31, 2016 it had approximately \$202,000 of construction in progress.

Beginning with 2015, the Housing Authority adopted GASB Statement No. 68, *Financial Reporting for Pensions*. This statement establishes accounting and financial reporting requirements for pension plans that are administered through

trusts. Statement No. 68 requires governments participating in cost-sharing multiple-employer defined benefit plans to recognize a liability for its proportionate share of the net pension liability of all employers in the plan. A cost sharing employer is required to recognize pension expense and report deferred outflows and deferred inflows of resources related to pensions. The Authority also adopted GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date* (an amendment of GASB Statement No. 68).

The Housing Authority includes six Tax Credit Partnerships as component units in their financial statements due to their fiscal dependency on the Housing Authority, as prescribed by GASB 14.

Financial Highlights

Statement of Net Position (Restated):

Total assets and deferred outflows of resources in 2016 were \$46,753,173. This number increased by \$1,944,211 (primary government total column) in 2017 to a total of \$48,697,384. Total liabilities, in 2016 were \$28,332,261 and increased to \$29,794,915 in 2017.

Significant changes in assets and liabilities included the following:

- Current Assets (primary government total) were \$2,199,348 in 2017 as compared to \$1,958,763 in 2016. This was an increase of \$240,585.
- Total current liabilities were \$1,047,989 in 2017 and \$1,610,017 in 2016, decreasing by \$562,028.
- Total non-current assets were \$46,306,512 in 2017 and \$44,516,153 in 2016. The increase was \$1,790,359.
- Total non-current liabilities were \$28,746,926 in 2017, increasing from \$26,722,244 in 2016. This was an increase of \$2,024,682
- Total net position in 2017 was \$18,672,386 as compared to \$19,356,275 (restated) in 2016.

In summary, the Housing Authority's financial condition experienced a slight increase during the period under review with a net decrease in total net position of \$683,889.

A condensed version of the Statement of Net Position for the Fiscal years Ended December 31, 2017 and 2016 is provided below:

	2017	2016
Assets and Deferred Outflows of Resources		
Total Current Assets	\$2,199,348	\$1,958,763
Total Non-Current Assets	\$46,306,512	\$44,516,153
Deferred Outflows of resources-Pensions	\$191,524	\$278,257
Total Assets and Deferred Outflows of Resources	<u>\$48,697,384</u>	<u>\$46,753,173</u>
 Liabilities, Deferred Inflows of Resources and Net Assets		
Total Current Liabilities	\$1,047,989	\$1,610,017
Total Non-Current Liabilities	\$28,746,926	\$26,722,244
Total Liabilities	\$29,794,915	\$28,332,261
Deferred Inflows of resources-Pensions	\$230,083	\$96,761
Total Liabilities, Deferred Inflows of Resources and Net Assets	<u>\$59,819,913</u>	<u>\$56,761,283</u>
 Net Position		
Invested in Capital Assets, Net of Related Debt	\$9,808,147	\$11,567,531
Restricted Assets	\$1,147,827	\$953,501
Unrestricted Assets	\$7,716,412	\$5,803,119
Total Net Position	\$18,672,386	\$18,324,151
 Total Liabilities, Deferred Inflows of resources & Net Position	<u>\$48,697,384</u>	<u>\$46,753,173</u>

Statement of Revenues, Expenses and Changes in Fund Net Position:

Total revenue (operating and non-operating), which was \$7,588,234 in 2017, increased by \$700,176 from 2016's total revenue of \$6,888,058.

A condensed version of the Statement of Revenues, Expenses and Changes in Fund Net Position for 2017 and 2016 is provided below.

	2017	2016
Total Operating Revenue	\$6,259,632	\$6,026,838
Total Non-Operating Revenue	\$1,328,602	\$861,220
Total Revenues	\$7,588,234	\$6,888,058
Total Operating Expense	\$8,182,671	\$7,619,928
Total Non-Operating Expense	\$302,787	\$176,440
Total Expenses	\$8,485,458	\$7,796,368
Capital Grant Revenue	\$213,335	\$197,411
Change in Net Position	-\$683,889	-\$710,899
Net Position, Beginning of Year-Restated	\$19,356,275	\$19,035,050
Net Position, End of Year	\$18,672,386	\$18,324,151

Financial Analysis:

The statement of net position presents the assets, liabilities and net position (assets minus liabilities) at the end of the fiscal year. Assets are broken down into two categories, "current assets" and "non-current assets." Current assets are things like cash, prepaid expenses, inventories, and short-term investments. Non-current assets include land, buildings, equipment, furnishings and capital improvements made to agency-owned buildings. Liabilities also are broken down into "current liabilities" and "non-current liabilities." Current liabilities generally represent cash that will be paid out by the agency over the short term. This category includes things like accounts payable in the next 90 days, the current portion of long-term debt and accrued interest payable. It also includes items that might need to be paid in the short term, such as tenant security deposits. Non-current liabilities are generally the long-term portion of notes or bonds.

A primary measure of creditworthiness is the ratio obtained by dividing an organization's current assets by its current liabilities (called "current ratio"), with a minimum standard typically being 1.2 to 1. The Housing Authority's current ratio as of December 31, 2017 was 2.1 to 1, which meets the minimum standard. The current ratio is higher for 2017 primarily due to the elimination of short-term construction accounts payable related to the Esperanza construction project.

Revenue compared to expense provides a picture of the Housing Authority's income and how that compares to what it cost to pay for agency operations. The agency's total income in 2017 (primary government column) was \$7,588,234, while total expenses were \$8,485,458.

Capital Assets and Long-Term Debt Activity:

The net capital assets were \$34,474,877 in 2017 increasing from \$33,205,315 in 2016, with a net Capital Asset increase of approximately \$1,269,562, net of depreciation.

Long-term debt, net of current maturities, was \$27,159,307 in 2017 increasing from \$24,824,875 in 2016, an increase of \$2,334,432. The increase was primarily due to additional development projects that incurred new debt. A majority of the long-term debt is offset by the related notes receivable from the Tax Credit Partnerships.

Economic Factors Affecting the Housing Authority's Future:

In 2017, approximately \$3,000,000 or nearly 40% of the agency's total revenue, was income from the federal government, appropriated by the United States Congress, or from Washington State Department of Commerce to support capital improvements or help nearly a thousand Grant County families afford to pay rent. Additionally, a single funding source, the U.S. Department of Housing and Urban Development (HUD), has contributed \$14,747,845 to the Housing Authority's total capital assets of \$64,756,161 over our 70 plus –year operating history. Even though this funding typically has use restrictions and limits our ability to leverage debt financing, it is a major contribution to the success of our mission. Because national budget priorities have shifted over the past several years, federal support for affordable housing has eroded and continues to be at risk for continued erosion.

The Housing Authority of Grant County, like similar agencies across the state and across the country is challenged by the continued decline in federal support. In recent years, our Housing Authority has responded to this challenge by adopting a short-term strategy of developing new rental properties and capturing certain portions of the development revenue to augment agency operating income. The competition for tax credit financing and other hurdles with state funded developments is intense, but we are continuing our efforts to capitalize on obtaining funding for projects that deliver additional revenue. During 2016, the Housing Authority of Grant County began the

second phase of development for the Esperanza project, which was completed in 2017. Until December 2015, the Esperanza project located in Mattawa, Washington, consisted of twenty unoccupied container cars, and sixteen seasonal migrant units of housing, with 128 beds total. During 2016, the Housing Authority secured financing from the United States Department of Agriculture-Rural Development and the Washington State Department of Commerce to remove the remaining twenty container cars, and build sixteen additional units of new housing. Now this project has thirty-two units with a total of 256 beds.

Because of the risks involved and the timing of estimates, the changes being made by the Washington State Finance Commission and the Washington State Department of Commerce, this Housing Authority was not able to secure financing for any tax credit development projects. Strategic planning for a longer-term solution to the decline in federal support while still providing additional housing for low-income residents is still continuing. The development projects completed during the last few years have become valuable self-sustaining projects and sources of revenue for the Housing Authority. These projects have assisted the Authority in fulfilling its mission. Another avenue the Housing Authority has been developing to increase cash flow and cover a portion of its administrative cost is by becoming the primary agency in Grant County that provides assistance to those that are literally homeless or at-risk of becoming homeless.

Local government and for-profit businesses have some economic realities in common, the most primary being the fact that operating costs perpetually increase. The greatest challenge to our Housing Authority is the severe limitation on ways in which we can increase revenues to offset cost increases. On federally subsidized properties and those built using other types of government funds, have rent levels that are dictated by statute. The agency has no taxing authority, and by state law has limitations on business activities it can engage in. Future economic challenges, therefore, must be met through creative planning and with great caution. With the recent decline in federal funding and the reduced availability of financing through low income housing tax credits, the Housing Authority has partnered with federal and state agencies, and private lenders to continue supplementing its resources necessary for future development.

Housing Authority of Grant County
Statement of Net Position
December 31, 2017

<u>Assets and Deferred Outflows of Resources</u>	<u>Primary Government</u>	<u>Component Units</u>
Current Assets:		
Cash and cash equivalents		
Unrestricted cash and cash equivalents	\$ 706,246	366,571
Unrestricted investments	770,841	-
Tenant security deposits	203,164	66,472
	<u>1,680,251</u>	<u>433,043</u>
Accounts receivable:		
HUD	-	-
Miscellaneous	359,443	-
Tenants, dwelling units	48,443	6,391
Allowance for doubtful accounts	(5,354)	-
Prepaid expenses and other assets	70,999	36,593
Inventories	45,566	-
Total current assets	<u>2,199,348</u>	<u>476,027</u>
Noncurrent Assets:		
Restricted investments	1,147,827	1,619,312
Capital assets:		
Land	3,018,978	582,300
Land improvements	1,692,573	-
Buildings	57,352,830	24,243,008
Furniture and equipment, dwelling	1,251,259	544,033
Furniture and equipment, administrative	1,238,110	-
Construction in progress	202,411	-
Less accumulated depreciation	<u>(30,281,284)</u>	<u>(8,667,145)</u>
Capital assets, net	34,474,877	16,702,196
Notes and mortgages receivable	750,437	-
Notes receivable from component units	9,588,312	-
Other assets	345,059	46,012
Total noncurrent assets	<u>46,306,512</u>	<u>18,367,520</u>
Deferred outflows of resources:		
Pensions	<u>191,524</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 48,697,384</u>	<u>18,843,547</u>

The accompanying notes to the financial statements are an integral part of this financial statement

(continued)

Housing Authority of Grant County
Statement of Net Position, continued
December 31, 2017

<u>Liabilities, Deferred Inflows of Resources and Net Position</u>	<u>Primary Government</u>	<u>Component Units</u>
Current Liabilities:		
Accounts payable	\$ 335,237	62,508
Accrued compensated absences	54,670	-
Accrued interest payable	55,548	2,597
Tenant security deposits	201,077	65,836
Unearned income	32,342	8,674
Other current liabilities	7,000	132,598
Current maturities of long-term debt and other	362,115	49,344
Total current liabilities	<u>1,047,989</u>	<u>321,557</u>
Noncurrent Liabilities:		
Accrued compensated absences, net of current	121,572	-
Long-term debt, net of current maturities	27,159,307	10,088,733
Net pension liability	1,123,390	-
Other long-term liabilities	342,657	774,892
Total other non-current liabilities	<u>28,746,926</u>	<u>10,863,625</u>
Total liabilities	<u>29,794,915</u>	<u>11,185,182</u>
Deferred inflows of resources:		
Pensions	<u>230,083</u>	<u>-</u>
Net Position:		
Invested in capital assets, net of related debt	9,808,147	5,789,227
Restricted	1,147,827	1,619,312
Unrestricted	7,716,412	249,826
Total net position	<u>18,672,386</u>	<u>7,658,365</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 48,697,384</u>	<u>18,843,547</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Housing Authority of Grant County
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2017

	Primary Government	Component Units
Operating revenues:		
Tenant rentals	\$ 3,222,650	1,437,299
Housing assistance payment subsidies	2,612,672	-
Other	424,310	98,871
	<hr/>	<hr/>
Total operating revenues	6,259,632	1,536,170
Operating expenses:		
Administration	1,944,948	465,117
Utility services	1,114,146	304,109
Maintenance	1,682,355	315,436
Protective services	21,378	-
Housing assistance payments	1,382,739	-
Other	180,201	141,520
Depreciation and amortization	1,856,904	669,436
	<hr/>	<hr/>
Total operating expenses	8,182,671	1,895,618
Income (loss) from operations	(1,923,039)	(359,448)
Non-operating revenue and (expenses):		
Operating grants	-	-
Interest income	148,080	1,672
Interest expense	(302,787)	(451,266)
Other	1,180,522	-
	<hr/>	<hr/>
Total non-operating revenue and expenses	1,025,815	(449,594)
Income (loss) before capital contributions	(897,224)	(809,042)
Capital contributions:		
Capital grant revenue	213,335	-
Partner capital contributions	-	-
	<hr/>	<hr/>
Total capital contributions	213,335	-
Change in net position	(683,889)	(809,042)
	<hr/>	<hr/>
Net position, beginning of year restated	19,356,275	8,467,407
	<hr/>	<hr/>
Net position, end of year	\$ 18,672,386	7,658,365

The accompanying notes to the financial statements are an integral part of this financial statement

Housing Authority of Grant County
Statement of Cash Flows
Increase (Decrease) in Cash and Cash Equivalents
For the Year Ended December 31, 2017

	Primary Government	Component Units
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from:		
Tenants	\$ 2,891,400	1,438,968
Housing assistance payment subsidies	2,612,672	-
Other funds	1,117,526	-
Other	424,310	98,871
Cash paid to/for:		
Rental operations	(5,324,045)	(702,150)
General & Administrative	(1,943,701)	(465,117)
Other funds	(1,117,526)	-
Net cash provided by (used in) operating activities:	<u>(1,339,364)</u>	<u>370,572</u>
<i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</i>		
Other income	<u>1,180,522</u>	<u>-</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i>		
Land, building, and equipment additions	(1,673,022)	(28,371)
Principal borrowing (payments) on long-term debt	2,101,063	197,622
Capital contributions	213,335	-
Mortgage interest paid	(302,787)	(454,287)
Net cash used in capital and related financing activities	<u>338,589</u>	<u>(285,036)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Interest received on contracts and investments	148,080	1,672
Net cash transferred (to) from investments	(92,881)	(104,651)
Payments received on notes and financing leases receivable	(326,471)	12,610
Net cash provided by (used in) investing activities	<u>(271,272)</u>	<u>(90,369)</u>
<i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i>	(91,525)	(4,833)
<i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i>	<u>1,771,776</u>	<u>437,876</u>
<i>CASH AND CASH EQUIVALENTS, END OF YEAR</i>	<u>\$ 1,680,251</u>	<u>433,043</u>
<i>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</i>		
Income (Loss) from operations	\$ (1,923,039)	(359,448)
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities		
Depreciation and amortization	1,856,904	669,436
Change in assets and liabilities:		
Decrease (increase) in assets:		
Accounts and other receivables	(331,250)	1,669
Inventories	1,695	-
Prepaid expenses and other assets	1,534	119
Deferred outflows of resources	86,733	-
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(828,464)	53,965
Prepaid rent	(17,901)	4,831
Deferred inflows of resources	133,322	-
Net pension liability	(318,898)	-
Net cash provided by (used in) operating activities:	<u>\$ (1,339,364)</u>	<u>370,572</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization and Program Descriptions:

The Housing Authority of Grant County (Housing Authority) was duly created and incorporated in 1943 pursuant to the authority of the Constitution and statutes of Washington and is a municipal corporation established particularly pursuant to Title 35.82 RCW. The primary purpose of the Housing Authority is to finance the acquisition, construction, rehabilitation and ownership of housing intended for occupancy or ownership, or both, by families of low or moderate income in Grant County and to operate its housing programs in accordance with Federal and State laws and regulations.

Reporting Entity:

The Housing Authority is governed by an elected six-member board. The Housing Authority is not financially dependent on any other entities and is not considered to be a component unit of any other entities. The Housing Authority reports all of its activities as one enterprise fund, in accordance with Generally Accepted Accounting Principles (GAAP).

As defined by GAAP established by the Governmental Accounting Standards Board (GASB), the reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component units' board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government, or (c) the component unit is financially dependent on the primary government.

Component units are reported as part of the reporting entity under either the blended or discreet method of presentation. There are two situations where blending is allowed (1) when the board of the component unit is substantially the same as that of the primary government and (2) when the component unit serves the primary government exclusively, or almost exclusively. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Authority.

Program Descriptions:

The Housing Authority's programs are accounted for through the use of various project accounting codes created to demonstrate compliance with financial and legal requirements. These individual programs and projects, which are described below, are assigned to various programs which comprise the single enterprise proprietary fund of the Housing Authority. The following are the programs and housing projects of the Housing Authority:

- **Operating Program and Projects**

Larson— The Larson project was established to account for the original purchase of the Larson Air Force Base in 1977. The base consisted of 1,186 housing units located on 374 acres in Moses Lake, Washington. Since the original purchase, the Larson has been engaged in the transition of these housing units to private ownership and to federal housing programs. The project currently consists of approximately 126 housing units, which are used to provide low and moderate-income housing.

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

Organization and Program Descriptions (continued):

- **Operating Program and Projects, continued**

Mental Health Housing – The Mental Health Housing project consists of 10 housing units in Moses Lake and Ephrata, Washington. The project was established in 1995 to provide low-income housing to individuals with chronic mental illness. Funding for the construction of the housing units was provided through a Washington Department of Community Development loan.

Developmentally Disabled – The Developmentally Disabled project consists of 5 housing units in Moses Lake, Washington. The project was established in 1994 to provide low-income housing to developmentally disabled individuals. Funding for the construction of the housing units was provided through a Washington Department of Community Development loan.

- **Rural Rental Assistance Payments Program and Projects**

Mattawa – The Mattawa project consists of 20 housing units for low-income agricultural workers located in Mattawa, Washington. The funding for the renovation of the 20 houses was provided through a USDA Rural Development loan in 1986. The project receives ongoing rental assistance subsidies from USDA. There are no housing assistance payments paid.

Beverly Lane Apartments – The Beverly Lane Apartments project consists of 32 housing units for low-income rural housing located in Quincy, Washington. The Housing Authority acquired the project in 1998 by assuming the existing USDA Rural Development loan and by issuing additional tax-exempt promissory notes. The project receives ongoing rental assistance subsidies from USDA. There are no housing assistance payments paid.

Karen Lane Apartments – The Karen Lane Apartments project consists of 24 housing units for low-income rural housing located in Ephrata, Washington. The Housing Authority acquired the project in 1998 by assuming the existing USDA Rural Development loan and by issuing additional tax-exempt promissory notes. The project receives ongoing rental assistance subsidies from USDA. There are no housing assistance payments paid.

Esperanza – The Esperanza project consists of 32 units of temporary housing in Mattawa, Washington. Starting in 2015, the project was renovated to provide seasonal low-income farmworker housing to domestic farm laborer families. Funding for the project was provided by Washington State Department of Commerce and USDA Rural Development. The project receives ongoing rental assistance subsidies from USDA.

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

Organization and Program Descriptions (continued):

Spring Canyon - The Spring Canyon project consists of 17 low-income housing units located in Grand Coulee, Washington. The funding for the purchase and renovation was provided by a Washington State Department of Commerce loan. The project receives ongoing rental assistance from HUD. The project was purchased in 2008.

Nueva Vida - The Nueva Vida project consists of 9 low-income agricultural worker housing units located in Mattawa, Washington. The funding for the purchase and renovation was provided by a Washington State Department of Commerce loan. The project was acquired in 2009.

Joseph Cove - The Joseph Cove project consists of 18 low-income housing units located in Bridgeport, Washington. The funding for the purchase and renovation was provided by a Washington State Department of Commerce loan. The project receives ongoing rental assistance from HUD. The project was purchased in 2010, and was completed in 2011.

Bell Hotel - The Bell Hotel project consists of 14 low-income apartment housing units, and 7 commercial units located in Ephrata, Washington. The funding for the purchase and renovation was provided by Washington State Department of Commerce and WCRA loans. The project was purchased in 2010.

Rose Garden - The Rose Garden project consists of 9 low-income apartment housing units located in Ephrata, Washington. The funding for the purchase was provided by a Washington State Department of Commerce loan. The project was purchased in 2010.

Purple Sage – The Purple Sage projects consists of 8 housing units located in Quincy, Washington and 16 units in Ephrata, Washington. The funding for the purchase and renovation was provided by a Washington State Department of Commerce loan. The original 8 Quincy Project units were purchased in 2010 and through rehab and additions, have been renamed Purple Sage and was completed during 2012.

Airway Apartments - The Airway Apartments project consists of 12 transitional housing units located in Moses Lake, Washington. The project was acquired in 2010.

Beasley Hills Apartments – Beasley Hills Apartments projects consists of a 26 housing unit apartment complex located in Ephrata, Washington. The project was acquired in 2015.

Frenchman Hill Apartments – Frenchman Hill Apartments project consists of a 26 housing unit apartment complex located in Royal City, Washington. The project was acquired in 2015.

Wahluke Slope Apartments – Wahluke Slope Apartments project consists of a 25 housing unit apartment complex located in Mattawa, Washington. The project was acquired in 2015.

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

Organization and Program Descriptions (continued):

Priest Rapids Apartments – Priest Rapids Apartments Limited Partnership was a legally separate entity formed to take advantage of low income housing tax credits needed to finance the project. The Housing Authority on May 29, 2001, entered into a limited partnership agreement with Priest Rapids Apartments Limited Partnership for the purpose of constructing and operating a residential housing project. The Housing Authority is a general partner with a .01% interest in the partnership. All profits, losses, and credits are allocated to the partners in accordance with their partnership interests. During 2017 the limited partner withdrew from the partnership and assigned its ownership interest to the Housing Authority, which assumed the debt of the partnership to complete the merger transaction. Prior to the merger, the partnership was reported as a discretely presented component unit of the Authority.

The transactions resulted in the following increases and decreases in the January 1, 2017 amounts reported for the primary government and component units:

	Primary Government	Component Units
Current assets	4,416	(4,416)
Capital assets, net	1,451,602	(1,451,602)
Noncurrent assets	110,294	(110,294)
Current liabilities	(57,732)	57,732
Long term debt	(377,209)	377,209
Noncurrent liabilities	(86,322)	86,322
Inter-entity receivables/payable	(20,260)	20,260
Net Position	<u>1,024,789</u>	<u>(1,024,789)</u>

- **Section 8 Program**

Section 8 Larson – The Section 8 Larson project consists of 47 housing units for low-income families located in Moses Lake, Washington. The funding for the renovation of the 47 houses was provided through a U.S. Department of Agriculture (USDA) Rural Development loan in 1982. The project receives ongoing rental assistance payments from HUD. There are no housing assistance payments paid.

- **Low Rent Public Housing Program**

HUD Public Housing – The HUD Public Housing project consists of 217 housing units for low-income families located in Moses Lake, Washington, and other surrounding communities. The U.S. Department of Housing and Urban Development (HUD) provided the funding to purchase these housing units. HUD provides ongoing operating subsidies to the project.

- **Housing Choice Vouchers Program**

Section 8 Voucher – The Section 8 Voucher program was established to account for the income and expenses related to the administration of the HUD Section 8 Voucher program. The Housing Authority administers approximately 237 housing vouchers which assist low-income families to obtain rental housing.

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

Organization and Program Descriptions (continued):

- **Public Housing Capital Fund Program**

HUD Capital Fund Program and Comprehensive Improvement Assistance Program – The HUD Capital Fund Program (CFP) and Comprehensive Improvement Assistance Program (CIAP) was established to account for capital funds provided by HUD to improve and upgrade existing public housing units. During 2015, the CIAP improvements of the existing public housing units were completed and improvements of \$215,294 were not yet transferred from CFP to the HUD Public Housing Program.

Discretely Presented Component Units:

The Housing Authority has component units, which are discretely presented and consolidated into the “Component Units” column in the financial statements. The Housing Authority is the general partner/managing member in these component units and controls the day-to-day operations of the partnerships. The limited partner/investor member interests are held by third parties unrelated to the Housing Authority. These component units are fiscally dependent on the Housing Authority according to the terms of the partnership/operating agreements. These agreements include a legal obligation for the Housing Authority to fund operating deficits up to specified limits.

The component units discussed below are included in the Housing Authority’s reporting entity since they are fiscally dependent on the Housing Authority and the Housing Authority has financial benefits and potential financial burdens from these entities. These component units do not provide services exclusively or almost exclusively to the benefit of the Housing Authority.

Each of the component units have a December 31 year-end. The financial statements of the component units are presented as of December 31, 2017. Copies of their separate financial statements can be obtained by contacting the Housing Authority. Condensed financial information for each of the component units is provided in Note 10. Although these component units do not follow government accounting standards, for presentation purposes certain transactions and balances may be reflected differently in the Housing Authority’s financial statements than in the separately issued statements in order to conform to the presentation and classifications of the Housing Authority’s statements

As of and for the year ended December 31, 2017, the Housing Authority had the following discretely presented component units:

- **Baird Springs Apartments Limited Partnership** – Baird Springs Apartments Limited Partnership is a legally separate entity formed to take advantage of low income housing tax credits needed to finance the project. The Housing Authority on May 29, 2001, entered into a limited partnership agreement with Baird Springs Apartments, Limited Partnership for the purpose of constructing and operating a residential housing project. The Housing Authority is a general partner with a .01% interest in the partnership. All profits, losses, and credits are allocated to the partners in accordance with their partnership interests.

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

Discretely Presented Component Units (continued):

- **Camas Court Limited Partnership** – Camas Court Limited Partnership is a legally separate entity formed to take advantage of low income housing tax credits needed to finance the project. The Housing Authority on December 15, 2007, entered into a limited partnership agreement with Camas Court Limited Partnership for the purpose of constructing and operating a residential housing project. The Housing Authority is a general partner with a .01% interest in the partnership. All profits, losses, and credits are allocated to the partners in accordance with their partnership interests.
- **Capehart Wherry Apartments Limited Partnership** – Capehart Wherry Apartments Limited Partnership is a legally separate entity formed to take advantage of low income housing tax credits needed to finance the project. The Housing Authority on May 29, 2001, entered into a limited partnership agreement with Capehart Wherry Apartments, Limited Partnership for the purpose of constructing and operating a residential housing project. The Housing Authority is a general partner with a .01% interest in the partnership. All profits, losses, and credits are allocated to the partners in accordance with their partnership interests.
- **Dawn Village LLC** – Dawn Village LLC is a legally separate entity formed to take advantage of low income housing tax credits needed to finance the project. The Housing Authority is the managing member with a .01% interest in the LLC. All profits, losses, and credits are allocated to the members in accordance with their member interests.
- **Jardin De Rosas Limited Partnership** – Jardin De Rosas Limited Partnership is a legally separate entity formed to take advantage of low income housing tax credits needed to finance the project. The Housing Authority entered into a limited partnership agreement with Jardin De Rosas Limited Partnership for the purpose of constructing and operating a residential housing project. The Housing Authority is a general partner with a .01% interest in the partnership. All profits, losses, and credits are allocated to the partners in accordance with their partnership interests.
- **Pelican Horn Apartments Limited Partnership** – Pelican Horn Apartments Limited Partnership is a legally separate entity formed to take advantage of low income housing tax credits needed to finance the project. The Housing Authority is the general partner with a .01% interest in the Partnership. All profits, losses, and credits are allocated to the partners in accordance with their partnership interests.
- **Pershing Apartments Limited Partnership** – Pershing Apartments Limited Partnership is a legally separate entity formed to take advantage of low income housing tax credits needed to finance the project. The Housing Authority entered into a limited partnership agreement with Pershing Apartments Limited Partnership for the purpose of constructing and operating a residential housing project. The Housing Authority is a general partner with a .01% interest in the partnership. All profits, losses, and credits are allocated to the partners in accordance with their partnership interests.

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

Basis of accounting and presentation

The Housing Authority funds are accounted and reported using the economic resources measurement focus. The Housing Authority uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property and equipment purchases are capitalized and long-term liabilities are accounted for in the appropriate fund. Depreciation of assets is recognized and all assets and liabilities associated with the operation of the Housing Authority are included in the statement of net assets. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Operating revenues include fees and charges from providing services in connection with the ongoing operations of providing low income housing. Operating revenues also include operating subsidies and grants provided by Housing and Urban Development (HUD) for each unit rented to qualified tenants in the public housing and Section 8 programs. The use of this classification is based on guidance from HUD, the primary user of the financial statements. Operating expenses are those expenses that are directly incurred while in the operation of providing low income housing.

This presentation results in an operating income that is higher than a non-operating revenue presentation by the amount of the subsidies and/or grants. Overall it does not affect the presentation of net income or the change in net assets in the statement of revenues, expenses, and changes in net assets, or the presentation of cash and cash equivalents in the statement of cash flows.

The accounting records are maintained in accordance with Financial and Accounting Handbooks (RHA 7510.1 and 7420.6) prescribed by HUD and applicable rules prescribed by the Department of Agriculture, Farmers Home Administration (USDA-RD)

The Housing Authority has implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The primary impact of the implementation of this statement on the Housing Authority is the addition of a Management’s Discussion and Analysis as required supplementary information; a change in the classifications of fund equity from fund balances to net assets, which are also required to be further categorized between (1) invested in capital assets, net of related debt, (2) restricted net assets and (3) unrestricted net assets; use of the direct method to present the statement of cash flows; and certain additional note disclosures.

New Accounting Standards Recently Adopted

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. There was no impact to the Authority's financial statements as a result of implementing this statement.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. The Authority participates in the Grant County Investment Pool (GCIP).

In addition, the Authority's component units adopted Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). Under this statement debt issuance costs are presented as a deduction from the carrying amount of the related obligation and amortization of debt issuance costs are shown as a component as interest expense

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. There was no impact to the Authority's financial statements as a result of implementing this statement.

New Accounting Standards Adopted in Future Years

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, addresses accounting and financial reporting for OPEB that is provided to employees of state and local governmental employers. The provisions of this Statement are effective for periods beginning after June 15, 2017.

GASB Statement No. 82, *Pension Issues*, will address certain issues that have been raised regarding GASB Statements No. 67, No. 68, and No. 73. The requirements of this statement are effective for periods beginning after June 15, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, is effective for reporting periods beginning after June 15, 2018. This statement standardizes requirements for the recognition and measurement of asset retirement obligations, other than landfills, to reduce inconsistency in financial reporting and enhance comparability. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

GASB Statement No. 84, *Fiduciary Activities*, is effective for reporting periods beginning after December 15, 2018. This statement defines criteria for identifying activities that state and local governments should report as fiduciary activities and how they should be reported.

GASB Statement No. 85, *Omnibus 2017*, is effective for reporting periods beginning after June 15, 2017 and includes amendments to certain existing literature to address issues in multiple pronouncements that individually would not justify a separate statement. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and applications, and postemployment benefits. GASB Statement No. 86, *Certain Debt Extinguishment Issues*, is effective for reporting periods beginning after June 15, 2017. It establishes guidance for certain issues related to debt extinguishments, primarily in-substance defeasance of debt.

GASB Statement No. 87, *Leases*, is effective for reporting periods beginning after December 15, 2019. Its objective is to improve accounting and financial reporting for leases by governments by establishing a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset. It requires recognition of certain lease assets and liabilities that were previously classified as operating.

The Authority is currently evaluating these new standards to determine what impact, if any, they will have on the Authority, its financial statements and related disclosures

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

Summary of Significant Accounting Policies (continued):

Cash, Cash Equivalents, and Investments

For purposes of the statements of cash flows, all unrestricted and restricted cash and highly liquid unrestricted investment with an original maturity of three months or less are considered to be cash equivalents (See note 2). Investments include deposits with original maturities exceeding three months, and securities and other assets held by trustees.

As of December 31, 2017 the Housing Authority's carrying amounts of deposits was \$2,828,078 (See note 2) and are classified as cash, cash equivalents and restricted investments on the statement of net assets. The Housing Authority's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission.

Accounts receivable

An allowance for doubtful tenant accounts receivable has been established by management based on historical collection results. Accounts receivable from HUD are comprised primarily of grant funds receivable under the HUD Capital Fund Program. No allowance for doubtful accounts for HUD and other accounts receivable has been established as management believes these amounts will be collected in full.

Inventories

Inventories of materials and supplies are stated at the lower of cost or market on a first-in, first-out method.

Restricted assets

Restricted assets consist of cash and investments that are restricted in use by various lease agreements, loan agreements and regulatory agreements. Restricted assets were held for the following purposes:

	Primary Government	Component Units
Escrow accounts (taxes and insurance)	\$ -	-
HUD Family Self Sufficiency	-	-
Tenant security deposits	203,164	66,472
Operating and replacement reserve accounts	1,044,170	1,619,312
Down payment assistance program	103,657	-
	<u>\$ 1,350,991</u>	<u>1,685,784</u>

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

Capital assets and Depreciation

All capital assets are recorded at historical cost (See Note 4). Property and equipment acquired through contributions are recorded at the fair value on the date donated. All capital assets, including expenditures for property and equipment including major improvements and renovations, with a value greater than \$5,000 and a useful life of over one year are capitalized. Expenditures for maintenance, repairs, and minor replacements are charged to expenses when incurred. Assets retired, replaced, or otherwise disposed of are eliminated from the asset accounts and the related amounts of accumulated depreciation are eliminated from the accumulated depreciation accounts. See Note 4 for the capital asset components and balances at December 31, 2017 and fiscal year activity.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The related property and equipment categories and their respective depreciable range of lives are as follows:

Buildings	20 – 40 years
Furniture, equipment, and machinery	3 – 10 years

Depreciation is not computed on housing units until the construction is completed.

Income taxes

Income received or generated by the Housing Authority is not subject to federal income tax pursuant to Internal Revenue Code Section 115. The Authority is exempt from state and local property taxes.

Unearned Revenue

The Housing Authority has unearned revenue from operating lease payments, operating grant payments, and tenant rent payments received in advance of the period in which these are considered earned. The operating grant payments were paid by grantors and will be recognized as revenue in the following fiscal year when the related qualifying expenditures occur. Unearned tenant rent payments were received by year-end before they were due.

Pensions

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

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

Accrued compensated absences

The Housing Authority records unpaid leave for compensated absences as an expense and liability when earned by the employee. Both union and nonunion employees are entitled to paid sick leave and vacation which is earned over a scheduled period of time as follows:

- Sick leave – Full-time employees accrue sick leave at the rate of 120 hours per year worked up to a maximum of 480 hours for union employees and 480 hours for nonunion employees. Upon termination of employment, employees will be paid 33% of up to the maximum accrual amount of 480 hours.
- Vacation – Full-time union and all nonunion employees are entitled to receive annual vacation pay after completion of one year of service. Unused vacation for union employees may be accumulated and carried over to the next year up to a maximum of 160 hours or up to 240 hours with approval from the Executive Director. Nonunion employees are able to accumulate and carry over vacation up to a maximum of 240 hours. Any vacation leave in excess of these limitations will be forfeited. Upon termination of employment, all employees will be allowed vacation pay for any vacation earned and accrued but not yet taken.

Vacation is accumulated for employees as follows:

0 – 2 year of service	120 hours
3 – 4 years of service	150 hours
5 – 8 years of service	170 hours
9 – 14 years of service	190 hours
15+ years of service	220 hours

Part-time nonunion employees accrue annual vacation leave prorated on the basis of hours actually worked in a standard work year of 2,080 hours.

Allowance for loan losses

The Housing Authority provides for loan losses when a specific need for an allowance is identified. The provision for loan losses charged or credited to operating expense is the amount necessary, in management's judgment to maintain the allowance at a level it believes sufficient to cover losses on collection of loans. Estimated future losses involve the exercise of management's judgment and assumptions with respect to future conditions. The principal factors considered by management in determining the adequacy of the allowance are the composition of the loan portfolio, historical loss experience, economic conditions, the value and adequacy of collateral, and the current level of the allowance. The provision for loan losses was \$5,354 for the year ending December 31, 2017.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 2 — DEPOSITS AND INVESTMENTS:

Cash deposits are held with financial institutions and are entirely insured or collateralized and are classified as cash and cash equivalents in the statement of net position. All deposits in excess of the FDIC insurance limit are covered by the Public Deposit Protection Commission of the State of Washington, which is a multiple financial institution collateral pool, established under Chapter 39.58 of the Revised Code of Washington.

Certain cash deposits and investments are classified as restricted assets if their use for general operating purposes is legally or contractually prohibited. Restricted cash and investments held by the Housing Authority comprise primarily tenant security deposits, debt service reserves, and reserves held for future capital improvements on properties owned by the Housing Authority.

Cash deposits and investments at December 31, 2017 are categorized as follows:

Cash and cash equivalents:	
Money market savings	\$ 1,710,984
Investments:	
Investment in Grant County investment pool	1,117,094
	<u>\$ 2,828,078</u>

As required by state law, all investments of the Housing Authority's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the state of Washington, general obligations of Washington State municipalities, the Grant County of Washington Investment Pool, bankers' acceptances, or certificates of deposit with Washington State banks and savings and loan institutions.

Fair Value

The Authority adopted GASB Statement No. 72, *Fair Value Measurement and Application* which establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value as follows:

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date
- Level 2 inputs - inputs other than quoted priced included within Level 1 that are observable for an asset or liability either directly or indirectly
- Level 3 Inputs - unobservable inputs for an asset or liability

GASB Statement No.79 *Certain External Investment Pools and Pool Participants*, allows the Authority to report investments with the WA State Investment Pool (LGIP) at amortized cost. The Authority also reports its investment in Grant County Investment Pool (GCIP) at amortized cost rather than fair value because the difference between amortized cost and fair value is insignificant. Currently the Authority utilizes the GCIP and there are no limitations or restrictions on withdrawals from the pool.

The Authority's investments by fair level value are shown in the table below:

	Amortized	Level 1	Level 2	Level 3
	cost	Quoted Prices	observable	unobservable
		inputs	inputs	inputs
Grant County Investment Pool	\$ 1,117,094	-	-	-
Total investments	\$ 1,117,094	-	-	-

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 2 — DEPOSITS AND INVESTMENTS: (continued)

There are many factors that can affect the value of investments. Some, such as custodial risk, concentration of credit risk, and foreign currency risk may affect both equity and fixed-income securities. Fixed income securities are particularly sensitive to credit risks and changes in interest rates. The Housing Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Interest rate risk is the risk that the value of fixed-income securities will decline because of rising interest rates. The prices of fixed-income securities with a longer time to maturity tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter maturities. The Housing Authority's investment policy does not restrict investment maturities. At year end, the average maturities of investments are less than one year.

Concentration of credit risk is the risk of loss associated with a lack of diversification of having too much invested in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. Securities issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools, and other pooled investments are excluded from this review. Investments in the various investment pools managed by the State are external investment pools and are not subject to concentration of credit risk. There is no concentration of any single individual issuer of equity or non-U.S. government fixed income securities that comprise more than five percent of total investments.

Foreign currency risk is the possibility that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect a deposit or investment's fair value. The Housing Authority has no exposure to foreign currency risk.

Custodial risk for investments is the risk that in the event of failure of the counterparty to a transaction, the Authority will not be able to recover the value of the investments. As of December 31, 2017, all investments were insured or registered, and held by the Authority or its agent in the Authority's name, or uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name, or investment pools that are not classified since the investments are not evidenced by securities that exist in physical or book entry form. Therefore, the investments are not exposed to custodial risk. The Authority's policy allows for safekeeping of securities either by the agent or a third party custodian as is the case for the Grant County Investment Pool. Investments in U.S. Treasury-backed short-term money market funds are investments held by the trustee in the Authority's name for bond issues.

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 3 — NOTES AND MORTGAGES RECEIVABLE:

The Housing Authority's notes and mortgages receivable are comprised of second mortgages issued in connection with the sale of housing units to low-income families. Substantially all mortgage receivables are secured by a lien on the real property. The Housing Authority's notes receivable from component units were issued in conjunction with the acquisition and construction of housing units and are comprised of secured and unsecured notes receivable.

A portion of these notes are related to the sale of housing units in the HUD Public Housing program. These homes are sold as part of the HUD Hope I program. The Hope I notes include a provision in which principal and interest is forgiven over fourteen years starting six years after the date of the note. Consequently, the Housing Authority has recorded a deferred credit in noncurrent liabilities on the balance sheets equal to the amount of Hope I notes.

The Housing Authority has also issued second mortgages in connection with the sale of Larson Division housing units to low-income families. These notes bear interest in the range of 5% to 7%. All interest and principal payments are deferred for five years from the date of the note.

The Housing Authority administers a revolving loan fund in cooperation with the Washington State Department of Community Trade and Economic Development (DCTED). Under this agreement the Housing Authority has issued second mortgages in connection with the sale of housing units to low-income families. The note principal payment is deferred 50 years. Contingent interest will be charged if there is a default on the note before the 50-years maturity. The Housing Authority has recorded the principal amount of these notes as assets on the balance sheets with an offsetting amount in concurrent liabilities representing the liability for the revolving loan funds to DCTED.

At December 31, 2017, the Housing Authority's notes and mortgages receivable were as follows:

HUD Public Housing Hope I notes	\$ 24,659
Larson Division second mortgages	52,599
DCTED revolving loan fund notes	487,462
Other notes receivable	185,716
Notes receivable from component units	<u>9,588,313</u>
	<u>\$ 10,338,749</u>

Notes and mortgages receivable at year-end consist of amounts owed on mortgages, promissory notes or contracts receivable. Amounts owed on mortgages, promissory notes or contracts receivable generally refer to loan amounts that are due and payable over time and consist of long-term receivables for loans that are secured by real property, or for deferred developer fees from our tax credit partnerships, which are component units of the Authority. Because the material account balances are generally secured by partnership agreements, or secured by liens against real property there is generally no need to estimate uncollectible amounts.

Notes receivable due from component units, as of December 31, 2017, consisted of the following:

Baird Springs Apartments Limited Partnership	\$ 503,950
Camas Court Limited Partnership	715,686
Capehart Wherry Apartments Limited Partnership	4,387,279
Dawn Village Apartments, LLC	1,316,848
Jardin De Rosas, Limited Partnership	1,164,493
Pelican Horn Apartments, Limited Partnership	952,026
Pershing Apartments, Limited Partnership	<u>548,031</u>
	<u>\$ 9,588,313</u>

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 3 — NOTES AND MORTGAGES RECEIVABLE (continued):

Baird Springs Apartments Limited Partnership

The project was developed by the general partner. At December 31, 2017, Baird Springs Apartments Limited Partnership had payables totaling \$503,950 due to the general partner, the Housing Authority.

Camas Court Limited Partnership

The project was developed by the general partner. At December 31, 2017 Camas Court Limited Partnership had a note payable for an assigned acquisition note of \$709,054 and other payables of \$6,632.

Capehart Wherry Apartments Limited Partnership

The developer note receivable provides for payments contingent on cash flow and accrues interest at 4.85%, compounded annually. The outstanding balance of the unsecured developer note receivable, including accrued interest, at December 31, 2017, was \$497,636. Notes and mortgages receivable include a financing lease receivable from the Capehart-Wherry Apartments Limited Partnership resulting from the sale of 50 housing units which make up the Capehart-Wherry project. The outstanding balance, including accrued interest at 5.7%, at December 31, 2017, is \$3,882,324. The lease requires quarterly payments sufficient to amortize the lease over 50 years at an assumed rate of 5.7%. Payments are contingent upon cash flow. No principal reduction payments are expected during the next five years; therefore, the entire balance is classified as long term.

Dawn Village, LLC

The project was developed by the managing member. At December 31, 2017, Dawn Village Apartments LLC had two acquisition notes payable, including accrued interest, payable to the managing member, the Housing Authority, totaling \$1,316,848.

Jardin De Rosas Limited Partnership

The project was developed by the general partner. At December 31, 2017, Jardin De Rosas Apartments Limited Partnership had payables totaling \$294,333 due to the general partner, the Housing Authority. The project also has a note payable of \$867,724 due to the general partner.

Pelican Horn Apartments Limited Partnership

The project was developed by the general partner. At December 31, 2017 Pelican Horn Apartments Limited Partnership had a total of \$952,026 payable to the general partner. The total is comprised of note payable for syndication fees, a Developer Fee note payable, acquisition note payable and accrued interest.

Pershing Apartments Limited Partnership

The project was developed by the general partner. At December 31, 2017, Pershing Apartments Limited Partnership a developer fee of \$323,772, including accrued interest at 4.72 percent, due to the general partner, the Housing Authority. At December 31, 2017, the Housing Authority had advances to the partnership of \$225,324 and are unsecured and non-interest bearing.

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 4 — CAPITAL ASSETS:

The following is a summary of the changes in capital assets of the Housing Authority:

Primary government:

	Balance January 1, 2017	Additions	Dispositions and Transfers	Balance December 31, 2017
Capital assets not being depreciated:				
Land	\$ 3,018,978	-	-	3,018,978
Construction in progress	3,471,417	144,769	(3,413,775)	202,411
Depreciable capital assets:				
Buildings	52,629,370	1,378,742	3,344,718	57,352,830
Furniture, equipment and machinery, dwelling	1,299,077	42,110	(89,928)	1,251,259
Furniture, equipment and machinery, administrative	1,184,047	82,599	(28,536)	1,238,110
Leasehold improvements	1,678,701	13,872	-	1,692,573
	<u>56,791,195</u>	<u>1,517,323</u>	<u>3,226,254</u>	<u>61,534,772</u>
Less accumulated depreciation	<u>28,624,673</u>	<u>1,844,132</u>	<u>(187,521)</u>	<u>30,281,284</u>
Total capital assets being depreciated, net	<u>28,166,522</u>	<u>(326,809)</u>	<u>3,413,775</u>	<u>31,253,488</u>
Total capital assets, net	<u>\$ 34,656,917</u>	<u>(182,040)</u>	<u>-</u>	<u>34,474,877</u>

The following is a summary of the changes in capital assets of the Housing Authority's component units:

	Balance January 1, 2017	Additions	Dispositions and Transfers	Balance December 31, 2017
Capital assets not being depreciated:				
Land	\$ 582,300	-	-	582,300
Construction in progress	-	-	-	-
Depreciable capital assets:				
Buildings and improvements	24,235,826	7,182	-	24,243,008
Furniture, equipment and machinery, dwelling	532,433	11,600	-	544,033
	<u>24,768,259</u>	<u>18,782</u>	<u>-</u>	<u>24,787,041</u>
Less accumulated depreciation	<u>8,010,318</u>	<u>656,827</u>	<u>-</u>	<u>8,667,145</u>
Total capital assets being depreciated, net	<u>16,757,941</u>	<u>(638,045)</u>	<u>-</u>	<u>16,119,896</u>
Total capital assets, net	<u>\$ 17,340,241</u>	<u>(638,045)</u>	<u>-</u>	<u>16,702,196</u>

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 5 — PENSION PLANS:

All full-time and part-time permanent Housing Authority 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 state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publically available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov or may be obtained by writing to:

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

Plan Description:

Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plan 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees (not in national higher education retirement programs); judges of district and municipal courts; and employees of local governments. Approximately 50% of PERS members are State employees. PERS contains 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 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 the 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 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 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-paid consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 5 — PENSION PLANS (continued):

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. Members are eligible for retirement with a full benefit at age 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 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 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 Consumer Price Index), 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 five 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.

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 5 — PENSION PLANS (continued):

The Washington State Investment Board (WSIB) has been authorized by statute (chapter 43.33A of the RCW) as having the investment responsibility for the pension funds. Investments are reported at fair value, and unrealized gains and losses are included as investment income in the Statement of Changes in Fiduciary Net Position presented in the DRS Comprehensive Annual Financial Report. Purchases and sales of investments are recorded on a trade-date basis.

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

Contributions:

Each biennium, the legislature establishes Plan 1 and Plan 3 employer contribution rates and Plan 2 employer and employee contribution rates. Employee contribution rates for Plan 1 are established by legislative statute and do not vary from year to year. Employer rates for Plan 1 are not necessarily adequate to fully fund the system. The employer and employee contribution rates for Plan 2 and for Plan 3 are developed by the Office of the State Actuary to fully fund the system. The methods used to determine the contribution requirements were established under State statute. All employers are required to contribute at the level established by the legislature and the Office of the State Actuary.

The actual contribution rates for the employers and employees were changed during the year. Effective July 1, 2017 employer rates were increased from 11.18% to 12.70% for all plans. Contributions rates for employees in plan 2 increased from 6.12% to 7.38% effective July 1, 2017.

The Authority's employer and employee rates and required contributions for employees covered by PERS as of December 31, 2017 were:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer	12.70%	12.70%	12.70%
Employee	6.00%	7.38%	varies

Both the Housing Authority and the employees made the required contributions to the pension plans. The Housing Authority's required contributions for the year ended December 31 were:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer	\$ 6,685	\$ 144,459	\$ 39,704
Employee	\$ 3,385	\$ 81,336	\$ 19,150

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 5 — PENSION PLANS (continued):

Actuarial Assumptions:

The total pension liability for each of the plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016 and rolled forward to the measurement date of June 30, 2017. The following actuarial assumptions have been applied to all prior periods included in the measurement:

Inflation	3.00 percent total economic inflation, 3.75 percent salary inflation
Salary increases	In addition to the base 3.75 percent salary inflation assumptions, salaries are also expected to grow by promotions and longevity
Investment rate of return	7.5 percent

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Washington State Office of the State Actuary (OSA) applied offsets to the base table and recognized future improvements in the mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime. The actuarial assumptions used in the June 30, 2016 report were based on the results of OSA's 2007-2012 Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report.

Discount Rate:

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

To determine that rate, an asset sufficiency test included an assumed 7.7% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5% 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 employers, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5% was used to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The table below presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5%, 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%) or 1- percentage point higher (8.5%) than the current rate.

Pension Trust	1% Decrease (6.5%)	Current Discount Rate (7.50%)	1% Increase (8.5%)
PERS 1	732,552	601,344	487,690
PERS 2/3	1,406,449	522,047	(202,589)
	<u>2,139,001</u>	<u>1,123,391</u>	<u>285,100</u>

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 5 — PENSION PLANS (continued):

Long-Term Expected Rate of Return:

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20.00%	1.70%
Tangible Assets	5.00%	4.90%
Real estate	15.00%	5.80%
Global equity	37.00%	6.30%
Private equity	23.00%	9.30%
Commodities	0.00%	
Cash	<u>0.00%</u>	
Total	<u>100.00%</u>	

Proportionate Share

Collective pension amounts are determined as of a measurement date which can be no earlier than an employer's prior fiscal year. The measurement date for the pension liabilities recorded by the Authority as of December 31, 2017 was June 30, 2017. The Authority's contributions received and processed by DRS during the fiscal year ended June 30, 2017 have been used as the basis for determining the Authority's proportionate share of the collective pension amounts reported by DRS in their June 30, 2017 Schedules of Employer and Nonemployer Allocations for PERS Plans 1, 2 and 3. The Authority's proportionate share of the collective net pension liabilities was as follows:

	Proportionate <u>Share 6/30/17</u>	Proportionate <u>Share 6/30/16</u>	Change in <u>Proportion</u>
PERS 1	0.012673%	0.013095%	0.000422%
PERS 2/3	0.015025%	0.014678%	0.000347%

Pension Expense

For the year ended December 31, 2017, the Authority recognized pension expense as follows:

	Pension <u>Expense</u>
PERS 1	37,536
PERS 2/3	72,590

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 5 — PENSION PLANS (continued):

Deferred Outflows of Resources and Deferred Inflows of Resources

The Authority's deferred outflows of resources and deferred inflows of resources pertaining to PERS as of December 31, 2017 are presented in the following tables:

PERS 1

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	22,440
Changes in proportion and differences between Housing Authority contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	44,536	-
Total	44,536	22,440

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 as of December 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</u>	<u>PERS 1</u>
2018	(15,168)
2019	4,789
2020	(1,112)
2021	(10,949)

PERS 2/3

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	52,896	17,169
Changes of assumptions	5,545	-
Net difference between projected and actual earnings on pension plan investments	-	139,165
Changes in proportion and differences between Housing Authority contributions and proportionate share of contributions	28,757	51,305
District contributions subsequent to the measurement date	59,790	-
Total	146,988	207,640

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 5 — 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 as of December 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</u>	<u>PERS 2/3</u>
2018	(60,244)
2019	(5,365)
2020	(16,029)
2021	(54,048)
2022	6,628
Thereafter	8,039

NOTE 6 — COMPENSATED ABSENCES

The compensated absence balance as of December 31, 2017 is as follows:

Compensated absences at January 1, 2017	\$ 207,097
Increase (decrease) during the year	<u>(30,855)</u>
Compensated absences at December 31, 2017	<u><u>\$ 176,242</u></u>
Current portion of compensated absences	\$ 54,670
Noncurrent portion of compensated absences	<u>121,572</u>
	<u><u>\$ 176,242</u></u>

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 7 — LONG-TERM DEBT:

Primary government:

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017
Mattawa Project:				
Note payable to USDA Rural Housing Service, payable \$288 per month, including interest at 1% with final payment due July 2019; secured by the project's real estate	8,710	-	3,279	5,431
Beverly Lane Apartments:				
Note payable to USDA Rural Housing Service, payable \$4,456 per month, including interest at 6.75% with final payment due June 2025; secured by the project's real estate	345,172		31,129	314,043
Note payable to Washington Community Reinvestment Association, payable \$3,995 per month, including interest at 6.375% with final payment due July 2028; secured by the project's real estate	391,959		23,647	368,312
Karen Lane Apartments:				
Note payable to USDA Rural Housing Service, payable \$1,458 per month, including interest at 6.75% with final payment due May 2029; secured by the project's real estate	139,672		8,322	131,350
Note payable to Washington Community Reinvestment Association, payable \$2,899 per month, including interest at 6.375% with final payment due July 2028; secured by the project's real estate.	284,465		17,155	267,310
NuevaVida Apartments:				
Note payable to CTED, annual interest payments of 1%; secured by the project's real estate. Final payment of all remaining principal due April, 2053.	1,237,559		9,938	1,227,621
Spring Canyon Apartments:				
Note payable to CTED, annual interest payments of 1% commencing April, 2010; secured by the project's real estate. Final payment of all remaining principal due April, 2049.	2,439,416	4,664		2,444,080
Joseph Cove Apartments				
Note payable to CTED with 0% annual payments of \$15,000 beginning August 2012, secured by the project's real estate, final payment due August 2050.	2,796,423		15,000	2,781,423
Purple Sage Apartments				
Note payable to US Bank, payable \$6,541 per month including interest at 4.86%. Final payment due May, 2021.	998,866		28,037	970,829
Note payable to Washington State Housing Finance Commission with 0% interest, secured by the project's real estate. Final payment due May 2086.	2,457,316	-		2,457,316
Rose Garden Apartments				
Note payable to CTED with 0% annual payments of \$5,248 beginning December 2012, secured by the project's real estate. Final payment due June 2054	199,437		5,248	194,189
Bell Hotel				
Note payable to CTED with 0% payments of \$3,412 beginning September 2014, secured by the project's real estate. Final payment due June 2052.	842,986			842,986
Note payable to WCRA with 6.75% annual payments of \$5,798 beginning September 2010, secured by the project's real estate. Final payment due September 2035.	66,191	-	1,805	64,386
Beasley Hills Apartments				
Note payable to Banner Bank with 7.5% payments of \$1,538, secured by the project's real estate. Final payment due October 1, 2031.	165,022		6,468	158,554
Priest Rapids Apartments				
Note payable with 7.6% payments of \$3,390, secured by the project's real estate. Final payment due October 1, 2033.	385,134		11,721	373,413

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 7 — LONG-TERM DEBT (continued):

Primary government (continued):

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017
Larson Division:				
Note payable to Washington Trust with payments of \$469 per month including interest at 6.25% secured by the project's real estate.	34,147		3,398	30,749
Note payable to Washington Trust with payments of \$512 per month including interest at 6.25% secured by the project's real estate.	49,063		2,524	46,539
Note payable to Washington Trust \$467 per month, including interest at 6.25% by the project's real estate.	36,728	3,877		40,605
Note payable to Washington State Department of Community, Trade and Economic Development (CTED), payable \$10,410 annually with 0% interest; secured by the project's real estate. Final payment of all remaining principal due September 2050	353,941		10,410	343,531
Note payable to CTED, payable \$13,107 annually with 0% interest; secured by the project's real estate. Final payment of all remaining principal due June 2050.	550,488		13,107	537,381
Note payable to CTED dated June 7, 2005 and bears interest at 3%. Quarterly payments of \$5,018 commence on May 31, 2021. The note is due in full on February 28, 2046.	889,938	20,074	-	910,012
Note payable to CTED payable upon maturity with 0% interest. Final payment of all remaining principal due June 2045.	870,142	-	-	870,142
Note payable to CTED. Interest on the note is payable annually at 1% simple interest. Final payment of all remaining principal due June 2047	365,484	-	-	365,484
Note payable to CTED payable upon maturity with 0% interest. Final payment of all remaining principal due June 2045.	709,054	-	-	709,054
Developmentally Disabled Project:				
Note payable to Washington Department of Community Development, with no minimum monthly payment at 0% interest due and payable in full in December 2024	336,743	-	-	336,743
Mental Health Housing Project:				
Note payable to Washington Department of Community Development, payable \$15,640 annually, including interest at 1% with final payment due December 2047	403,332		23,323	380,009
Esperanza:				
Note payable to USDA-RD at 0% interest. Payable in full in 2047.	1,200,000			1,200,000
Note payable to CTED, with no minimum monthly payment at 0% interest due and payable in full June 2054	1,850,000			1,850,000
Note payable to USDA-RD, at 1% interest due and payable in full in 2047	1,765,039		49,120	1,715,919
Note payable to USDA-RD, at 1% interest due and payable in full in 2047	1,396,030	620,233		2,016,263
Note payable to USDA-RD, at 0% interest due and payable in full in 2049	-	756,478		756,478
Note payable to Housing Trust Fund, 0% interest, payable in full 2056	1,049,605	971,703		2,021,308
Note payable to CTED, with no minimum monthly payment at 0% interest due and payable in full June 2024	789,962	-	-	789,962
Total long-term debt	<u>25,408,024</u>	<u>2,377,029</u>	<u>263,631</u>	<u>27,521,422</u>

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 7 — LONG-TERM DEBT (continued):

Primary government (continued):

Principal maturities of long-term obligations as of December 31, 2017 are as follows:

<u>Years</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
2018	325,272	202,462	527,734
2019	332,774	191,741	524,515
2020	342,138	180,396	522,534
2021	1,194,327	144,041	1,338,368
2022	333,208	115,273	448,481
2023 - 2027	2,820,248	396,854	3,217,102
2028 - 2032	1,248,288	175,916	1,424,204
2033 - 2037	1,023,154	95,465	1,118,619
2038 - 2042	1,011,914	60,143	1,072,057
2043 - 2047	5,060,919	23,173	5,084,092
2048 - 2052	8,729,680	790	8,730,470
2053 - 2057	5,099,500	-	5,099,500
2058 - 2062	-	-	-
	<u>27,521,422</u>	<u>1,586,254</u>	<u>29,107,676</u>

During the year ended December 31, 2017, the following changes occurred in long-term liabilities:

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2017</u>
Long term debt (notes payable)	25,408,024	2,377,029	(263,631)	27,521,422
Net pension liability	1,442,288	-	(318,898)	1,123,390
Other long-term liabilities	307,854	34,803		342,657

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 7 — LONG-TERM DEBT (continued):

Component Units:

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Debt Issuance Costs	Net Balance December 31, 2017
Baird Springs Apartments, Limited Partnership	857,445	23,597	(9,876)	871,166	(16,504)	854,662
Camas Court Limited Partnership	709,054	-	-	709,054	(31,299)	677,755
Capehart Wherry Apartments, Limited Partnership	4,271,171	237,087	(10,677)	4,497,581	-	4,497,581
Dawn Village Apartments LLC	1,401,762	-	(9,499)	1,392,263	(15,965)	1,376,298
Jardin De Rosas, Limited Partnership	870,141	-	-	870,141	(2,417)	867,724
Pelican Horn, LLC	1,021,314	-	(43,478)	977,836	(15,525)	962,311
Pershing Apartments, Limited Partnership	920,193	13,259	(9,259)	924,193	(22,449)	901,744
				-		-
	10,051,080	273,943	(82,789)	10,242,234	(104,159)	10,138,075

Principal maturities of long-term obligations of the component units as of December 31, 2017 are as follows:

Years	Total Principal	Total Interest	Total
2018	49,344	218,417	267,761
2019	550,771	239,575	790,346
2020	134,242	210,188	344,430
2021	892,588	200,357	1,092,945
2022	87,167	196,957	284,124
2023 - 2027	921,274	924,990	1,846,264
2028 - 2032	577,479	796,916	1,374,395
2033 - 2037	478,288	655,757	1,134,045
2038 - 2042	357,692	557,934	915,626
2043 - 2047	3,048,348	440,937	3,489,285
2048 - 2052	3,145,041	285,671	3,430,712
	10,242,234	4,727,699	14,969,933

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 8 — HOUSING AUTHORITY RISK RETENTION POOL:

The Housing Authority of Grant County 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 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 purchases \$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.

Settled claims have not exceeded insurance coverage during the past three years.

Housing Authority of Grant County
Notes to Financial Statements
December 31, 2017

NOTE 9 — CONTINGENCIES:

In connection with various Federal and State grant programs, the Housing Authority is obligated to administer related programs and spend funds in accordance with regulatory restrictions, and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the Housing Authority to refund program monies. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the Housing Authority expects such amount, if any, to be immaterial.

The Housing Authority receives approximately 50% of its rental revenue in the form of subsidies from HUD and USDA Rural Housing Service. These subsidy contracts expire at various intervals and are subject to renewal by the funding agency.

As of December 31, 2017, the Housing Authority and its component units have outstanding construction contracts and other commitments totaling approximately \$0. These commitments are primarily related to the implementation of redevelopment activities and capital projects funded by Federal, State and local financial assistance and tax credit equity contributions.

The Housing Authority is also contingently liable in connection with claims and contracts arising in the normal course of its activities. The Housing Authority's management is of the opinion that the outcome of such matters will not have a material effect on the accompanying financial statements.

The possibility exists that HUD contributions may decrease in the future. In the event such contributions were significantly reduced, the Housing Authority would need to seek other funding sources to maintain operations at current levels.

The Housing Authority assists qualifying individuals with the purchase of homes through a bank by being the guarantor on the loan if the borrower should default. The total amount outstanding at December 31, 2017, is approximately \$234,130. Management believes that all loans in which the Housing Authority is the guarantor will be paid in full.

The Housing Authority has entered into agreements with Priest Rapids Apartments, L.P., Baird Springs Apartments, L.P., Capehart Wherry Apartments, L.P., Camas Court L.P., Pershing Apartments, L.P., Jardin De Rosas, L.P. Dawn Village, LLC and Pelican Horn Apartments, L.L.C. whereby the Housing Authority has agreed to loan to the project partnership any funds required to fund operating deficits of the project partnership incurred during the period commencing with a breakeven date and ending on the third anniversary of the break even date. The Housing Authority has also agreed to guaranty and pay any development deficit and any downward adjustment excess amounts and any unpaid deferred development fee amount and that from the date of the agreement until the break even date the Housing Authority will pay all expense of operating and maintaining the improvements in excess of the gross collections to the extent necessary to maintain break even operations. All payments made by the guarantor to the project partnership and limited partners shall be made without any right of repayment.

In addition, The Housing Authority has agreed to guarantee the repayment of any tax credit recapture event that is triggered by the filing of a tax return claiming less credits than the amounts allowed per the agreement or as a result of an audit by the Internal Revenue Service which results in the assessment of a tax deficiency.

NOTE 10 — DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL INFORMATION:

Balance Sheet Information

	Baird Springs	Camas Court	Capehart Wherry	Dawn Village	Jardin De Rosas	Pelican Horn	Pershing	Total
Assets								
Current Assets:								
Cash and cash equivalents	958	114,048	20,886	90,443	12,076	95,219	32,941	366,571
Unrestricted cash and cash equivalents	8,580	5,691	18,998	6,300	7,325	9,678	9,900	66,472
Tenant security deposits	-	-	1,209	5,172	-	10	-	6,391
Accounts receivable:	3,106	2,569	5,799	10,392	3,949	5,903	4,875	36,593
Tenants, dwelling units and other	12,644	122,308	46,892	112,307	23,350	110,810	47,716	476,027
Prepaid expenses and other assets								
Total current assets	55,466	384,123	83,067	348,916	109,312	571,337	67,091	1,619,312
Restricted Assets:								
Restricted investments	55,466	384,123	83,067	348,916	109,312	571,337	67,091	1,619,312
Total restricted assets								
Noncurrent Assets:								
Land	-	140,200	-	121,000	225,000	96,100	-	582,300
Buildings	2,650,697	3,736,432	4,131,269	3,052,504	3,177,048	4,676,376	2,818,682	24,243,008
Furniture, equipment and machinery, dwellir	192,514	4,792	249,511	4,858	15,885	27,759	48,714	544,033
Less accumulated depreciation	2,843,211	3,881,424	4,380,780	3,178,362	3,417,933	4,800,235	2,867,396	25,369,341
	(1,408,003)	(912,768)	(1,849,296)	(844,567)	(1,161,835)	(1,367,713)	(1,122,963)	(8,667,145)
	1,435,208	2,968,656	2,531,484	2,333,795	2,256,098	3,432,522	1,744,433	16,702,196
Other assets	-	17,658	603	8,453	4,478	11,057	3,763	46,012
Total noncurrent assets	1,435,208	2,986,314	2,532,087	2,342,248	2,260,576	3,443,579	1,748,196	16,748,208
Total Assets	1,503,318	3,492,745	2,662,046	2,803,471	2,393,238	4,125,726	1,863,003	18,843,547
Liabilities and Net Assets								
Current Liabilities:								
Accounts payable	25,938	4,025	9,563	5,488	6,206	7,787	3,501	62,508
Accrued interest payable	2,597	-	-	-	-	-	-	2,597
Tenant security deposits	7,730	5,691	18,998	6,300	7,325	9,892	9,900	65,836
Deferred revenues	1,041	55	2,573	2,846	-	436	1,723	8,674
Accrued expenses	37,255	-	18,000	31,843	-	-	45,500	132,598
Current maturities of long-term debt and oth	10,589	-	11,123	10,261	-	7,405	9,966	49,344
Total current liabilities	85,150	9,771	60,257	56,738	13,531	25,520	70,590	321,557
Noncurrent Liabilities:								
Long-term debt, net of current maturities	844,073	677,755	4,486,459	1,366,038	867,724	954,906	891,778	10,088,733
Other long-term liabilities	48,725	7,564	-	180,819	294,333	243,451	-	774,892
Total other non-current liabilities	892,798	685,319	4,486,459	1,546,857	1,162,057	1,198,357	891,778	10,863,625
Total liabilities	977,948	695,090	4,546,716	1,603,595	1,175,588	1,223,877	962,368	11,185,182
Net Assets:								
Invested in capital assets, net of related det	531,821	2,283,337	(1,966,098)	776,677	1,094,041	2,226,760	842,689	5,789,227
Restricted	55,466	384,123	83,067	348,916	109,312	571,337	67,091	1,619,312
Unrestricted	(61,917)	130,195	(1,639)	74,283	14,297	103,752	(9,145)	249,826
Total net assets	525,370	2,797,655	(1,884,670)	1,199,876	1,217,650	2,901,849	900,635	7,658,365
Total liabilities and net assets	1,503,318	3,492,745	2,662,046	2,803,471	2,393,238	4,125,726	1,863,003	18,843,547

NOTE 10 — DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL INFORMATION:

	<u>Operating Statement Information</u>							
	Baird Springs	Camas Court	Capehart Wherry	Dawn Village	Jardin De Rosas	Pelican Horn	Pershing	Total
Operating revenues:								
Tenant rentals	151,520	90,494	280,994	300,053	144,319	297,404	172,515	1,437,299
Other	1,403	79,733	9,746	4,489	240	2,423	837	98,871
Total operating revenues	152,923	170,227	290,740	304,542	144,559	299,827	173,352	1,536,170
Operating expenses:								
Administration	46,249	63,173	98,010	66,221	76,644	77,584	37,236	465,117
Tenant services	-	-	-	-	-	-	-	-
Utility services	48,394	29,310	67,627	53,640	50,516	21,118	33,504	304,109
Maintenance	33,616	32,522	92,393	53,666	22,407	52,622	28,210	315,436
Protective services	-	-	-	-	-	-	-	-
Housing assistance payments	-	-	-	-	-	-	-	-
Other	9,939	14,484	18,592	50,826	12,803	22,849	12,027	141,520
Depreciation and amortization	82,084	96,775	112,378	78,339	91,444	122,747	85,669	669,436
Total operating expenses	220,282	236,264	389,000	302,692	253,814	296,920	196,646	1,895,618
Income (loss) from operations	(67,359)	(66,037)	(98,260)	1,850	(109,255)	2,907	(23,294)	(359,448)
Non-operating revenue and (expenses):								
Operating grants	-	-	-	-	-	-	-	-
Interest income	105	441	77	91	94	704	160	1,672
Interest expense	(42,836)	(4,574)	(241,941)	(74,925)	(1,160)	(43,231)	(42,599)	(451,266)
Other	-	-	-	-	-	-	-	-
Total non-operating revenue and expenses	(42,731)	(4,133)	(241,864)	(74,834)	(1,066)	(42,527)	(42,439)	(449,594)
Capital Grants & Contributions/Distributions:								
Capital grant revenue	-	-	-	-	-	-	-	-
Contributions/Distributions	-	-	-	-	-	-	-	-
Total contributions	-	-	-	-	-	-	-	-
Change in net assets	(110,090)	(70,170)	(340,124)	(72,984)	(110,321)	(39,620)	(65,733)	(809,042)
Total net assets at beginning of year	635,460	2,867,825	(1,544,546)	1,272,860	1,327,971	2,941,469	966,368	8,467,407
Total net assets at end of year	525,370	2,797,655	(1,884,670)	1,199,876	1,217,650	2,901,849	900,635	7,658,365

Housing Authority of Grant County
Schedules of Required Supplementary Information
Schedule of the Housing Authority's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years

PERS # 1	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Housing Authority's proportion of the net pension liability (asset)	0.012673%	0.013095%	0.015629%	0.013490%	0.011015%					
Housing Authority's proportionate share of the net pension liability (asset)	601,344	703,263	817,542	679,570	643,634					
Housing Authority's covered-employee payroll	1,800,927	1,721,118	1,564,625	1,490,091	1,441,214					
Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.39%	40.86%	52.25%	45.61%	44.66%					
Plan fiduciary net position as a percentage of the total pension liability	61.24%	57.03%	59.10%	61.19%						
PERS # 2/3	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Housing Authority's proportion of the net pension liability (asset)	0.015025%	0.014678%	0.017643%	0.015853%	0.014669%					
Housing Authority's proportionate share of the net pension liability (asset)	522,047	739,026	630,394	320,446	626,369					
Housing Authority's covered-employee payroll	1,800,927	1,721,118	1,564,625	1,490,091	1,441,214					
Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	28.99%	42.94%	40.29%	21.51%	43.46%					
Plan fiduciary net position as a percentage of the total pension liability	90.97%	85.82%	89.20%	93.29%						

Housing Authority of Grant County
Schedules of Required Supplementary Information
Schedule of the Housing Authority's Contributions
Last 10 Fiscal Years

PERS #1	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	80,730	74,262	71,833	62,341	34,294					
Contributions in relation to the contractually required contribution	(80,730)	(74,262)	(71,833)	(62,341)	(34,294)					
Contribution deficiency (excess)	-	-	-	-	-					
Housing Authority's covered-employee payroll	1,800,927	1,721,118	1,564,625	1,490,091	1,441,214					
Contributions as a percentage of covered-employee payroll	4.48%	4.31%	4.59%	4.18%	2.38%					
PERS #2/3	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	105,134	84,732	78,591	66,969	56,922					
Contributions in relation to the contractually required contribution	(105,134)	(84,732)	(78,591)	(66,969)	(56,922)					
Contribution deficiency (excess)	-	-	-	-	-					
Housing Authority's covered-employee payroll	1,800,927	1,721,118	1,564,625	1,490,091	1,441,214					
Contributions as a percentage of covered-employee payroll	5.84%	4.92%	5.02%	4.49%	3.95%					

Notes to Required Supplementary Information
for the Year Ended December 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 Grant County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
RURAL HOUSING SERVICE; AGRICULTURE, DEPARTMENT OF	Farm Labor Housing Loans and Grants	10.405	56-013- 772065345022	-	5,431	5,431	-	1
RURAL HOUSING SERVICE; AGRICULTURE, DEPARTMENT OF	Farm Labor Housing Loans and Grants	10.405	56-013- 772065345-062	-	1,715,919	1,715,919	-	1
RURAL HOUSING SERVICE; AGRICULTURE, DEPARTMENT OF	Farm Labor Housing Loans and Grants	10.405	56-013- 772065345-074	-	2,016,263	2,016,263	-	1
RURAL HOUSING SERVICE; AGRICULTURE, DEPARTMENT OF	Farm Labor Housing Loans and Grants	10.405	56-013- 772065345-062	-	1,200,000	1,200,000	-	1
RURAL HOUSING SERVICE; AGRICULTURE, DEPARTMENT OF	Farm Labor Housing Loans and Grants	10.405	56-013- 772065345-074	-	756,478	756,478	-	1
Total CFDA 10.405:				-	5,694,091	5,694,091	-	
RURAL HOUSING SERVICE; AGRICULTURE, DEPARTMENT OF	Rural Rental Housing Loans	10.415	56-013- 772065345034	-	314,042	314,042	-	1
RURAL HOUSING SERVICE; AGRICULTURE, DEPARTMENT OF	Rural Rental Housing Loans	10.415	56-013- 772065345046	-	131,350	131,350	-	1
Total CFDA 10.415:				-	445,392	445,392	-	
Section 8 Project-Based Cluster								
Office of Housing-Federal Housing Commissioner, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Section 8 Housing Assistance Payments Program	14.195	WA19H060029- Larson AFB	-	191,170	191,170	-	1

The accompanying notes are an integral part of this schedule.

**Housing Authority of Grant County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Office of Housing-Federal Housing Commissioner, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Section 8 Housing Assistance Payments Program	14.195	WA25L000019- Spring Canyon	-	71,120	71,120	-	1
Office of Housing-Federal Housing Commissioner, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Section 8 Housing Assistance Payments Program	14.195	WA190015006- Joseph Cove	-	57,107	57,107	-	1
Total Section 8 Project-Based Cluster:				-	319,397	319,397	-	
Office of Community Planning and Development, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Wa State Department of Commerce)	Home Investment Partnerships Program	14.239	13-47101- 120/14-42401- 120	74,250	-	74,250	-	1
Office of Public and Indian Housing, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Public and Indian Housing	14.850	WA014	-	444,545	444,545	-	1
Housing Voucher Cluster								
Office of Public and Indian Housing, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Section 8 Housing Choice Vouchers	14.871	WA014VO	-	1,200,266	1,200,266	-	1
Total Housing Voucher Cluster:				-	1,200,266	1,200,266	-	
Office of Public and Indian Housing, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Public Housing Capital Fund	14.872	WA19P014501- 15	-	37,750	37,750	-	1

The accompanying notes are an integral part of this schedule.

**Housing Authority of Grant County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Office of Public and Indian Housing, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Public Housing Capital Fund	14.872	WA19P014501- 16	-	160,857	160,857	-	1
Office of Public and Indian Housing, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Public Housing Capital Fund	14.872	WA19P014501- 17	-	14,727	14,727	-	1
Total CFDA 14.872:				-	213,334	213,334	-	
Total Federal Awards Expended:				74,250	8,317,025	8,391,275	-	

The accompanying notes are an integral part of this schedule.

Grant County Housing Authority
Notes to the Schedule of Expenditures of Federal Awards
January 1, 2017 through December 31, 2017

NOTE 1-BASIS OF ACCOUNTING

The Housing Authority prepares the Schedule of Expenditures of Federal Awards on the same basis of accounting as the Housing Authority's financial statements. The Housing Authority uses the accrual basis of accounting for all programs receiving federal financial assistance.

NOTE 2-PROGRAM COSTS

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

NOTE 3-INDIRECT COST RATE

The Housing Authority of Grant County has not elected to use the 10% de minimis indirect costs rate allowed under Uniform Guidance.

HA Of Grant County (WA014)
MOSES LAKE, WA
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2017

	Project Total	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	10.415 Rural Rental Housing Loans	14.257 Homelessness Prevention and Rapid Re-Housing Program (RAF)	10.427 Rural Rental Assistance Payments
111 Cash - Unrestricted	\$10,383				\$348,437
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted					
114 Cash - Tenant Security Deposits	\$51,442	\$15,528			\$91,105
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$61,825	\$15,528	\$0	\$0	\$439,542
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects					
124 Accounts Receivable - Other Government					\$5,850
125 Accounts Receivable - Miscellaneous					\$310,555
126 Accounts Receivable - Tenants	\$4,019	\$582			\$30,879
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,589	-\$582			-\$252
126.2 Allowance for Doubtful Accounts - Other					\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$2,430	\$0	\$0	\$0	\$347,032
131 Investments - Unrestricted	\$374,472	\$26,202			\$1,040
132 Investments - Restricted					\$1,038,314
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$28,134	\$3,194			\$24,858
143 Inventories					
143.1 Allowance for Obsolete Inventories					
144 Inter Program Due From					\$0
145 Assets Held for Sale					
150 Total Current Assets	\$466,861	\$44,924	\$0	\$0	\$1,850,786

161 Land	\$461,043	\$29,985			\$540,705
162 Buildings	\$14,334,057	\$1,503,885			\$34,443,756
163 Furniture, Equipment & Machinery - Dwellings	\$306,986	\$21,631			\$825,430
164 Furniture, Equipment & Machinery - Administration	\$767,289	\$60,074			\$18,260
165 Leasehold Improvements	\$1,009,298	\$83,595			\$22,984
166 Accumulated Depreciation	-\$10,933,572	-\$1,283,864			-\$11,777,898
167 Construction in Progress	\$199,158				
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$6,144,259	\$415,306	\$0	\$0	\$24,073,237
171 Notes, Loans and Mortgages Receivable - Non-Current	\$24,659				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due					
173 Grants Receivable - Non Current					
174 Other Assets					
176 Investments in Joint Ventures					
180 Total Non-Current Assets	\$6,168,918	\$415,306	\$0	\$0	\$24,073,237
200 Deferred Outflow of Resources					
290 Total Assets and Deferred Outflow of Resources	\$6,635,779	\$460,230	\$0	\$0	\$25,924,023
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$38,307	\$10,352			\$179,058
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable					
322 Accrued Compensated Absences - Current Portion	\$14,105	\$3,384			\$4,706
324 Accrued Contingency Liability					
325 Accrued Interest Payable					\$39,167
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government					
341 Tenant Security Deposits	\$50,970	\$13,913			\$91,105
342 Unearned Revenue	\$15,098				\$11,332
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					\$341,570
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other					\$7,000
347 Inter Program - Due To		\$50,671			\$1,810,655
348 Loan Liability - Current					
310 Total Current Liabilities	\$118,480	\$78,320	\$0	\$0	\$2,484,593

351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					\$21,819,650
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other	\$24,659				\$211,336
354 Accrued Compensated Absences - Non Current	\$43,520	\$13,584			\$13,146
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$68,179	\$13,584	\$0	\$0	\$22,044,132
300 Total Liabilities	\$186,659	\$91,904	\$0	\$0	\$24,528,725
400 Deferred Inflow of Resources					
508.4 Net Investment in Capital Assets	\$6,144,259	\$415,306			\$1,912,017
511.4 Restricted Net Position	\$0				\$1,038,314
512.4 Unrestricted Net Position	\$304,861	-\$46,980	\$0	\$0	-\$1,555,033
513 Total Equity - Net Assets / Position	\$6,449,120	\$368,326	\$0	\$0	\$1,395,298
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$6,635,779	\$460,230	\$0	\$0	\$25,924,023

14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.231 Emergency Shelter Grants Program	14.885 Formula Capital Fund Stimulus Grant	14.239 HOME Investment Partnerships Program	10.405 Farm Labor Housing Loans and Grants	2 State/Local	Subtotal	Total
\$11,280	\$366,571					\$336,146	\$1,072,817	\$1,072,817
	\$66,472					\$45,089	\$269,636	\$269,636
\$11,280	\$433,043	\$0	\$0	\$0	\$0	\$381,235	\$1,342,453	\$1,342,453
						\$43,038	\$48,888	\$48,888
							\$310,555	\$310,555
	\$6,391					\$12,963	\$54,834	\$54,834
	\$0					-\$811	-\$3,234	-\$3,234
						-\$2,120	-\$2,120	-\$2,120
\$0	\$6,391	\$0	\$0	\$0	\$0	\$53,070	\$408,923	\$408,923
\$64,019						\$305,108	\$770,841	\$770,841
\$5,856	\$1,619,312					\$103,657	\$2,767,139	\$2,767,139
\$1,586	\$36,593					\$13,227	\$107,592	\$107,592
						\$45,841	\$45,841	\$45,841
						-\$275	-\$275	-\$275
						\$1,861,326	\$1,861,326	\$1,861,326
\$82,741	\$2,095,339	\$0	\$0	\$0	\$0	\$2,763,189	\$7,303,840	\$7,303,840

	\$582,300					\$1,987,245	\$3,601,278	\$3,601,278
	\$24,243,008					\$7,071,132	\$81,595,838	\$81,595,838
	\$544,033					\$97,212	\$1,795,292	\$1,795,292
\$0						\$392,487	\$1,238,110	\$1,238,110
						\$576,696	\$1,692,573	\$1,692,573
	-\$8,667,145					-\$6,285,950	-\$38,948,429	-\$38,948,429
						\$3,253	\$202,411	\$202,411
\$0	\$16,702,196	\$0	\$0	\$0	\$0	\$3,842,075	\$51,177,073	\$51,177,073
						\$10,314,090	\$10,338,749	\$10,338,749
	\$46,012					\$0	\$46,012	\$46,012
						\$345,059	\$345,059	\$345,059
\$0	\$16,748,208	\$0	\$0	\$0	\$0	\$14,501,224	\$61,906,893	\$61,906,893
						\$191,524	\$191,524	\$191,524
\$82,741	\$18,843,547	\$0	\$0	\$0	\$0	\$17,455,937	\$69,402,257	\$69,402,257
\$1,046	\$62,508					\$106,474	\$397,745	\$397,745
\$541						\$31,934	\$54,670	\$54,670
	\$2,597					\$16,381	\$58,145	\$58,145
	\$65,836					\$45,089	\$266,913	\$266,913
	\$8,674					\$5,912	\$41,016	\$41,016
	\$49,344					\$20,544	\$411,458	\$411,458
	\$132,598						\$139,598	\$139,598
							\$1,861,326	\$1,861,326
\$1,587	\$321,557	\$0	\$0	\$0	\$0	\$226,334	\$3,230,871	\$3,230,871

	\$10,088,733					\$2,484,966	\$34,393,349	\$34,393,349
	\$774,892					\$106,662	\$1,117,549	\$1,117,549
						\$51,322	\$121,572	\$121,572
						\$2,854,692	\$2,854,692	\$2,854,692
						\$1,123,390	\$1,123,390	\$1,123,390
\$0	\$10,863,625	\$0	\$0	\$0	\$0	\$6,621,032	\$39,610,552	\$39,610,552
\$1,587	\$11,185,182	\$0	\$0	\$0	\$0	\$6,847,366	\$42,841,423	\$42,841,423
						\$230,083	\$230,083	\$230,083
	\$5,789,227					\$1,336,565	\$15,597,374	\$15,597,374
\$5,856	\$1,619,312					\$103,657	\$2,767,139	\$2,767,139
\$75,298	\$249,826	\$0	\$0	\$0	\$0	\$8,938,266	\$7,966,238	\$7,966,238
\$81,154	\$7,658,365	\$0	\$0	\$0	\$0	\$10,378,488	\$26,330,751	\$26,330,751
\$82,741	\$18,843,547	\$0	\$0	\$0	\$0	\$17,455,937	\$69,402,257	\$69,402,257

HA Of Grant County (WA014)
MOSES LAKE, WA
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2017

	Project Total	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	10.415 Rural Rental Housing Loans	14.257 Homelessness Prevention and Rapid Re-Housing Program (RAF)	10.427 Rural Rental Assistance Payments
70300 Net Tenant Rental Revenue	\$841,634	\$118,800			\$1,460,979
70400 Tenant Revenue - Other	\$50,142	\$14,641			\$42,538
70500 Total Tenant Revenue	\$891,776	\$133,441	\$0	\$0	\$1,503,517
70600 HUD PHA Operating Grants	\$444,545	\$191,170			\$402,914
70610 Capital Grants	\$213,335				
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					\$127,634
71100 Investment Income - Unrestricted	\$5,515	\$157			\$6,174
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery					
71500 Other Revenue	\$84,380	\$1,426			\$272,992
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted		\$1			\$4
70000 Total Revenue	\$1,639,551	\$326,195	\$0	\$0	\$2,313,235
91100 Administrative Salaries	\$214,003	\$69,511			\$253,103
91200 Auditing Fees	\$9,279	\$2,126			\$26,498
91300 Management Fee					\$136,530
91310 Book-keeping Fee	\$7,593	\$2,500			\$923
91400 Advertising and Marketing	\$3,684	\$456			\$1,877
91500 Employee Benefit contributions - Administrative	\$99,820	\$27,819			\$46,020
91600 Office Expenses	\$46,541	\$10,284			\$77,821
91700 Legal Expense	\$13,880	\$3,189			\$14,793
91800 Travel	\$523				\$725
91810 Allocated Overhead					
91900 Other	\$39,146	\$7,346			\$17,208
91000 Total Operating - Administrative	\$434,469	\$123,231	\$0	\$0	\$575,498
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs	\$851				
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other					
92500 Total Tenant Services	\$851	\$0	\$0	\$0	\$0
93100 Water	\$129,239	\$35,920			\$190,138
93200 Electricity	\$24,531	\$2,409			\$58,107
93300 Gas					
93400 Fuel					
93500 Labor					
93600 Sewer	\$105,552	\$20,879			\$130,767
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense	\$74,384	\$7,584			\$100,027
93000 Total Utilities	\$333,706	\$66,792	\$0	\$0	\$479,039
94100 Ordinary Maintenance and Operations - Labor	\$290,515	\$84,090			\$222,152
94200 Ordinary Maintenance and Operations - Materials and Other	\$107,209	\$20,104			\$335,492
94300 Ordinary Maintenance and Operations Contracts	\$26,611	\$3,819			\$7,444

94500 Employee Benefit Contributions - Ordinary Maintenance	\$153,765	\$48,234			\$18,946
94000 Total Maintenance	\$578,100	\$156,247	\$0	\$0	\$584,034
95100 Protective Services - Labor					\$6,942
95200 Protective Services - Other Contract Costs	\$2,132	\$2,631			\$5,842
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$2,132	\$2,631	\$0	\$0	\$12,784
96110 Property Insurance	\$56,053	\$9,616			\$78,020
96120 Liability Insurance					
96130 Workmen's Compensation					
96140 All Other Insurance					
96100 Total insurance Premiums	\$56,053	\$9,616	\$0	\$0	\$78,020
96200 Other General Expenses	\$342				
96210 Compensated Absences					
96300 Payments in Lieu of Taxes	\$120				\$1,497
96400 Bad debt - Tenant Rents	\$18,908	\$12,596			\$17,656
96500 Bad debt - Mortgages					
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$19,370	\$12,596	\$0	\$0	\$19,153

96710 Interest of Mortgage (or Bonds) Payable					\$245,065
96720 Interest on Notes Payable (Short and Long Term)					\$33,689
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$278,754
96900 Total Operating Expenses	\$1,424,681	\$371,113	\$0	\$0	\$2,027,282
97000 Excess of Operating Revenue over Operating Expenses	\$214,870	-\$44,918	\$0	\$0	\$285,953
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments					
97350 HAP Portability-In					
97400 Depreciation Expense	\$549,572	\$34,492			\$1,008,230
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$1,974,253	\$405,605	\$0	\$0	\$3,035,512
10010 Operating Transfer In	\$296,378				\$1,269,769
10020 Operating transfer Out	-\$296,378				
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	\$1,269,769
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$334,702	-\$79,410	\$0	\$0	\$547,492

11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$148,260
11030 Beginning Equity	\$6,783,822	\$447,736	\$0	\$0	-\$176,984
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors					\$1,024,790
11050 Changes in Compensated Absence Balance					
11060 Changes in Contingent Liability Balance					
11070 Changes in Unrecognized Pension Transition Liability					
11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity					
11180 Housing Assistance Payments Equity					
11190 Unit Months Available	2604	960			1012
11210 Number of Unit Months Leased	2532	914			850
11270 Excess Cash	\$200,838				
11610 Land Purchases	\$0				
11620 Building Purchases	\$213,335				
11630 Furniture & Equipment - Dwelling Purchases	\$0				
11640 Furniture & Equipment - Administrative Purchases	\$0				
11650 Leasehold Improvements Purchases	\$0				
11660 Infrastructure Purchases	\$0				
13510 CFFP Debt Service Payments	\$0				
13901 Replacement Housing Factor Funds	\$0				

14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.231 Emergency Shelter Grants Program	14.885 Formula Capital Fund Stimulus Grant	14.239 HOME Investment Partnerships Program	10.405 Farm Labor Housing Loans and Grants	2 State/Local	Subtotal	Total
	\$1,437,299					\$801,237	\$4,659,949	\$4,659,949
	\$98,871					\$189,355	\$395,547	\$395,547
\$0	\$1,536,170	\$0	\$0	\$0	\$0	\$990,592	\$5,055,496	\$5,055,496
\$1,199,367						\$374,676	\$2,612,672	\$2,612,672
							\$213,335	\$213,335
							\$127,634	\$127,634
\$181						\$4,493	\$16,520	\$16,520
						\$130,705	\$130,705	\$130,705
\$28,981						\$792,743	\$1,180,522	\$1,180,522
\$850	\$1,672					\$0	\$2,527	\$2,527
\$1,229,379	\$1,537,842	\$0	\$0	\$0	\$0	\$2,293,209	\$9,339,411	\$9,339,411
\$65,027						\$422,604	\$1,024,248	\$1,024,248
\$1,008						\$7,636	\$46,547	\$46,547
	\$36,935						\$173,465	\$173,465
\$780						\$5,032	\$16,828	\$16,828
\$227						\$1,332	\$7,576	\$7,576
\$32,504						\$177,643	\$383,806	\$383,806
\$8,833	\$428,182					\$31,674	\$603,335	\$603,335
\$65						\$9,710	\$41,637	\$41,637
\$536						\$1,779	\$3,563	\$3,563
\$3,856						\$40,257	\$107,813	\$107,813
\$112,836	\$465,117	\$0	\$0	\$0	\$0	\$697,667	\$2,408,818	\$2,408,818
						\$396	\$1,247	\$1,247
\$0	\$0	\$0	\$0	\$0	\$0	\$396	\$1,247	\$1,247
						\$89,033	\$444,330	\$444,330
						\$53,153	\$138,200	\$138,200
						\$61,843	\$319,041	\$319,041
	\$304,109					\$30,580	\$516,684	\$516,684
\$0	\$304,109	\$0	\$0	\$0	\$0	\$234,609	\$1,418,255	\$1,418,255
	\$315,436					\$184,656	\$1,096,849	\$1,096,849
\$1,882						\$68,924	\$533,611	\$533,611
\$3,400						\$16,042	\$57,316	\$57,316

						\$89,070	\$310,015	\$310,015
\$5,282	\$315,436	\$0	\$0	\$0	\$0	\$358,692	\$1,997,791	\$1,997,791
							\$6,942	\$6,942
						\$3,831	\$14,436	\$14,436
\$0	\$0	\$0	\$0	\$0	\$0	\$3,831	\$21,378	\$21,378
\$4,279	\$91,784					\$39,560	\$279,312	\$279,312
\$4,279	\$91,784	\$0	\$0	\$0	\$0	\$39,560	\$279,312	\$279,312
\$1,406	\$49,736					-\$74,379	-\$22,895	-\$22,895
							\$1,617	\$1,617
						\$14,527	\$63,687	\$63,687
\$1,406	\$49,736	\$0	\$0	\$0	\$0	-\$59,852	\$42,409	\$42,409

	\$451,266						\$696,331	\$696,331
						\$24,033	\$57,722	\$57,722
\$0	\$451,266	\$0	\$0	\$0	\$0	\$24,033	\$754,053	\$754,053
\$123,803	\$1,677,448	\$0	\$0	\$0	\$0	\$1,298,936	\$6,923,263	\$6,923,263
\$1,105,576	-\$139,606	\$0	\$0	\$0	\$0	\$994,273	\$2,416,148	\$2,416,148
\$1,080,805						\$275,805	\$1,356,610	\$1,356,610
\$26,129							\$26,129	\$26,129
	\$669,436					\$264,610	\$2,526,340	\$2,526,340
\$1,230,737	\$2,346,884	\$0	\$0	\$0	\$0	\$1,839,351	\$10,832,342	\$10,832,342
							\$1,566,147	\$1,566,147
						-\$1,269,769	-\$1,566,147	-\$1,566,147
\$0	\$0	\$0	\$0	\$0	\$0	-\$1,269,769	\$0	\$0
-\$1,358	-\$809,042	\$0	\$0	\$0	\$0	-\$815,911	-\$1,492,931	-\$1,492,931

\$0	\$57,551	\$0	\$0	\$0	\$0	\$49,755	\$255,566	\$255,566
\$82,512	\$9,492,197	\$0	\$0	\$0	\$0	\$11,194,399	\$27,823,682	\$27,823,682
\$0	-\$1,024,790						\$0	\$0
\$74,698							\$74,698	\$74,698
\$6,456							\$6,456	\$6,456
2844	2568					3744	13732	13732
2820	2502					3602	13220	13220
							\$200,838	\$200,838
							\$0	\$0
							\$213,335	\$213,335
							\$0	\$0
							\$0	\$0
							\$0	\$0
							\$0	\$0
							\$0	\$0
							\$0	\$0



U.S. Department of Housing and Urban Development

Seattle Regional Office
Seattle Federal Office Building
Office of Public Housing
909 First Avenue, Suite 360
Seattle, WA 98104-1000

DEC 07 2017

Carol Anderson, Executive Director
Grant County Housing Authority
1139 Larson Boulevard
Moses Lake, WA 98837-3308

Dear Ms. Anderson:

Subject: Approval of Final Performance and Evaluation Report (P&E) and Actual
Modernization Cost Certificate (AMCC) for Capital Funding (CFP) Grant
WA19P01450115

Our office reviewed the Final P&E Report and the AMCC (form HUD-53001) for the subject grant. The P&E report and AMCC are approved as submitted for pre-audit. A signed copy of the AMCC is enclosed for your records.

Please ensure that the costs for this grant are verified during your next regularly scheduled fiscal audit. Additionally, please provide the auditor a copy of the AMCC as an enclosure to the financial statements in the audit report.

Following receipt of the audit report and providing there are no audit findings, our office will approve the AMCC, and provide a closeout copy for your records.

Should you have any questions, please contact Carmen Tennison, Facilities Manager, at (907) 677-9898.

Sincerely,

A handwritten signature in black ink, which appears to read "Harlan Stewart", is written over a horizontal line.

Harlan Stewart
Director
Office of Public Housing

Enclosure
1 form HUD 53001

Actual Modernization Cost Certificate

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

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

Capital Fund Program (CFP)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3500. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

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

PHA Name:

Housing Authority of Grant County

Modernization Project Number:

WXP074501-13 WA#9901450115

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

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

A. Funds Approved	\$ 296,378
B. Funds Disbursed	\$ 296,378
C. Funds Expended (Actual Modernization Cost)	\$ 296,378
D. Amount to be Recaptured (A-C)	\$ 0
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 PHA have been fully paid;

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

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

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

7. Please mark one:

☒ A. This grant will be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

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

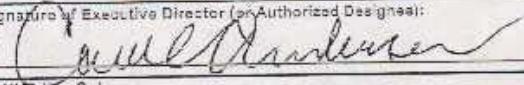
I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3720, 3802)

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

Carol Anderson Executive Director

Signature of Executive Director (or Authorized Designee):

X 

Date:

12/6/17

For HUD Use Only

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

Approved for Audit (Director, Office of Public Housing)

X 

Date:

12/27/17

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

Approved: (Director, Office of Public Housing)

X

Date:

form HUD-53001 (10/95)
ref Handbook 7485.1 & 3

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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