



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Housing Authority of Okanogan County

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

Published September 20, 2018

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Report No. 1022236





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

September 28, 2018

Board of Commissioners
Housing Authority of Okanogan County
Omak, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Housing Authority of Okanogan 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 Okanogan 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 Okanogan 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 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 each of its major federal programs.

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 programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.871	Housing Voucher Cluster – Section 8 Housing Choice Vouchers
14.879	Housing Voucher Cluster – Mainstream Vouchers

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 qualified 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.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

This schedule presents the status of federal findings reported in prior audit periods.

Audit Period:	Report Ref. No.:	Finding Ref. No.:
January 1, 2016 through December 31, 2016	1020023	2016-001
Finding Caption: The Housing Authority's internal controls over financial statement preparation were inadequate to ensure accurate reporting.		
Background: We identified the following deficiencies in internal control over financial reporting that, when taken together, represent a significant deficiency: <ul style="list-style-type: none">• Although the Housing Authority has a process for reviewing financial statements compiled by the contracted CPA firm, this review is not effective to confirm the financial statements are accurate in all respects.• The Housing Authority lacked adequate review or technical knowledge to determine the accuracy of supporting calculations performed by the CPA firm.• While the Housing Authority agreed its general ledger to the CPA's lead sheets, it did not agree those lead sheets forward to the final financial statements. Housing Authority staff lacked adequate knowledge, time and resources to develop a successful financial statement review. The compiled financial statements did not tie to the CPA's grouping lead sheets, which the Housing Authority tied to its general ledger. In addition, staff did not understand the composition of balances and calculations behind balances to determine the accuracy of those balances. We identified the following errors in the financial statements. The Authority: <ul style="list-style-type: none">• Likely understated Accumulated Depreciation by about \$94,000• Misclassified Restricted and Unrestricted Net Position by about \$38,000• Misclassified Operating and Non-Operating Revenues by about \$462,000		

- Misclassified expense balances including Administrative Wages, Other Operating Administrative, Employee Benefit Contribution and Other General Expenses by about \$29,000. This also resulted in an overstatement of expenses in total by about \$6,900.

Status of Corrective Action:

☐ Fully Corrected
 ☒ Partially Corrected
 ☐ Not Corrected
 ☐ Finding is considered no longer valid

Corrective Action Taken:

The understated Accumulated Depreciation was addressed by correcting the beginning value of a large asset, thus fixing the depreciation as it flowed through subsequent years.

The Misclassified Restricted and Unrestricted Net Position, Misclassified Operating and Non-Operating Revenues, Misclassified expense balances including Administrative Wages, Other Operating Administrative, Employee Benefit Contribution and Other General Expenses were corrected.

The 2016 audit finding stated Housing Authority staff lacked adequate knowledge, time and resources to develop a successful financial statement review process. To correct this finding we re-structured our finance department.

Furthermore, The Housing Authority of Okanogan County has engaged with a reliable CPA firm in the Okanogan County to do our accounting, bank reconciliations, payroll, and accounts receivable. For internal control purposes we have contracted a bookkeeper to do all the accounts payable for the agency. We also plan to continue our current practice of having all Financial documents to be examined by the Executive Director and by aboard of director who is appointed by the board, one with strong background in contracting and accounting, to review the financial statements in depth prior to the monthly board meeting.

Considering that the Housing Authority of Okanogan County is a very small agency with limited resources to hire a full time CPA to work in our Finance Department, we have engaged an outside CPA firm to compile our Financials and produce reports.

The Housing Authority of Okanogan County's Executive Director has revised the agency's Financial Policies and Procedure and the board of directors of the Housing Authority of Okanogan County approved the policy in open session. This Internal Control Procedures Manual is to provide the Housing Authority of Okanogan County with a reference tool to use in establishing and maintaining effective internal controls over the Housing Authority assets and accounting records.

**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 Okanogan County
January 1, 2017 through December 31, 2017**

Board of Commissioners
Housing Authority of Okanogan County
Omak, 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 Housing Authority of Okanogan 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 28, 2018.

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.



Pat McCarthy

State Auditor

Olympia, WA

September 28, 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 Okanogan County
January 1, 2017 through December 31, 2017**

Board of Commissioners
Housing Authority of Okanogan County
Omak, Washington

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

We have audited the compliance of the Housing Authority of Okanogan 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 each of 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.

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.

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, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 28, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Board of Commissioners
Housing Authority of Okanogan County
Omak, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Housing Authority of Okanogan 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the Housing Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of Okanogan County, as of December 31, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 is 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, 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 28, 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.



Pat McCarthy

State Auditor

Olympia, WA

September 28, 2018

FINANCIAL SECTION

Housing Authority of Okanogan 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 Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2017

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2017

Notes to Schedule of Expenditures of Federal Awards – 2017

Financial Data Schedules – 2017

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

This narrative overview and analysis of the Housing Authority of Okanogan County's (HAOC) performance for the year ended December 31, 2017 is provided as a supplement to HAOC's year-end financial statements. Please read it in conjunction with the basic financial statements following this section, and the notes to the basic financial statements. The management's discussion and analysis is presented in conformance with the Government Accounting Standards Board (GASB) financial reporting model as set forth in GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*.

As required under U.S. generally accepted accounting principles, HAOC uses the accrual basis of accounting to prepare its basic financial statements. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses, including depreciation, are recognized in the period in which they are incurred. All assets and liabilities associated with the operations of HAOC are included in the statements of net position.

FINANCIAL HIGHLIGHTS

Net position of HAOC decreased by approximately \$135 thousand from 2016 to 2017. This is a result of expenses exceeding revenues by this amount, largely due to an increase in housing assistance payments.

As of December 31, 2017, the liabilities and deferred inflows of resources of HAOC exceeded assets and deferred outflows of resources by approximately \$272 thousand (net position). Of this amount, \$404 thousand is restricted as to its allowable usage.

Current and noncurrent liabilities increased by approximately \$603 thousand from 2016. During 2017, HAOC incurred debt of approximately \$711 thousand related to the acquisition of capital assets. Other changes are due to fluctuations in the timing of due dates, subsequent payments of liabilities, and debt payments made.

Operating revenues decreased by approximately \$10 thousand (1%) in comparison to prior year primarily due to decreases in tenant based income.

Nonoperating revenues, net of nonoperating expenses decreased by approximately \$86 thousand (28%) from 2016, primarily related to some state funding contracts expiring.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to HAOC's basic financial statements. HAOC's basic financial statements are comprised of two components: 1) the basic financial statements and 2) notes to the basic financial statements that provide additional disclosure of some of the information in the basic financial statements.

The *Statement of Net Position* presents information on HAOC's assets and liabilities with the difference between the two reported as net position. Assets and liabilities are presented in the order of liquidity and are classified as "current" (convertible to cash within one year) and "noncurrent." Over time, increases or decreases in net position may serve as useful indicators as to whether HAOC's financial health is improving or deteriorating.

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

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

The **Statement of Cash Flows** reports how HAOC's cash and cash equivalents were used and provided by its operating, noncapital financing, capital and related financing, and investing activities during the periods reported. The net of these activities is added to the beginning year cash balance to reconcile to the cash and cash equivalents balances at December 31, 2017 and 2016. HAOC uses the direct method of presenting cash flows, which includes a reconciliation of operating activities to operating loss. This statement provides answers to such questions as where did cash come from, how was cash used, and what was the change in the cash balance during the year.

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

FINANCIAL ANALYSIS

Net Position

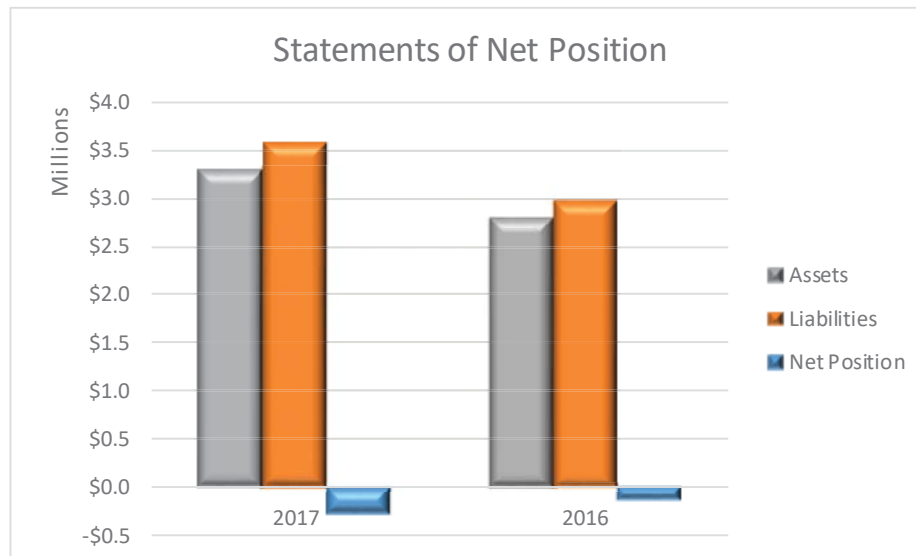
The following table represents the condensed Statement of Net Position compared to the prior year:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current assets, unrestricted	\$ 254,227	\$ 348,741
Other current assets, restricted	440,855	290,871
Capital assets, net	<u>2,602,019</u>	<u>2,157,439</u>
Total assets	<u>3,297,101</u>	<u>2,797,051</u>
Deferred outflow of resources	<u>41,350</u>	<u>54,696</u>
Total assets and deferred outflow of resources	<u>\$ 3,338,451</u>	<u>\$ 2,851,747</u>
Current and other liabilities	\$ 99,292	\$ 166,872
Current liabilities payable from restricted assets	35,204	22,756
Long-term liabilities	<u>3,455,362</u>	<u>2,796,690</u>
Total liabilities	<u>3,589,858</u>	<u>2,986,318</u>
Deferred inflow of resources	<u>20,959</u>	<u>2,708</u>
Net position		
Invested in capital assets, net of related debt	(736,833)	(494,584)
Restricted	404,444	270,165
Unrestricted	<u>60,023</u>	<u>87,140</u>
Total net position	<u>(272,366)</u>	<u>(137,279)</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 3,338,451</u>	<u>\$ 2,851,747</u>

Total assets and deferred outflow of resources of HAOC at December 31, 2017 and 2016 amounted to \$3,338,451 and \$2,851,747, respectively.

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

The following presents the Statement of Net Position in graphical form:



Unrestricted current assets are comprised of cash and cash equivalents, receivables, investments, and prepaid items. Unrestricted current assets are approximately 27% lower at December 31, 2017 than December 31, 2016, which represents a decrease of approximately \$95 thousand, related to utilizing cash.

Restricted current assets are comprised of cash and investments that are restricted for repayment of security deposits and other contractual obligations related to federal funding that was unspent at the end of the year. In 2017 restricted current assets increased by approximately \$150 thousand, related to increasing operating reserves and the acquisition of Vista Park.

Capital assets include land, buildings, furniture, equipment and machinery, and construction in progress and are shown net of accumulated depreciation. Capital assets increased by approximately \$444 thousand. The increase is primarily attributed to approximately \$616 thousand of additions, which was offset by approximately \$172 thousand of depreciation.

Total liabilities of HAOC, which are segregated between current and noncurrent portions, amounted to \$3,589,858 and \$2,986,318 at December 31, 2017 and 2016, respectively.

Current and other liabilities consist of accounts payable, accrued wages and payroll taxes, compensated absences, accrued interest, and current portion of notes payable. Current liabilities decreased approximately \$67 thousand, a 40% decrease. The fluctuations are primarily a result of the timing of payments to vendors, and advance funding received from HUD.

Current liabilities payable from restricted assets primarily consist of tenant security deposits and restricted, unspent funds from the federal government. These liabilities reflected an increase from 2016 to 2017 of approximately \$12 thousand, a 55% increase.

Long-term liabilities consist of notes payable, pension liabilities, and the long-term portion of compensated absences. Increases in long-term liabilities were approximately \$658 thousand from 2016 to 2017, and are attributed to the pension liability, \$710 thousand of long-term borrowings, which is offset by \$24 thousand of repayments.

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

Net Position represents the equity of HAOC after liabilities are subtracted from assets. Net Position is divided into three major categories. The first category, invested in capital assets, net of related debt, shows HAOC's equity in land, buildings, furniture, equipment and machinery, and construction in progress, net of related outstanding debt. The second category, restricted Net Position, has external limitations on the way in which these assets can be used. The last category, unrestricted net position, is available to be used for any lawful and prudent HAOC purpose.

Total net position of HAOC decreased by approximately \$135 thousand from 2016 to 2017.

HAOC's current ratio reflects the relationship between current assets and current liabilities and is a measure of HAOC's ability to pay short-term obligations. At December 31, 2017 and 2016, HAOC's current ratio was 5.17 and 3.38, respectively.

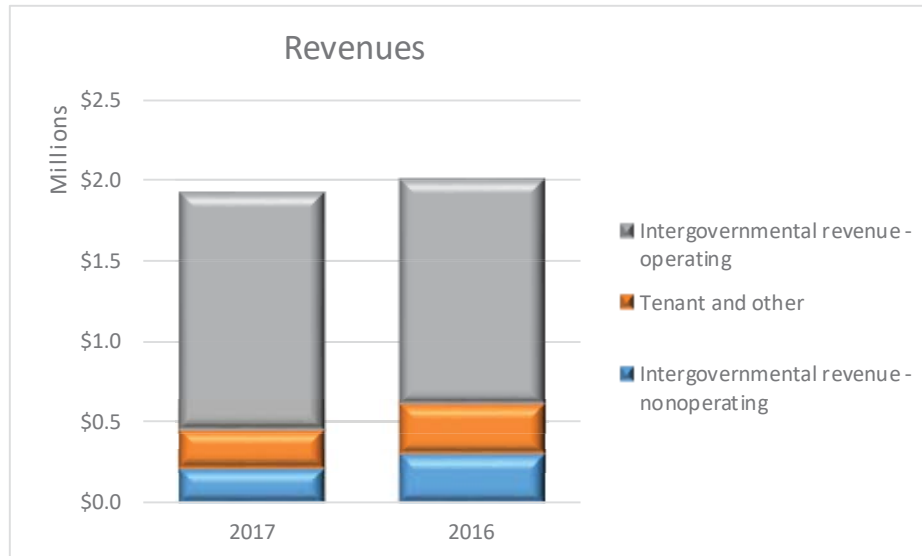
Revenues, Expenses and Changes in Net position

The following table compares the revenues and expenses for the current and previous fiscal years:

	Years Ended	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Revenue:		
Intergovernmental revenue - operating	\$ 1,467,075	\$ 1,404,295
Tenant and other	235,264	307,782
Intergovernmental revenue - nonoperating	219,120	305,019
Investment revenue	351	352
Total revenue	<u>1,921,810</u>	<u>2,017,448</u>
Expenses:		
Administration	322,724	311,277
Utilities	80,650	73,425
Ordinary maintenance and operation	95,750	93,960
General expenses	9,059	8,369
Housing assistance payments	1,346,981	1,299,557
Depreciation	171,624	121,682
Interest expense	30,109	28,543
Loss on disposal	-	1,144
Total expenses	<u>2,056,897</u>	<u>1,937,957</u>
(Decrease) increase in net position	(135,087)	79,491
Net position, beginning of year	<u>(137,279)</u>	<u>(216,770)</u>
Net position, end of year	<u><u>\$ (272,366)</u></u>	<u><u>\$ (137,279)</u></u>

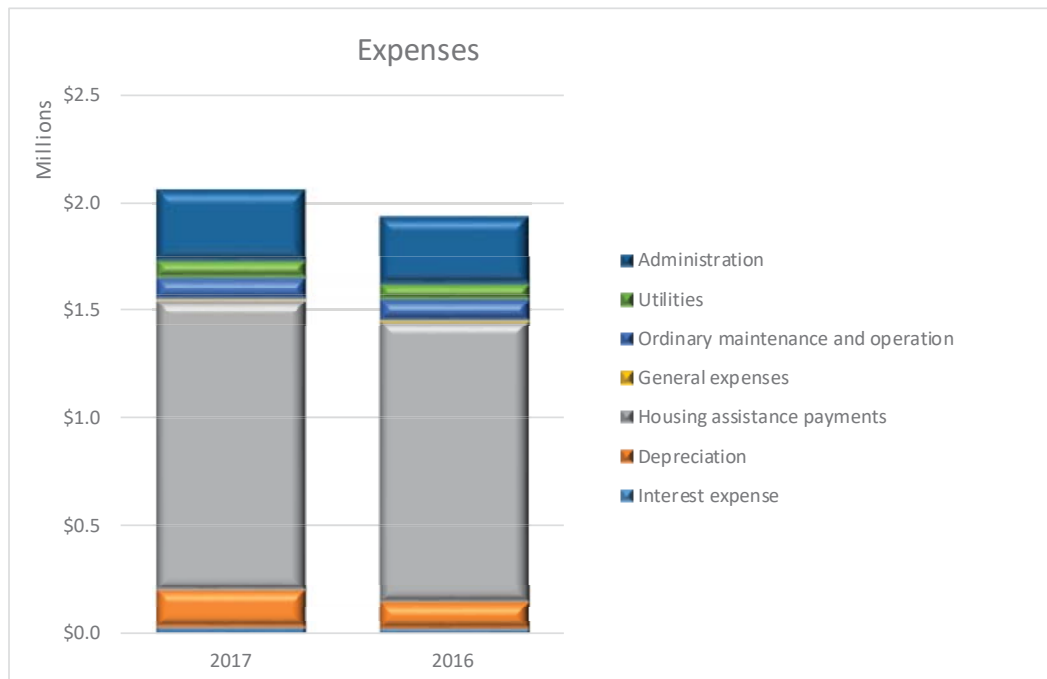
Housing Authority of Okanogan County
Management's Discussion and Analysis
December 31, 2017

The following compares the revenues for the current and previous years in graphical format:



In 2017 revenues decreased by approximately 5%, primarily due to a decrease in other income.

The following compares the expenses for the current and previous years in graphical format:



Total expenses increased by approximately 6% from 2016 to 2017, primarily due to increased housing assistance payments.

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

Administrative expenses in 2017 increased by approximately \$11 thousand (4%) from 2016. This is predominantly due to HAOC's pension expenses. Utilities increased by approximately 10% (approximately \$7 thousand) in 2017 compared to 2016. Ordinary maintenance and operation expenses increased by approximately 2% (approximately \$2 thousand) in 2017 compared to 2016. Housing assistance payments increased by approximately 4% (approximately \$47 thousand). The overall changes were attributed to budget changes and fluctuations in costs of doing business.

Capital Assets and Debt Administration

HAOC's capital assets are summarized in the table below:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Land	\$ 445,089	\$ 387,877
Construction in progress	10,736	163
Buildings	2,175,154	1,660,489
Furniture, equipment & machinery - dwellings	47,566	47,566
Furniture, equipment & machinery - administration	13,564	13,564
Leasehold improvements	<u>1,397,006</u>	<u>1,363,252</u>
Total capital assets	4,089,115	3,472,911
Less accumulated depreciation	<u>(1,487,096)</u>	<u>(1,315,472)</u>
Net capital assets	<u>\$ 2,602,019</u>	<u>\$ 2,157,439</u>

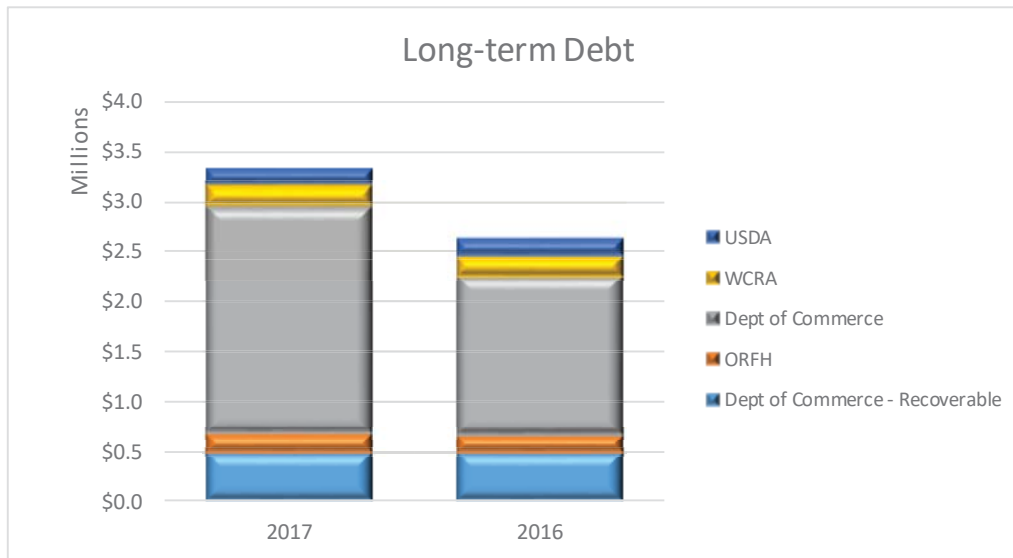
In 2017, approximately \$172 thousand of depreciation expense was recognized, however, this was offset with approximately \$616 thousand of additions, resulting in an increase in net capital assets of approximately \$444 thousand.

Additional information on HAOC's capital assets can be found in Note 6 to the basic financial statements.

HAOC's outstanding long-term debt is summarized in the table and graph below:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<i>Real Estate Mortgages:</i>		
U.S. Department of Agriculture - Twisp Gardens	\$ 169,578	\$ 170,845
Washington Community Reinvestment Associates:		
Caribou Trail	204,713	217,368
Department of Commerce - Caribou Trail	43,621	44,816
Department of Commerce - Caribou Trail	460,000	465,000
Department of Commerce - Twisp Gardens	116,121	119,930
Department of Commerce - IronStraw Farmworker	967,836	967,836
Department of Commerce - Vista Park	613,260	-
Department of Commerce - Vista Park	89,285	-
Office of Rural and Farmworker Housing:		
Meadow Point	173,306	173,306
State and local	14,613	6,400
Department of Commerce - Recoverable Grant:		
Twisp Gardens	467,799	467,799
IronStraw Farmworker	<u>18,723</u>	<u>18,723</u>
	<u>\$ 3,338,855</u>	<u>\$ 2,652,023</u>

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



All debt service payments were made in 2017 as scheduled. Additional information on HAOC's long-term debt can be found in Note 7 to the basic financial statements.

ECONOMIC FACTORS AFFECTING HAOC'S FUTURE

The majority of HAOC's funding is from federal agencies in the form of rental assistance programs. Housing authorities across the country continue to be impacted by continued decline in federal support for housing. Based on HUD's funding letters and contracts, it is anticipated that most HUD programs will continue to receive renewal funding including the Housing Choice and Mainstream Voucher programs, which are HAOC's largest housing program, serving over 240 families.

REQUESTS FOR INFORMATION

This financial report is designed to provide the reader with a general overview of HAOC's finances and to demonstrate HAOC's financial accountability over its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Nancy Nash-Mendez

Executive Director

Phone:

409-422-3721

Address:

431 5th Avenue West

Omak, Washington 98841

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

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash - unrestricted	\$ 166,440
Receivables - tenants, net of allowance	1,029
Receivables - other, net of allowance	84,195
Prepaid expenses and other assets	<u>2,563</u>
Total unrestricted	<u>254,227</u>
 Cash - other restricted	 215,323
Cash - tenant security deposits	36,411
Investments - restricted	144,739
Receivables - other, net of allowance	<u>44,382</u>
Total restricted	<u>440,855</u>
Total current assets	<u>695,082</u>

NONCURRENT ASSETS

Land	445,089
Buildings	2,175,154
Furniture, equipment and machinery - dwellings	47,566
Furniture, equipment and machinery - administration	13,564
Leasehold improvements	1,397,006
Accumulated depreciation	(1,487,096)
Construction in progress	<u>10,736</u>
Total noncurrent assets	<u>2,602,019</u>

Total assets	<u>3,297,101</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflow of resources related to pensions	<u>41,350</u>
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**TOTAL ASSETS AND DEFERRED OUTFLOWS
OF RESOURCES**

\$ 3,338,451

See the accompanying notes.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 21,005
Accrued wages and payroll taxes payable	7,105
Accrued compensated absences - current portion	18,800
Unearned revenue	22,348
Current portion of long-term debt	<u>30,034</u>
Total payable from unrestricted assets	99,292
 Tenant security deposits	 <u>35,204</u>
Total payable from restricted assets	<u>35,204</u>
Total current liabilities	<u>134,496</u>

NONCURRENT LIABILITIES

Long-term debt, net of current - capital projects	
mortgage revenue bonds	3,308,819
Net pension liability	127,436
Accrued compensated absences, net of current	<u>19,107</u>
Total noncurrent liabilities	<u>3,455,362</u>
 Total liabilities	 <u>3,589,858</u>

DEFERRED INFLOW OF RESOURCES

Deferred inflow of resources related to pensions	<u>20,959</u>
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NET POSITION

Invested in capital assets, net of related debt	(736,833)
Temporarily restricted net position	404,444
Unrestricted net position	<u>60,023</u>
Total net position	<u>(272,366)</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

\$ 3,338,451

Housing Authority of Okanogan County
Statement of Revenue, Expenses and Changes in Net Position
December 31, 2017

OPERATING REVENUE

Intergovernmental revenue	\$ 1,467,075
Net tenant rental revenue	189,958
Other revenue	41,878
Other tenant revenue	<u>3,428</u>
Total operating revenue	<u>1,702,339</u>

OPERATING EXPENSES

Administrative	
Administrative wages	175,214
Auditing fees	29,223
Employee benefit contributions	38,692
Other operating - administrative	72,075
Tenant services	<u>7,520</u>
	<u>322,724</u>

Utilities	
Electricity	9,027
Other utilities expense	17,586
Sewer	26,002
Water	<u>28,035</u>
	<u>80,650</u>

Ordinary maintenance and operations	
Contract costs	29,620
Maintenance and operations wages	30,726
Materials and other	<u>35,404</u>
	<u>95,750</u>

General expenses	
Depreciation expense	171,624
Housing assistance payments	1,346,981
Insurance premiums	<u>9,059</u>
	<u>1,527,664</u>

Total operating expenses	<u>2,026,788</u>
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Net operating loss	\$ (324,449)
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See the accompanying notes.

NON-OPERATING ACTIVITIES

Interest expense	\$ (30,109)
Intergovernmental revenue	219,120
Investment revenue - restricted	336
Investment revenue - unrestricted	<u>15</u>
Total non-operating activities	<u>189,362</u>
CHANGE IN NET POSITION	(135,087)
NET POSITION - BEGINNING OF YEAR	(136,078)
PRIOR PERIOD ADJUSTMENT	<u>(1,201)</u>
NET POSITION - END OF YEAR	<u><u>\$ (272,366)</u></u>

Housing Authority of Okanogan County
Statement of Cash Flows
December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and others	\$ 207,105
Housing assistance receipts	1,467,075
Payments to employees	(205,041)
Payments to vendors and suppliers	<u>(1,691,435)</u>
Net cash used in operating activities	<u>(222,296)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Intergovernmental grants and contracts	<u>219,120</u>
Net cash provided by noncapital financing activities	<u>219,120</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Purchase of capital assets	(44,327)
Cash assumed from Vista Park purchase	118,337
Principal payments on long-term debt	(23,927)
Interest paid	<u>(30,109)</u>
Net cash provided (used) by capital and related financing activities	<u>19,974</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>351</u>
Net cash provided by investing activities	<u>351</u>

**NET (DECREASE) INCREASE IN CASH AND
CASH EQUIVALENTS**

17,149

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

545,764

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 562,913

CASH AND CASH EQUIVALENTS CONSISTS OF

Cash - unrestricted	166,440
Cash - other restricted	215,323
Cash - tenant security deposits	36,411
Investments - restricted	<u>144,739</u>
Cash and cash equivalents	<u><u>\$ 562,913</u></u>

See the accompanying notes.

**RECONCILIATION OF NET OPERATING ACTIVITIES TO
NET CASH USED IN OPERATING ACTIVITIES**

Operating loss	\$ (324,449)
Depreciation	171,624
(Increase) decrease in cash due to changes in assets	
Receivables	52,669
Prepaid expenses	(1,946)
Other assets	(35,734)
Increase (decrease) in cash due to changes in liabilities	
Accounts payable	(9,882)
Accrued wages and taxes payable	899
Accrued liabilities - other	-
Deferred revenue	(80,828)
Tenant security deposits	990
Compensated absences	4,361
Net cash used in operating activities	<u><u>\$ (222,296)</u></u>

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

The Housing Authority of Okanogan County (HAOC) was formed to provide safe, decent, and sanitary housing for low- and moderate-income residents of Okanogan County. HAOC was incorporated in 1995 and operates under the laws of the state of Washington applicable to municipal corporations. HAOC administers multiple U.S. Department of Housing and Urban Development (HUD) and U.S. Department of Agriculture programs, the funding from which consists of approximately 80% of total revenue, and funds many of the key services provided by HAOC.

HAOC administers the U.S. Department of Housing and Urban Development (HUD) Section 8 Housing Choice Voucher (HCV) Program, HUD's 5-Year Main Stream Housing Opportunities for Persons with Disabilities (MS) Program, and HUD's Veterans Affairs Supportive Housing (VASH) Program. HUD provides a contracted number of Housing Assistance Vouchers to HAOC for each program, which is used to provide rental payments to landlords for a specified number and type of housing units for low-income families.

HAOC administers the HOME Tenant Based Rental Assistance (TBRA) Program for the State of Washington, Department of Commerce. This Program was awarded to HAOC in November 2002; and the first draw was taken in January 2004. The TBRA Program is used to provide rental payments to landlords plus utility assistance and security and utility deposits for a specified dollar value, based on a percentage of allowable grant expenditures, and type of housing units for low-income homeless tenants.

HAOC administers USDA Rural Development rental assistance subsidy for the Twisp Gardens Apartments, a 16-unit Elderly/Disabled apartment complex for low-income families owned and managed by HAOC.

HAOC receives funds from Okanogan County recording fees project based rental assistance to assist up to 10 homeless families in leasing at the Caribou Trail Housing and IronStraw Housing. This amount varies from year to year depending on available funding.

HAOC owns the following properties: 1) Caribou Trail Housing, a 24-unit multifamily apartment complex housing low to moderate-income families; 2) Twisp Gardens Apartments, a 16-unit Elderly/Disabled apartment complex for low-income families with 16 USDA Rural Development subsidized units; 3) IronStraw Farmworker Housing, a 6-unit complex housing low-income seasonal agricultural workers and their families; 4) Land in Omak; 5) Vista Park Homes, a 24 unit apartment complex housing low-income seasonal agricultural workers and their families.

Reporting entity:

HAOC is a municipal corporation governed by a six-member board appointed by the Okanogan County Board of Commissioners. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. HAOC currently has no component units. HAOC is a legally separate agency from Okanogan County. The County does not have the ability to affect the operations of HAOC, nor does HAOC provide financial benefit to, or impose a financial burden on Okanogan County.

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of accounting:

The accounts of HAOC are reported as an enterprise fund. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operations of HAOC are included on the statement of net position.

Summary of significant accounting policies:

The basic financial statements of HAOC have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP). Following is a summary of the more significant accounting policies of HAOC.

Budgeting

HAOC follows the same method of accounting for their budget as they utilize for financial reporting.

Cash and cash equivalents

HAOC's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. As required by HUD, all bank balance amounts are fully insured by the Federal Government or covered by collateral under the terms of a Depository Agreement executed between HAOC and the financial institution. See notes 3 and 4 for further information.

Restricted funds

HAOC receives security deposits when tenants move into their units. These deposits are segregated in a depository account and are considered a liability of HAOC. Restricted funds also include required reserves and funds received in advance that are restricted for a specific or future purpose. HAOC currently has restricted funds from both the U.S. Department of Agriculture Rural Development (USDA RD) and HUD. USDA RD has established a reserve for HAOC capital improvements, which can only be utilized upon USDA RD approval. In addition, Housing Assistance Payment (HAP) funds are restricted for payments to landlords and utility companies on behalf of the program recipients. Any additional grant revenues that have been advanced to the HAOC, but not yet expended are classified as restricted. HAOC also has restricted funds related to financing and reserve requirements.

Assets and liabilities shown as current in the accompanying statement of net position exclude current maturities on revenue bonds and accrued interest thereon because debt service accounts are provided for their payment.

Accounts receivable

HAOC recognizes receivables when they are earned and records an allowance for doubtful accounts based upon management estimate of collectability. See note 5 for further information.

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital assets

Major expenditures for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. See note 6 for further information.

Capital assets are defined by HAOC as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Capital assets are recorded at cost (where historical cost is known). Where historical cost is not known, assets are recorded at their estimated fair value. Donations are recorded at fair market value at the time of donation or the appraised value.

GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its future service utility has declined significantly and unexpectedly. HAOC is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. No such events or circumstances were encountered as of December 31, 2017.

Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income.

The estimated useful lives are as follows:

Buildings	25 – 40 years
Improvements	7 – 40 years
Machinery/equipment	3 – 10 years
Furniture/equipment	3 – 7 years

Deferred inflows of resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. HAOC's deferred inflows of resources are typically grant funds that have been drawn down or funds advanced but not yet expended. HAOC had \$20,959 in deferred inflows of resources as of December 31, 2017.

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 as due and payable in accordance with the benefit terms. Investments are reported at fair value. See note 10 for further information.

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated absences

HAOC recognizes an expense for all earned but unused vacation leave. Compensated absences reflect all vacation, sick and holiday wages for which employees have been paid in the fiscal year. HAOC records paid leave for compensated absences as an expense when incurred.

Accrued compensated absences is the dollar value of vacation hours earned but not used through the end of each calendar year. Vacation hours earned may be accumulated up to 240 hours and are payable upon termination of employment unless termination is for misconduct or employment is less than six consecutive months. Sick leave may accumulate up to 480 hours, however, it is not included in accrued compensated absences because it is not paid out upon resignation; any outstanding sick leave is lost.

Revenue and expenses

HAOC's statement of revenue, expenses, and changes in net position distinguish between operating and non-operating revenue and expenses. Operating revenue results from exchange transactions associated directly to HAOC's mission. Non-operating revenue includes capital and noncapital federal grants, interest revenue, and other revenue not meeting the definition of operating. Operating expenses consist of all expenses incurred to provide housing services. Non-operating expenses include interest expense and other expenses not meeting the definition of operating.

Subsequent events

Subsequent events have been evaluated through the date of the compilation report, which is the date the financial statements were available to be issued.

Tax status

HAOC, as a governmental entity, is not subject to federal or state income taxes.

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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

In the opinion of management, there have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations in any of the funds of HAOC.

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

NOTE 3 – DEPOSITS

Deposits, including those in restricted assets, are defined as cash or cash equivalents on deposit with financial institutions. At December 31, 2017, the carrying amount of HAOC's cash accounts deposited with financial institutions was \$496,103 and the bank balances were \$502,667. HAOC's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC). HAOC has on file form HUD-51999, General Depository Agreement with Wells Fargo.

Cash and cash equivalents consist of the following at December 31, 2017:

Cash and cash equivalents – unrestricted	\$ 166,440
Cash and cash equivalents – current restricted	<u>251,734</u>
Total cash and cash equivalents	418,174
Less: cash on hand	<u>(130)</u>
Total deposits	\$ <u>418,044</u>

NOTE 4 – INVESTMENTS

HAOC's investment practice is to follow all HUD guidelines with regard to depository accounts. As a result, HAOC restricts its investments to direct obligations of the US Government, fully insured or collateralized investments at commercial banks and savings and loan associations, collateralized repurchase agreements, state-approved investment pools, or money market funds consisting entirely of US Government securities. All investments are reported at fair market value, which is obtained from quoted market prices of the exact same investments trading in public markets.

As of December 31, 2017, HAOC has no long-term investments. HAOC maintains an operating and reserve escrow account with Washington Community Reinvestment Association (WCRA) for the Caribou Trail Apartments. This account includes an original deposit for project improvements that has not been completely drawn down, as well as a monthly \$300 deposit into each account. This is included in Restricted Cash – Caribou Trails on the statement of net position.

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, HAOC's deposits may not be returned. HAOC follows HUD policies, which requires collateral for all deposits not covered by federal depository insurance. At December 31, 2017, none of HAOC's deposits and investments were exposed to custodial credit risk.

Concentration of credit risk

Concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer (not including investments issued or guaranteed by the US Government). Since HAOC follows HUD policies, and all held investments are in investments issued or guaranteed by the US Government, there is no concentration of credit risk.

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

NOTE 4 – INVESTMENTS - CONTINUED

Credit risk of investments is the risk that the issuer or other counterparty will not meet its obligations. This credit risk is measured by the credit quality rating of investments in debt securities as rated by a nationally recognized rating agency.

Concentration of interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

NOTE 5 – RECEIVABLES

Receivables at December 31, 2017 consist of the following:

Tenants	\$ 1,029
Intergovernmental	84,195
Other	<u>44,382</u>
Total receivables before allowance	129,606
Less: Allowance for doubtful accounts	<u>-</u>
Total receivables	<u>\$ 129,606</u>

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

NOTE 6 – CAPITAL ASSETS

Changes in capital assets during the year ended December 31, 2017

	January 1, <u>2017</u>	<u>Additions</u>	Transfer/ retirements	December 31, <u>2017</u>
Capital assets not depreciated				
Land	\$ 387,877	\$ 57,212	\$ -	\$ 445,089
Construction in progress	<u>163</u>	<u>44,327</u>	<u>(33,754)</u>	<u>10,736</u>
Total capital assets not depreciated	<u>388,040</u>	<u>101,539</u>	<u>(33,754)</u>	<u>455,825</u>
Capital assets being depreciated				
Buildings	1,660,489	514,665	-	2,175,154
Leasehold improvements	1,363,252	-	33,754	1,397,006
Machinery and equipment	47,566	-	-	47,566
Furniture and equipment	<u>13,564</u>	<u>-</u>	<u>-</u>	<u>13,564</u>
Total capital assets being depreciated	<u>3,084,871</u>	<u>514,665</u>	<u>33,754</u>	<u>3,633,290</u>
Accumulated depreciation				
Buildings	810,369	100,808	-	911,177
Leasehold improvements	447,491	70,816	-	518,307
Machinery and equipment	44,048	-	-	44,048
Furniture and equipment	<u>13,564</u>	<u>-</u>	<u>-</u>	<u>13,564</u>
Total accumulated depreciation	<u>1,315,472</u>	<u>171,624</u>	<u>-</u>	<u>1,487,096</u>
Total capital assets	<u><u>\$ 2,157,439</u></u>	<u><u>\$ 444,580</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,602,019</u></u>

NOTE 7 – LONG-TERM DEBT

Caribou Trails Apartments

The Board of Commissioners issued Resolution 1998-12 approving the acquisition of the Caribou Trail Apartments; authorizing the issuance, execution and delivery of a Bond in the form of a taxable Multifamily Note to the Washington Community Reinvestment Association in the original principal amount of \$340,000; and authorizing the issuance, execution and delivery of a Bond in the form of a taxable Promissory Note to the Washington State Department of Community, Trade and Economic Development (CTED) in the original amount up to \$515,000.

The Multifamily Note to the Washington Community Reinvestment Association has a term of thirty years (30); principal and interest is payable in monthly installments by electronic transfer. Monthly principal and interest payments are \$2,377.33, including interest at 7.5%, final payment is due in 2028.

The Promissory Note (\$515,000) to CTED (currently known Washington State Dept. of Commerce) Housing Trust Fund (HTF) was issued under the authority of RCW 35.82.020(11), RCW 35.82.130, RCW 35.82.140, RCW 35.82.150 and other applicable provisions of the Housing Authority Law. Interest is one percent compounded annually but does not accrue prior to June 30, 2028.

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

NOTE 7 – LONG-TERM DEBT - CONTINUED

Annual principal payments of \$5,000 will be due and payable each year for twenty-one consecutive years thereafter. The CTED (Commerce) note will mature on June 30, 2048.

The following is a summary of the long-term liabilities transactions for Caribou Trail Apartments for the year ended December 2017:

	Balance at January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Note payable, WCRA	\$ 217,368	\$ -	\$ (12,655)	\$ 204,713	\$ 13,637
Note payable, WA State					
Dept. of Commerce HTF	465,000	-	(5,000)	460,000	5,000
Note payable, WA State					
Dept. of Commerce HTF	44,816	-	(1,195)	43,621	1,207
	<u>\$ 727,184</u>	<u>\$ -</u>	<u>\$ (18,850)</u>	<u>\$ 708,334</u>	<u>\$ 19,844</u>

Minimum payments are due as follows:

	Principal	Interest	Total
2018	\$ 19,844	\$ 15,327	\$ 35,171
2019	20,915	14,256	35,171
2020	22,069	13,102	35,171
2021	23,310	11,873	35,183
2022	24,647	10,524	35,171
2023-2027	147,194	28,663	175,857
2028-2032	105,710	20,289	125,999
2033-2037	101,260	15,227	116,487
2038-2042	106,425	10,062	116,487
2043-2047	111,854	4,633	116,487
2048-2052	25,106	251	25,357
	<u>\$ 708,334</u>	<u>\$ 144,207</u>	<u>\$ 852,541</u>

Twisp Gardens Apartments

The Board of Commissioners issued Resolution 2003-09 and 2003-15 approving the acquisition of the Twisp Gardens Apartments; authorizing the issuance, execution and delivery of a Bond in the form of a taxable Promissory Note and Multi Family Housing Assumption Agreement to USDA Rural Development in the original amount of \$181,547; and authorizing the issuance execution and delivery of a Bond in the

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

NOTE 7 – LONG-TERM DEBT - CONTINUED

form of a taxable Promissory Note to the CTED (currently known as Washington State Dept. of Commerce) HTF in the original loan amount of \$159,500, and an original recoverable grant amount of up to \$467,799.

The Promissory Note to the USDA Rural Development has a term of fifty years (50); principal and interest is payable in monthly installments withheld from USDA Rural Development rental subsidy. Monthly principal and interest payments are \$939.20, with a monthly USDA RD interest subsidy payment of \$554.09 and a Housing Authority Borrower principal and interest payment of \$385.11. Interest is 5.875%; final payment is due on or before September 15, 2054.

The Promissory Note to CTED HTF (now known as the Washington State Dept. of Commerce) was issued under the authority of RCW 35.82.020(11), RCW 35.82.130, RCW 35.82.140, RCW 35.82.150 and other applicable provisions of the Housing Authority Law. The original loan amount of \$159,500 was a term of forty years (40); principal and interest is payable in quarterly installments beginning September 2005. Interest at 1% began accruing September 2004 increasing the principal loan amount to \$161,101. Quarterly principal and interest payments are \$1,248.41, with final payment due June 30, 2044. The Recoverable Grant WA State CTED (Commerce) HTF amount of up to \$467,799 shall be deferred for forty years (40) at 0% interest until June 30, 2044. If at the end of the forty-year commitment period, all terms and conditions of the award have been met, the recoverable Grant will convert to a full grant on June 30, 2044 with no expectation of repayment. The Grant represents all costs associated with rehabilitation work that began FY 2005.

The following is a summary of the long-term liabilities transactions for Twisp Gardens Apartments for the year ended December 31, 2017:

	Balance at January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Note payable, USDA RD	\$ 170,845	\$ -	\$ (1,267)	\$ 169,578	\$ 1,343
Note payable, WA State Dept. of Commerce HTF	119,930	-	(3,809)	116,121	3,847
Recoverable Grant WA State HTF	<u>467,799</u>	<u>-</u>	<u>-</u>	<u>467,799</u>	<u>-</u>
	<u>\$ 758,574</u>	<u>\$ -</u>	<u>\$ (5,076)</u>	<u>\$ 753,498</u>	<u>\$ 5,190</u>

Accrued amortized interest from 2004/2005 was added into Long Term Payables to equal the amortization schedule for the note payable to WA State Dept. of Commerce, HTF.

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

NOTE 7 – LONG-TERM DEBT - CONTINUED

Minimum payments for USDA RD and Department of Commerce HTF Notes Payable combined (not inclusive of the recoverable grant) are due as follows:

	Principal	Interest	Total
2018	\$ 5,190	\$ 4,425	\$ 9,615
2019	5,310	4,305	9,615
2020	5,435	4,180	9,615
2021	5,566	4,049	9,615
2022	5,702	3,913	9,615
2023-2027	30,789	17,285	48,074
2028-2032	35,304	12,770	48,074
2033-2037	41,052	7,022	48,074
2038-2042	48,435	1,336	49,771
2043-2047	40,229	65	40,294
2048-2052	43,973	-	43,973
2053-2054	18,714	-	18,714
	<u>\$ 285,699</u>	<u>\$ 59,350</u>	<u>\$ 345,049</u>

IronStraw Farmworker Housing

The Board of Commissioners issued Resolution 2010-02 authorizing the acquisition of the IronStraw Farmworker Housing Project and assuming the existing promissory note of \$602,896, a recoverable grant of \$18,723, the authorizing additional loans of \$300,000, \$34,202, \$23,000 and \$7,738 with the Washington State Department of Commerce Housing Trust Fund. Acquisition occurred on March 26, 2010.

The loan is deferred for the remaining forty-two (42) years under the contract. The final payment shall be due and payable on October 31, 2052. The recoverable grant portion in the amount of \$18,723 will have no expectation or repayment if the terms and conditions of the contract are met through the term of commitment that ends October 31, 2052.

The following is a summary of the long-term liabilities transactions for IronStraw for the year ended December 31, 2017:

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

NOTE 7 – LONG-TERM DEBT - CONTINUED

	Balance at January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Note payable, WA State					
Dept. of Commerce HTF	\$ 967,836	\$ -	\$ -	\$ 967,836	\$ -
Recoverable Grant WA State					
HTF	<u>18,723</u>	<u>-</u>	<u>-</u>	<u>18,723</u>	<u>-</u>
	<u>\$ 986,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 986,559</u>	<u>\$ -</u>

Vista Park Homes

The Board of Commissioners issued Resolution 2016-05 authorizing the acquisition of the Vista Park Homes Farmworker Housing Project and assuming the existing promissory note of \$613,260. Acquisition occurred on December 28, 2017.

The Promissory Note (\$678,260) to CTED (currently known Washington State Dept. of Commerce) Housing Finance Unit (HFU) was issued under the authority of RCW 43.185, RCW 43.185A, and other applicable provisions of the Housing Authority Law. Annual principal payments of \$5,000 will be due and payable each year for fifty years at a 0% interest rate. The CTED (Commerce) note will mature on December 31, 2049 with a balloon payment of \$458,260.

The Promissory Note (\$89,285) to CTED HFU is a lump sum loan at 0% interest which is due and payable on or before December 31, 2049.

The following is a summary of the long-term liabilities transactions for Vista Park for the year ended December 31, 2017:

	Balance at January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Note payable, WA State					
Dept. of Commerce HFU	\$ -	\$ 613,260	\$ -	\$ 613,260	\$ 5,000
Note payable, WA State					
Dept. of Commerce HFU	<u>-</u>	<u>89,285</u>	<u>-</u>	<u>89,285</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 702,545</u>	<u>\$ -</u>	<u>\$ 702,545</u>	<u>\$ 5,000</u>

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

NOTE 7 – LONG-TERM DEBT - CONTINUED

Minimum Payments are due as follows:

	Principal	Interest	Total
2018	\$ 10,000	\$ -	\$ 10,000
2019	5,000	-	5,000
2020	5,000	-	5,000
2021	5,000	-	5,000
2022	5,000	-	5,000
2023-2027	25,000	-	25,000
2028-2032	25,000	-	25,000
2033-2037	25,000	-	25,000
2038-2042	25,000	-	25,000
2043-2047	25,000	-	25,000
2048-2049	547,545	-	547,545
	<u>\$ 702,545</u>	<u>\$ -</u>	<u>\$ 702,545</u>

State and Local

The Housing Authority was advanced funds on a revolving loan fund to assist with future housing development, the balance outstanding was \$14,613 at December 31, 2017.

The Housing Authority borrowed \$180,106 for the purchase of land. Payments of \$217 are due monthly, including interest at 3.5%

The following is a summary of the long-term liabilities transactions for State and Local for the year ended December 31, 2017:

	Balance at January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Loan payable, Office of Rural & Farmworker Housing	\$ 173,306	\$ -	\$ -	\$ 173,306	\$ -
Revolving loan fund, Office of Rural & Farmworker Housing	<u>6,400</u>	<u>8,213</u>	<u>-</u>	<u>14,613</u>	<u>-</u>
	<u>\$ 179,706</u>	<u>\$ 8,213</u>	<u>\$ -</u>	<u>\$ 187,919</u>	<u>\$ -</u>

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

NOTE 7 – LONG-TERM DEBT - CONTINUED

Minimum Payments are due as follows:

	Principal	Interest	Total
2018	\$ -	\$ 2,600	\$ 2,600
2019	-	2,600	2,600
2020	-	2,600	2,600
2021	187,919	2,600	190,519
	<u>\$ 187,919</u>	<u>\$ 10,400</u>	<u>\$ 198,319</u>

North Cascades National Bank – Land Purchase

The HAOC Board of Commissioners approved the acquisition of land for the Pine Meadows Project and authorized a promissory note of \$100,000 with North Cascades National Bank. Acquisition occurred on July 29, 2010. In January 2012, HAOC sold 1.5 parcels of the land to the newly formed non-profit, Pine Meadows Senior Housing for \$76,500. The balance of the NCNB loan was paid off with Okanogan County 2060 Recording Fee Grant. HAOC retains ownership of the remaining 1.5 parcels in its General Fund.

NOTE 8 – TEMPORARILY RESTRICTED NET POSITION

Temporarily restricted net position of \$404,444 of funds received from governmental agencies, which are restricted for providing housing assistance to qualifying individuals and families, administrative, operating, and capital reserves.

NOTE 9 – OPERATING LEASES

HOAC leases office space under a month-to-month agreement. This lease is considered an operating lease for accounting purposes. Lease expense for the year ended December 31, 2017 was \$9,880.

NOTE 10 – PENSION PLANS

The following table represents the total pension amounts for all plans subject to the requirements of GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the fiscal years 2017 and 2016:

Total Pension Amounts - All Plans	2017	2016
Pension liabilities	\$ (127,436)	\$ (150,385)
Pension assets	\$ -	\$ -
Deferred outflows of resources	\$ 41,351	\$ 54,696
Deferred inflows of resources	\$ (20,959)	\$ (2,708)
Pension expense/expenditures	\$ 8,647	\$ 29,194

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

NOTE 10 – PENSION PLANS - CONTINUED

State Sponsored Pension Plans

Substantially all the HAOC's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The Washington State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

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

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

NOTE 10 – PENSION PLANS - CONTINUED

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 and 2016 were as follows:

PERS Plan 1	Actual Contribution Rates	
	Employer	Employee
Jan 1, 2016 to Dec 31, 2017	11.18%	6.00%

The HAOC's contributions to the plan were \$9,204 for the year ended December 31, 2017. Employee contributions to the plan were \$5,157 for the year ended December 31, 2017.

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

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

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

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

NOTE 10 – PENSION PLANS - CONTINUED

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

Contributions

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

PERS Plan 2/3	Actual Contribution Rates		
	Employer 2/3	Employee 2	Employee 3
Sept 1, 2013 to Dec 31, 2017	11.18%	6.12%	variable

The HAOC's contributions to the plan were \$12,928 for the year ended December 31, 2017. Employee contributions to the plan were \$7,243 for the year ended December 31, 2017.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.50%

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

NOTE 10 – PENSION PLANS - CONTINUED

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

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

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 and TRS Plan 1 is valued for legal order payees was improved.
- The average expected remaining service lives calculation was revised. It is used to recognize the changes in pension expense to no longer discount future years of service back to the present day.

Discount Rate

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

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

Long-Term Expected Rate of Return

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

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

NOTE 10 – PENSION PLANS - CONTINUED

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.20 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of NPL

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

Plan	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 79,943	\$ 65,624	\$ 53,221
PERS 2/3	\$ 166,527	\$ 61,812	\$ (23,987)

Pension Plan Fiduciary Net Position

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

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

At December 31, 2017, the HAOC reported a total pension liability of \$127,436 for its proportionate share of the net pension liabilities as follows:

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

NOTE 10 – PENSION PLANS - CONTINUED

Plan	2017	2016
PERS 1 Liability	\$ 65,624	\$ 68,366
PERS 2/3 Liability	\$ 61,812	\$ 82,019
Total Liability	\$ 127,436	\$ 150,385

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

Plan	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.001273%	0.001383%	0.000110%
PERS 2/3	0.001629%	0.001779%	0.000150%

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

The collective net pension liability was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the years ended December 31, 2017 and 2016, the HAOC recognized pension expense as follows:

Plan	2017	2016
PERS 1 Pension Expense	\$ 9,795	\$ 5,858
PERS 2/3 Pension Expense	\$ (1,148)	\$ 23,336
Total Pension Expense	\$ 8,647	\$ 29,194

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

NOTE 10 – PENSION PLANS - CONTINUED

Classification of Deferred Inflow / Deferred Outflow	Deferred Outflows of Resources		Deferred Inflows of Resources	
	PERS 1	PERS 2/3	PERS 1	PERS 2/3
Differences between expected and actual experience	\$ -	\$ 6,263	\$ -	\$ (2,033)
Net difference between projected and actual investment earnings on pension plan investments	-	-	(2,449)	(16,477)
Changes of assumptions	-	657	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	22,088	-	-
Contributions subsequent to the measurement date	4,959	7,384	-	-
TOTAL	\$ 4,959	\$ 36,392	\$ (2,449)	\$ (18,510)

Deferred outflows of resources related to pensions resulting from the HAOC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	PERS 1	PERS 2/3
2018	\$ (1,655)	\$ 5,965
2019	\$ 523	\$ 7,481
2020	\$ (121)	\$ (493)
2021	\$ (1,196)	\$ (5,751)
2022	\$ -	\$ 1,433
Thereafter	\$ -	\$ 1,863

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

NOTE 11 – PARTICIPATION IN HOUSING AUTHORITY RISK RETENTION POOL

HAOC is a member of the Housing Authority Risk Retention Pool (HAARP). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Inter-local Cooperation Act. The pool was formed on March 1, 1987 when public housing authority's (PHA's) in the State of Washington joined together by signing an Inter-local Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Thirty-Two Washington PHA's have joined the pool, along with forty-three PHA's in Oregon, California and Nevada.

The pool allows members to establish a plan of self-insurance, jointly purchase insurance coverage to provide such related services as risk management and loss control. Coverage for public official liability is on a "claims made basis." All other coverage is on an "occurrence" basis. The pool provides the following forms of pool purchased insurance coverage for its members:

The PHA's jointly self-insure the first \$300,000 per occurrence of their general liability, errors & omissions and property exposures and the pool purchase of \$2,700,000 in reinsurance.

The Auto Liability program self-insures the first \$100,000 per claim and the pool purchases excess insurance up to \$1,900,000.

Members make an annual contribution based upon an actuarial study to fund the pool. Members have no individual deductible in the General Liability and Auto Liability programs. In regard to the Errors & Omissions coverage, members carry a deductible of 1/10th of each loss subject to a minimum of \$2,500 and a maximum of \$25,000 for each claim. They may choose a \$1,000, \$2,500, \$5,000, \$10,000 or \$25,000 per occurrence deductible in the Property program. Since the pool is a cooperative effort, any claims falling within HARRP's self-insured retention will be paid from the pooled funds contributed by all the members.

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

NOTE 11 – PARTICIPATION IN HOUSING AUTHORITY RISK RETENTION POOL - CONTINUED

Each new member pays the pool a non-refundable membership fee. This amount covers the member's share of organizational expenses and the cost of analyzing their loss data and risk profile. Members contract to remain in the pool for a minimum of three years, and must give notice 30 days before terminating participation. The Inter-local Governmental Agreement is renewed automatically each year after the initial three year period. The annual premium is calculated to cover all anticipated expenses. Any shortfall will be covered by the pool surplus and reserves; there is no additional assessment feature in the Agreement.

The pool is fully funded by its member participants. Claims are filed by members with HARRP. HARRP maintains a full time staff including an Executive Director, a Risk Manager and employees providing appropriate support.

HARRP is governed by a Board of Directors consisting of representatives from nine member PHA's. Three Directors are elected from among the PHA members of the Association of Washington Housing Authorities; three from PHA members of the Association of Oregon Housing Authorities; and three from PHA members of the Northern California/Nevada Executive Directors Association. The Board meets at least once each quarter to conduct the business affairs of HARRP. Standing committees established by the Board are:

- **Management Committee**
- **Claims/Loss Management Committee**
- **Insurance/Underwriting Committee**
- **Audit Committee**

HAOC has had no insurance settlement within the last three years that exceeded insurance coverage.

NOTE 12 – CONTINGENCIES AND LITIGATION

HAOC participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in request for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Housing Authority management believes that such disallowances, if any, will be immaterial.

Periodically HAOC receives funding from the State of Washington Department of Commerce that is used to purchase and construct land and buildings. The Department of Commerce maintains the right to be reimbursed for this funding if HAOC is in violation of any terms or conditions of the contracts. At year end, HAOC's management is not aware of any violations of Department of Commerce requirements. As of December 31, 2017 these amounts total \$2,776,645.

HAOC's financial statements include all material liabilities. There are no material contingent liabilities to record.

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

NOTE 13 – SUBSEQUENT EVENTS

Meadow Point Multifamily Housing – the Board of Commissioners issued Resolution 2015-3 authorizing the development of multifamily and farmworker low income housing in various cities affected by the fires in Okanogan County. The Housing Authority of Okanogan County (HAOC) signed an agreement with the Office of Rural and Farmworker Housing (ORFH) for assistance in the pre-development and development stages of the first project; which will be Meadow Point Multifamily Housing in Omak, WA. HAOC purchased 4.5 acres of land in Omak at the site of approximately 48 units to be built with Housing Trust and Tax Credit funds. The Housing Authority submitted a funding request during the 2017 funding cycle for a total of three million dollars. HAOC has presented and was granted a Request for Annexation of the property to the City of Omak.

NOTE 14 – CORRECTION OF ERRORS

Management has elected to adjust for an understatement in beginning accumulated depreciation by recording additional depreciation expense in the current period.

Housing Authority of Okanogan County
Schedules of Required Supplementary Information
Last 10 years
December 31, 2017 and 2016 and 2015

The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year and were presented for the years where data was available.

Schedule of Proportionate Share of the Net Pension Liability:

PERS 1	2017	2016	2015
Housing Authority's proportion of the net pension liability (asset)	0.001383%	0.001273%	0.001236%
Housing Authority's proportionate share of the net pension liability (asset)	\$ 65,624	\$ 68,366	\$ 64,654
Housing Authority's covered-employee payroll	-	-	-
Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	61.24%	57.03%	59.10%
PERS 2/3	2017	2016	2015
Housing Authority's proportion of the net pension liability (asset)	0.001779%	0.001629%	0.001597%
Housing Authority's proportionate share of the net pension liability (asset)	\$ 61,812	\$ 82,019	\$ 32,281
Housing Authority's covered-employee payroll	\$ 185,618	\$ 166,294	\$ 150,359
Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.30%	49.32%	21.47%
Plan fiduciary net position as a percentage of the total pension liability	90.97%	85.82%	89.20%

Housing Authority of Okanogan County
Schedules of Required Supplementary Information
Last 10 years
December 31, 2017 and 2016 and 2015

Schedule of Employer Contributions:

PERS 1	2017	2016	2015
Contractually required contribution	\$ 9,204	\$ 7,932	\$ 6,595
Contributions in relation to the contractually required contribution	<u>9,204</u>	<u>7,932</u>	<u>6,595</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Housing Authority's covered-employee payroll	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A

PERS 2/3	2017	2016	2015
Contractually required contribution	\$ 12,928	\$ 10,360	\$ 8,767
Contributions in relation to the contractually required contribution	<u>12,928</u>	<u>10,360</u>	<u>8,767</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Housing Authority's covered-employee payroll	\$ 185,618	\$ 166,294	\$ 150,359
Contributions as a percentage of covered-employee payroll	6.96%	5.27%	5.83%

Notes to Required Supplementary Information:

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

Change of assumptions: There were no changes in the assumptions for the Pension Plans.

Housing Authority of Okanogan 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			Note
				From Pass- Through Awards	From Direct Awards	Total	
Rural Housing Service, Department of Agriculture	Rural Rental Housing Loans	10.415	56-024-91 169473-010	-	169,578	169,578	- 1,2,3
Rural Housing Service, Department of Agriculture	Rural Rental Housing Loans	10.415	Interest subsidy	-	6,649	6,649	- 1,2,3
			Total CFDA 10.415:	-	176,227	176,227	-
Rural Housing Service, Department of Agriculture	Rural Rental Assistance Payments	10.427	56-024-91169473-010	-	84,885	84,885	
Office Of Community Planning and Development, Dept of Housing And Urban Development (via WA State Dept of Commerce)	Home Investment Partnerships Program	14.239	15-42401-111 A-B	165,146	-	165,146	- 1,2,3
Office Of Community Planning and Development, Dept of Housing And Urban Development (via WA State Dept of Commerce)	Home Investment Partnerships Program	14.239	15-42401-118 A&B	-	-	-	- 1,2,3
			Total CFDA 14.239:	165,146	-	165,146	-
Housing Voucher Cluster							
Office Of Public and Indian Housing, Dept of Housing and Urban Development	Section 8 Housing Choice Vouchers	14.871	WA071DV0104	-	1,067,329	1,067,329	- 1,2,3
Office Of Public and Indian Housing, Dept of Housing and Urban Development	Mainstream Vouchers	14.879	WA071DV0104	-	398,854	398,854	- 1,2,3
			Total Housing Voucher Cluster:	-	1,466,183	1,466,183	-
			Total Federal Awards Expended:	165,146	1,727,295	1,892,441	-

The accompanying notes are an integral part of this schedule.

Housing Authority of Okanogan County
Notes to Schedule of Expenditures of Federal Awards
For the year ended December 31, 2017

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as HAOC's financial statements. HAOC conforms to generally accepted accounting principles.

NOTE 2 – PROGRAM COSTS

The amounts shown as federal expenditures for the Housing Choice Voucher Program (CFDA 14.871) represents grant portions of the program costs. Entire program costs, including HAOC's portion totaled \$1,055,452 and \$1,015,794, for the years ending December 31, 2017 and 2016, respectively.

The amounts shown as federal expenditures for the Supportive Housing for Persons with Disabilities (5-Year Main Stream) Program (CFDA 14.879) represents grant portions of the program costs. Entire program costs, including HAOC's portion, totaled \$400,492 and \$388,501, for the years ending December 31, 2017 and 2016, respectively.

Amounts shown as federal expenditures for the Washington State (Department of Commerce) HOME Tenant Based Rental Assistance (TBRA) Program (CFDA 14.239) represent grant portions of the program costs. Entire program costs, including HAOC's portion, totaled \$188,464 and \$183,603, for the years ending December 31, 2017 and 2016, respectively.

The amounts shown as federal expenditures for the USDA Rural Development under the Federal Awards represents grant portions of the program costs for the Twisp Gardens Apartments (CFDA 10.415 and 10.427). Included are outstanding loan balance at year-end, annual interest subsidy per USDA RD loan agreement, and rental assistance payments. Entire program costs, including HAOC's portion, totaled \$148,617 and \$140,012, for the years ending December 31, 2017 and 2016, respectively. The balance outstanding on the loan at December 31, 2017 and 2016 was \$169,578 and \$170,845, respectively.

NOTE 3 – DE MINIMIS COST RATE

The HAOC has elected not to use the de minimis cost rate.

Housing Authority of Okanogan County

Financial Data Schedules

December 31, 2017

Line Item #	Account Description	Housing Choice Voucher 14,871	Supportive Housing Mainstream 14,879	TBRA HUD Passthru State 14,239	USDA Twisp Gardens Rural Rental Housing 10,415/10,427	Total State and Local 14,850	Subtotal	Eliminating Entries	Total
		\$ 15,571	\$ 18,605	\$ (64,729)	\$ 8,118	\$ 188,875	\$ 166,440	\$ -	\$ 166,440
111	Cash - Unrestricted	-	-	-	-	-	-	-	-
112	Cash - restricted - modernization and development	-	-	-	-	-	-	-	-
113	Cash - other restricted	-	-	-	70,416	144,907	215,323	-	215,323
114	Cash - tenant security deposits	-	-	-	6,719	29,692	36,411	-	36,411
115	Cash - restricted for payment of current liabilities	-	-	-	-	-	-	-	-
100	Total cash	15,571	18,605	(64,729)	85,253	363,474	418,174	-	418,174
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-	-
122	Accounts receivable - HUD other projects	892	-	-	-	-	892	-	892
124	Accounts receivable - other government	1,386	-	62,279	-	16,042	79,707	-	79,707
125	Accounts receivable - miscellaneous	-	-	-	-	44,382	44,382	-	44,382
126	Accounts receivable - tenants - dwelling rents	-	-	-	175	854	1,029	-	1,029
126.1	Allowance for doubtful accounts - dwelling rents	-	-	-	-	-	-	-	-
126.2	Allowance for doubtful accounts - other	-	-	-	-	-	-	-	-
127	Notes, loans and mortgages receivable - current	-	-	-	-	-	-	-	-
128	Fraud recovery	5,266	805	1,770	-	-	7,841	-	7,841
128.1	Allowance for doubtful accounts - fraud recovery	(4,245)	-	-	-	-	(4,245)	-	(4,245)
129	Accrued interest receivable	-	-	-	-	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	3,299	805	64,049	175	61,278	129,606	-	129,606
131	Investments - unrestricted	-	-	-	-	-	-	-	-
132	Investments - restricted	-	-	-	-	144,739	144,739	-	144,739
135	Investments - restricted for payment of current liability	-	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	-	-	-	-	2,563	2,563	-	2,563
143	Inventories	-	-	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	-
144	Inter program due from	-	-	-	-	-	-	-	-
145	Assets held for sale	-	-	-	-	-	-	-	-
150	Total current assets	18,870	19,410	(680)	85,428	572,054	695,082	-	695,082

Housing Authority of Okanogan County

Financial Data Schedules

December 31, 2017

Line Item #	Account Description	Housing Choice Voucher	Supportive Housing	TBRA		USDA		Total State and Local	Subtotal	Eliminating Entries	Total
				HUD	State	Twisp Gardens Rural Rental Housing	10.415/10.427				
161	Land	\$ 14,871	\$ 14,879	\$ 14,239	\$ 10,415/10.427	\$ 62,000	\$ 383,089	\$ 445,089	\$ 445,089	\$ -	\$ 445,089
162	Buildings	-	-	-	-	401,800	1,773,354	2,175,154	2,175,154	-	2,175,154
163	Furniture, equipment & machinery - dwellings	-	-	-	-	16,448	31,118	47,566	47,566	-	47,566
164	Furniture, equipment & machinery - administration	13,564	-	-	-	-	-	13,564	13,564	-	13,564
165	Leasehold improvements	-	-	-	-	592,741	394,034	986,775	986,775	-	986,775
166	Accumulated depreciation	(13,564)	-	-	-	(496,187)	(977,345)	(1,487,096)	(1,487,096)	-	(1,487,096)
167	Construction in progress	-	-	-	-	-	10,736	10,736	10,736	-	10,736
168	Infrastructure	-	-	-	-	-	410,231	410,231	410,231	-	410,231
160	Total capital assets, net of accumulated depreciation	-	-	-	-	576,802	2,025,217	2,602,019	2,602,019	-	2,602,019
171	Notes, loans and mortgages receivable - non-current	-	-	-	-	-	-	-	-	-	-
172	Notes, loans and mortgages receivable - non-current - past due	-	-	-	-	-	-	-	-	-	-
173	Grants receivable - non-current	-	-	-	-	-	-	-	-	-	-
174	Other assets	-	-	-	-	-	-	-	-	-	-
176	Investments in joint ventures	-	-	-	-	-	-	-	-	-	-
180	Total non-current assets	-	-	-	-	576,802	2,025,217	2,602,019	2,602,019	-	2,602,019
200	Deferred outflow of resources	8,109	3,899	1,521	398	-	27,423	41,350	41,350	-	41,350
290	Total assets and deferred outflow of resources	\$ 26,979	\$ 23,309	\$ 841	\$ 662,628	\$ -	\$ 2,624,694	\$ 3,338,451	\$ 3,338,451	\$ -	\$ 3,338,451

Housing Authority of Okanogan County
Financial Data Schedules
December 31, 2017

Line Item #	Account Description	Housing Choice Voucher	Supportive Housing Mainstream	TBRA HUD Pass thru State	USDA Twisp Gardens Rural Rental Housing	Total State and Local	Subtotal	Eliminating Entries	Total
		\$	\$	\$	\$	\$	\$	\$	\$
311	Bank Overdraft	14,871	14,879	14,239	10,415/10,427	14,850	-	-	-
312	Accounts payable less than 90 days	1,438	423	238	3,444	15,462	21,005	-	21,005
313	Accounts payable greater than 90 days	-	-	-	-	-	-	-	-
321	Accrued wages / payroll taxes payable	-	-	-	63	7,042	7,105	-	7,105
322	Accrued compensated absences - current portion	7,822	3,380	1,193	-	6,405	18,800	-	18,800
324	Accrued contingency liability	-	-	-	-	-	-	-	-
325	Accrued interest payable	-	-	-	-	-	-	-	-
331	Accounts payable - HUD PHA programs	-	-	-	-	-	-	-	-
332	Accounts payable - PHA projects	-	-	-	-	-	-	-	-
333	Accounts payable - other government	-	-	-	-	-	-	-	-
341	Tenant security deposits	-	-	-	7,216	27,988	35,204	-	35,204
342	Unearned revenue	10,003	8,048	-	109	4,188	22,348	-	22,348
343	Current portion of long-term debt - capital projects/mortgage revenue bonds	-	-	-	5,190	24,844	30,034	-	30,034
344	Current portion of long-term debt - operating borrowings	-	-	-	-	-	-	-	-
345	Other current liabilities	-	-	-	-	-	-	-	-
346	Accrued liabilities - other	-	-	-	-	-	-	-	-
347	Inter program - due to	-	-	-	-	-	-	-	-
348	Loan liability - current	-	-	-	-	-	-	-	-
310	Total current liabilities	19,263	11,851	1,431	16,022	85,929	134,496	-	134,496

Housing Authority of Okanogan County
Financial Data Schedules
December 31, 2017

Line Item #	Account Description	Housing Choice Voucher 14,871	Supportive Housing Mainstream 14,879	TBRA HUD Pass thru State 14,239	USDA Twisp Gardens Rural Rental Housing 10,415/10,427	Total State and Local 14,850	Subtotal	Eliminating Entries	Total
351	Long-term debt, net of current - capital projects/mortgage revenue bonds	\$ -	\$ -	\$ -	\$ 748,307	\$ 2,560,512	\$ 3,308,819	\$ -	\$ 3,308,819
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-	-	-	-
353	Non-current liabilities - other	-	-	-	-	-	-	-	-
354	Accrued compensated absences - non-current	8,052	3,431	1,197	-	6,427	19,107	-	19,107
355	Loan liability - non-current	-	-	-	-	-	-	-	-
356	FASB 5 liabilities	-	-	-	-	-	-	-	-
357	Accrued pension and OPEB liabilities	41,694	20,050	7,822	2,046	55,824	127,436	-	127,436
350	Total non-current liabilities	49,746	23,481	9,019	750,353	2,622,763	3,455,362	-	3,455,362
300	Total liabilities	69,009	35,332	10,450	766,375	2,708,692	3,589,858	-	3,589,858
400	Deferred inflow of resources	6,630	3,188	1,244	325	9,572	20,959	-	20,959
508.1	Invested in capital assets, net of related debt	-	-	-	(176,694)	(560,139)	(736,833)	-	(736,833)
509.2	Net position reserved	-	-	-	-	-	-	-	-
511.2	Unreserved, designated net position	-	-	-	-	-	-	-	-
511.1	Restricted net position	-	-	-	70,416	334,028	404,444	-	404,444
512.1	Unrestricted net position	(48,660)	(15,211)	(10,853)	2,206	132,541	60,023	-	60,023
512.2	Unreserved, undesignated net position	-	-	-	-	-	-	-	-
513	Total equity/net position	(48,660)	(15,211)	(10,853)	(104,072)	(93,570)	(272,366)	-	(272,366)
600	Total liabilities, def'd inflow of resources, net position	\$ 26,979	\$ 23,309	\$ 841	\$ 662,628	\$ 2,624,694	\$ 3,338,451	\$ -	\$ 3,338,451

Housing Authority of Okanogan County
Financial Data Schedules
December 31, 2017

Line Item #	Account Description	Housing Choice Voucher	Supportive Housing Mainstream	TBRA HUD Pass thru State	USDA Twisp Gardens Rural Rental Housing	Total State and Local	Subtotal	Eliminating Entries	Total
70300	Net tenant rental revenue	\$ -	\$ -	\$ -	\$ 118,668	\$ 185,365	\$ 304,033	\$ (114,075)	\$ 189,958
70400	Tenant revenue - other	-	-	-	695	2,733	3,428	-	3,428
70500	Total tenant revenue	-	-	-	119,363	188,098	307,461	(114,075)	193,386
70600	HUD PHA operating grants	1,052,364	398,854	15,857	-	-	1,467,075	-	1,467,075
70610	Capital grants	-	-	-	-	-	-	-	-
70710	Management fee	-	-	-	-	-	-	-	-
70720	Asset management fee	-	-	-	-	-	-	-	-
70730	Bookkeeping fee	-	-	-	-	-	-	-	-
70740	Front line service fee	-	-	-	-	-	-	-	-
70750	Other fees	-	-	-	-	-	-	-	-
70700	Total fee revenue	-	-	-	-	-	-	-	-
70800	Other government grants	-	-	165,146	6,649	47,325	219,120	-	219,120
71100	Investment income - unrestricted	-	-	-	5	10	15	-	15
71200	Mortgage interest income	-	-	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-	-
71310	Cost of sale of assets	-	-	-	-	-	-	-	-
71400	Fraud recovery	3,559	902	4,290	-	-	8,751	-	8,751
71500	Other revenue	-	-	-	-	80,782	80,782	(47,655)	33,127
71600	Gain or loss on sale of capital assets	-	-	-	-	-	-	-	-
72000	Investment income - restricted	-	-	-	46	290	336	-	336
70000	Total revenue	\$ 1,055,923	\$ 399,756	\$ 185,293	\$ 126,063	\$ 316,505	\$ 2,083,540	\$ (161,730)	\$ 1,921,810

Housing Authority of Okanogan County

Financial Data Schedules

December 31, 2017

Line Item #	Account Description	TBRA				USDA		Total State and Local	Subtotal	Eliminating Entries	Total
		Housing Choice Voucher	Supportive Housing Mainstream	HUD Passthru State		Twisp Gardens Rural Rental Housing					
		14,871	14,879	14,239		10,415/10,427		14,850			
91100	Administrative salaries	\$ 59,199	\$ 28,361	\$ 10,690	\$ 3,747		\$ 73,217	\$ 175,214	\$ -	\$ -	\$ 175,214
91200	Auditing fees	16,026	7,231	2,197	1,447		2,322	29,223	-	-	29,223
91300	Management fee	107	44	9	18,636		28,859	47,655	(47,655)	-	-
91310	Bookkeeping fee	-	-	-	-		-	-	-	-	-
91400	Advertising and marketing	490	200	40	301		992	2,023	-	-	2,023
91500	Employee benefit contributions - administrative	3,652	2,472	4,157	2,326		26,085	38,692	-	-	38,692
91600	Office expenses	19,624	8,225	1,832	2,440		10,003	42,124	-	-	42,124
91700	Legal expense	250	100	200	-		58	608	-	-	608
91800	Travel	1,923	334	290	1,336		1,580	5,463	-	-	5,463
91810	Allocated overhead	-	-	-	-		-	-	-	-	-
91900	Other	8,481	3,312	799	1,323		6,405	20,320	-	-	20,320
91000	Total operating - administrative	109,752	50,279	20,214	31,556		149,521	361,322	(47,655)	-	313,667
92000	Asset management fee	-	-	-	-		-	-	-	-	-
92100	Tenant services - salaries	-	-	-	7,200		-	7,200	-	-	7,200
92200	Relocation costs	-	-	-	-		-	-	-	-	-
92300	Employee benefit contributions - tenant services	-	-	-	-		-	-	-	-	-
92400	Tenant services - other	-	-	-	320		-	320	-	-	320
92500	Total tenant services	-	-	-	7,520		-	7,520	-	-	7,520

Housing Authority of Okanogan County

Financial Data Schedules

December 31, 2017

Line Item #	Account Description	Housing Choice Voucher	Supportive Housing	TBRA		USDA		Total State and Local	Subtotal	Eliminating Entries	Total
				HUD	State	Twisp Gardens Rural Rental Housing	10.415/10.427				
		14,871	14,879	\$	14,239	\$	11,311	\$	28,035	\$	\$
93100	Water	-	-	-	-	-	-	16,724	28,035	-	28,035
93200	Electricity	-	-	-	-	1,898	-	7,129	9,027	-	9,027
93300	Gas	-	-	-	-	-	-	-	-	-	-
93400	Fuel	-	-	-	-	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-	-	-	-	-
93600	Sewer	-	-	-	-	12,370	-	13,632	26,002	-	26,002
93700	Employee benefit contributions - utilities	-	-	-	-	-	-	-	-	-	-
93800	Other utilities expense	-	-	-	-	3,674	-	13,912	17,586	-	17,586
93000	Total utilities	-	-	-	-	29,253	-	51,397	80,650	-	80,650
94100	Ordinary maintenance and operations - labor	-	-	-	-	8,526	-	22,200	30,726	-	30,726
94200	Ordinary maintenance and operations - materials	-	-	-	-	8,996	-	26,408	35,404	-	35,404
94300	Ordinary maintenance and operations contracts	-	-	-	-	6,456	-	23,164	29,620	-	29,620
94500	Employee benefit contributions - ordinary maintenance	-	-	-	-	-	-	-	-	-	-
94000	Total maintenance	-	-	-	-	23,978	-	71,772	95,750	-	95,750
95100	Protective services - labor	-	-	-	-	-	-	-	-	-	-
95200	Protective services - other contract costs	-	-	-	-	-	-	-	-	-	-
95300	Protective services - other	-	-	-	-	-	-	-	-	-	-
95500	Employee benefit contributions - protective services	-	-	-	-	-	-	-	-	-	-
95000	Total protective services	-	-	-	-	-	-	-	-	-	-
96110	Property insurance	-	-	-	-	1,905	-	3,141	5,046	-	5,046
96120	Liability insurance	1,036	431	-	103	382	-	1,376	3,328	-	3,328
96130	Workmen's compensation	-	-	-	-	-	-	-	-	-	-
96140	All other insurance	-	-	-	-	-	-	685	685	-	685
96100	Total insurance premiums	1,036	431	-	103	2,287	-	5,202	9,059	-	9,059

Housing Authority of Okanogan County

Financial Data Schedules

December 31, 2017

Line Item #	Account Description	TBRA					USDA		Total State and Local	Subtotal	Eliminating Entries	Total
		Housing Choice Voucher	Supportive Housing Mainstream	HUD Passthru State	Twisp Gardens Rural Rental Housing	Total State and Local						
		\$ 1,403	\$ -	\$ -	\$ -	\$ -			\$ -	\$ 1,403	\$ -	\$ 1,403
96200	Other general expenses											
96210	Compensated absences	-	-	-	-	-			-	-	-	-
96300	Payments in lieu of taxes	-	-	-	-	-			-	-	-	-
96400	Bad debt - tenant rents	134	-	-	-	-			-	134	-	134
96500	Bad debt - mortgages	-	-	-	-	-			-	-	-	-
96600	Bad debt - other	-	-	-	-	-			-	-	-	-
96800	Severance expense	-	-	-	-	-			-	-	-	-
96000	Total other general expenses	1,537	-	-	-	-			-	1,537	-	1,537
96710	Interest of mortgage (or bonds) payable	-	-	-	11,188	18,921			-	30,109	-	30,109
96720	Interest on notes payable (short and long-term)	-	-	-	-	-			-	-	-	-
96730	Amortization of bond issue costs	-	-	-	-	-			-	-	-	-
96700	Total interest expense and amortization cost	-	-	-	11,188	18,921			-	30,109	-	30,109
96900	Total operating expenses	112,325	50,710	20,317	105,782	296,813			-	585,947	(47,655)	538,292
97000	Excess of operating revenue over operating expenses	943,598	349,046	164,976	20,281	19,692			-	1,497,593	(114,075)	1,383,518
97100	Extraordinary maintenance	-	-	-	-	-			-	-	-	-
97200	Casualty losses - non-capitalized	-	-	-	-	-			-	-	-	-
97300	Housing assistance payments	846,590	349,782	168,147	-	-			-	1,364,519	(114,075)	1,250,444
97350	HAP portability-in	96,537	-	-	-	-			-	96,537	-	96,537
97400	Depreciation expense	-	-	-	42,835	128,789			-	171,624	-	171,624
97500	Fraud losses	-	-	-	-	-			-	-	-	-
97600	Capital outlays - governmental funds	-	-	-	-	-			-	-	-	-
97700	Debt principal payment - governmental funds	-	-	-	-	-			-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-			-	-	-	-
90000	Total expenses	1,055,452	400,492	188,464	148,617	425,602			-	2,218,627	(161,730)	2,056,897

Housing Authority of Okanogan County
Financial Data Schedules
December 31, 2017

Line Item #	Account Description	Housing Choice Voucher	Supportive Housing		TBRA HUD		USDA Twisp Gardens Rural Rental Housing		Total State and Local	Eliminating		Total
		14,871	14,879	14,239	10,415/10,427	14,850	Subtotal	Entries		Subtotal	Entries	
10010	Operating transfer in	\$ -	\$ -	\$ -	\$ -	\$ 530	\$ 530	\$ -	\$ -	\$ 530	\$ -	\$ 530
10020	Operating transfer out	-	-	(530)	-	-	(530)	-	-	(530)	-	(530)
10030	Operating transfers from/to primary government	-	-	-	-	-	-	-	-	-	-	-
10040	Operating transfers from/to component unit	-	-	-	-	-	-	-	-	-	-	-
10050	Proceeds from notes, loan 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 program and project - out	-	-	-	-	-	-	-	-	-	-	-
10100	Total other financing sources (uses)	-	-	(530)	-	530	-	-	-	-	-	-
10000	Excess (deficiency) of total revenue over (under) total expense	\$ 471	\$ (736)	\$ (3,701)	\$ (22,554)	\$ (108,567)	\$ (135,087)	\$ -	\$ -	\$ (135,087)	\$ -	\$ (135,087)

Housing Authority of Okanogan County

Financial Data Schedules

December 31, 2017

Line Item #	Account Description	Housing Choice Voucher		Supportive Housing Mainstream		TBRA HUD Passthu State		USDA Twisp Gardens Rural Rental Housing		Total State and Local 14,850	Subtotal	Eliminating Entries	Total
		\$	14,871	\$	14,879	\$	14,239	\$	10,415/10,427	\$	\$	\$	\$
11020	Required annual debt principal payments												
11030	Beginning equity		(47,931)		(14,475)		(7,150)		(81,521)	14,999	(136,078)	-	(136,078)
11040	Prior period adjustment, equity transfers and corrections		(1,201)		-		-		-	-	(1,201)	-	(1,201)
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		(42,374)		-		-		-	-	(42,374)	-	(42,374)
11180	Housing assistance payments equity		(6,286)		-		-		-	-	(6,286)	-	(6,286)
11190	Unit months available		1,980		900		336		192	348	3,756	-	3,756
11210	Number of unit months leased		1,885		873		291		192	344	3,585	-	3,585
11270	Excess cash		-		-		-		-	-	-	-	-
11610	Land purchases		-		-		-		-	-	-	-	-
11620	Building purchases		-		-		-		-	-	-	-	-
11630	Furniture and equipment - dwelling purchases		-		-		-		-	-	-	-	-
11640	Furniture and equipment - administrative purchases		-		-		-		-	-	-	-	-
11650	Leasehold improvements purchases		-		-		-		-	-	-	-	-
11660	Infrastructure purchases		-		-		-		-	-	-	-	-
13510	CFFP debt service payments		-		-		-		-	-	-	-	-
13901	Replacement housing factor funds		-		-		-		-	-	-	-	-

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.

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