



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Walla Walla Housing Authority

Walla Walla County

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

Published July 9, 2018

Report No. 1021703





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

July 9, 2018

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

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Walla Walla Housing Authority 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 financial statements of the business-type activities and the aggregate discretely presented component units in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs:

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.871	Section 8 Housing Choice Vouchers - Housing Vouchers Cluster

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.

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the City of Walla Walla Housing Authority, Walla Walla County, Washington, as of and for the year ended December 31, 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 July 3, 2018. Our report includes a reference to other auditors who audited the financial statements of the Emerald Family Properties LLLP, Galbraith Gardens LLC, Lariat Housing LLLP, Marcus Whitman Homes LP, Rosehaven Cottages LP, Senior Housing Properties LLLP, Walla Walla Family Homes LLC and Walla Walla Family Homes Two LLC, described in our audit report on the Housing Authority's financial statements. This report includes our consideration of the results of the other auditor's testing of internal controls over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy

State Auditor

Olympia, WA

July 3, 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**

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

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

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

We have audited the compliance of the City of Walla Walla Housing Authority, Walla Walla County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) 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 that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy

State Auditor

Olympia, WA

July 3, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Walla Walla Housing Authority Walla Walla County January 1, 2017 through December 31, 2017

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the City of Walla Walla Housing Authority, Walla Walla County, Washington, as of and for the year ended December 31, 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the Emerald Family Properties LLLP, which represent 23 percent, 0 percent and 23 percent, Lariat Housing LLLP, which represent 12 percent, 8 percent and 12 percent, Marcus Whitman Homes LP, which represent 4 percent, 5 percent and 11 percent, Rosehaven Cottages LP, which represent 3 percent, 5 percent and 6 percent, Galbraith Gardens LLC, which represent 6 percent, 0 percent and 9 percent, Walla Walla Family Homes LLC, which represent 13 percent, 29 percent and 13 percent, Walla Walla Family Homes Two LLC, which represent 19 percent, 50 percent and 16 percent, Senior Housing Properties LLLP, which represent 18 percent, 1 percent and 11 percent, respectively, of the assets, net position and revenues of the

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 16 be presented to supplement the basic financial statements. Such information, although not a part

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 form 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 July 3, 2018 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

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

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

Pat McCarthy

State Auditor

Olympia, WA

July 3, 2018

FINANCIAL SECTION

**City of Walla Walla Housing Authority
Walla Walla 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 Net Pension Liability – PERS 1, 2 and 3 – 2017

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2017

Notes to the Schedule of Expenditures of Federal Awards – 2017

Entity Wide Balance Sheet Summary (Financial Data Schedule) – 2017

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

Overview of the Housing Authority and Financial Statements

The Housing Authority of the City of Walla Walla (the Authority) was established in 1973 by the City of Walla Walla, Washington. The Authority owns and operates multiple Affordable Housing and Market properties, a Homeless Veterans Program (CORD), a Tenant Based Rental Assistance (TBRA) program and administers Housing Choice Voucher (HCV) and Veterans Affairs Supportive Housing (HUD-VASH) programs, which altogether, are identified as Primary Government. Blended Component Units include also the Washington School Homes Planned Unit Development Property Owners Association and the Walla Walla Housing Foundation.

The discretely presented Component Units consist of five partnerships and three limited liability corporations for which the Authority is the managing partner/member. The properties are eligible for low-income housing tax credits.

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

The Authority is proud to present its basic financial statements for the fiscal year ended December 31, 2017, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP requires the inclusion of three basic financial statements: The Statement of Net Position (balance sheet); the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. In addition, GAAP requires the inclusion of a Management's Discussion and Analysis (MD&A) section as required supplementary information.

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

Financial Analysis

Statement of Net Position

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

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

Total assets of the Primary Government at December 31, 2017 are \$23,181,078. Current assets are comprised of several categories. Cash and cash equivalents include the cash and investments maturing within 90 days. Accounts receivable include tenant receivables, receivables from other governments and receivables from component units. Prepaid expenses and inventory are also assets of the Authority. Non-current assets include capitalized costs, mortgages receivable, certain investments held for operating and replacement reserves and capital assets. Capital assets include land, buildings, construction in progress, equipment and accumulated depreciation of those assets. Additionally, assets are inclusive of \$151,956 of deferred outflows of resources related to GASB 68.

Total liabilities of the Primary Government are \$8,710,957 at December 31, 2017. Liabilities are also presented in current and non-current portions. Current liabilities include accounts payable, other accrued liabilities, unearned revenue, retainage payable and current portions of long-term debt. A liability is considered to be current if it is due within one year. Long-term liabilities consist of notes and mortgages payable over a period of years. Similarly to assets, liabilities include deferred inflows of resources in the amount of \$174,545 related to GASB 68.

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

Statement of Revenues, Expenses and Changes in Net Position

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

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended December 31, 2017.

Condensed Comparative Financial Information for Primary Government

<u>STATEMENT OF NET POSITION</u>	<u>2017</u>	<u>2016</u>	<u>Variance</u>	<u>% Change</u>
<u>ASSETS</u>				
Cash & Cash Equivalents	4,136,390	4,498,838	(362,448)	-8.06%
Accounts Receivable	2,700,579	1,065,024	1,635,555	153.57%
Investments	285,579	285,332	247	0.09%
Other Current Assets	139,002	153,253	(14,251)	-9.30%
TOTAL CURRENT ASSETS	7,261,550	6,002,447	1,259,103	20.98%
Capital Assets	8,073,218	8,029,102	44,116	0.55%
Other Non-Current Assets	7,696,354	7,368,564	327,790	4.45%
TOTAL NON-CURRENT ASSETS	15,769,572	15,397,666	371,906	2.42%
Deferred Outflows Related to Pensions	151,956	243,834	(91,878)	-37.68%
TOTAL ASSETS & DEFERRED OUTFLOWS	23,183,078	21,643,947	1,539,131	7.11%
<u>LIABILITIES & NET POSITION</u>				
Accounts Payable	69,737	51,783	17,954	34.67%
Other Current Liabilities	270,624	515,389	(244,765)	-47.49%
Current Portion - Long Term Debt	193,636	187,832	5,804	3.09%
Net Pension Liability	999,464	1,291,616	(292,152)	-22.62%
TOTAL CURRENT LIABILITIES	1,533,461	2,046,620	(513,159)	-25.07%
Long Term Debt - Commercial	7,002,951	6,925,723	77,228	1.12%
TOTAL NON-CURRENT LIABILITIES	7,002,951	6,925,723	77,228	1.12%
Deferred Inflows - Pensions/HUD	174,545	429,370	(254,825)	-59.35%
TOTAL LIABILITIES & DEFERRED INFLOWS	8,710,957	9,401,713	(690,756)	-7.35%
<u>NET POSITION</u>				
Unrestricted	12,470,737	9,934,626	2,536,111	25.53%
Restricted	1,051,968	1,321,961	(269,993)	-20.42%
Invested in Capital	949,416	985,647	(36,231)	-3.68%
TOTAL NET POSITION	14,472,121	12,242,234	2,229,887	18.21%
TOTAL NET POSITION	14,472,121	12,242,234	2,229,887	18.21%
TOTAL LIABILITIES & NET POSITION	23,183,078	21,643,947	1,539,131	7.11%

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

	2017	2016	Variance	% Change
<u>REVENUES</u>				
Tenant Income	738,869	1,049,798	(310,929)	-29.62%
Other Income	3,302,458	1,378,228	1,924,230	139.62%
TOTAL OPERATING REVENUE	4,041,327	2,428,026	1,613,301	66.44%
Operating Subsidies & Other Grants	6,639,614	6,563,895	75,719	1.15%
Other Non-Operating Revenue	(5,797)	6,065,942	(6,071,739)	-100.10%
TOTAL NON-OPERATING REVENUE	6,633,817	12,629,837	(5,996,020)	-47.48%
GROSS REVENUE	10,675,144	15,057,863	(4,382,719)	-29.11%
<u>EXPENSES</u>				
Payroll & Related Expenses	1,664,699	1,629,976	34,723	2.13%
Other Rental Operations Expenses	1,419,174	1,764,645	(345,471)	-19.58%
TOTAL OPERATING EXPENSES	3,083,873	3,394,621	(310,748)	-9.15%
Payments from Operating Subsidies	5,188,788	4,774,926	413,862	8.67%
Other Non-Operating Expenses	173,633	177,417	(3,784)	-2.13%
TOTAL NON-OPERATING EXPENSES	5,362,421	4,952,343	410,078	8.28%
TOTAL EXPENSES	8,446,294	8,346,964	99,330	1.19%
NET INCOME	2,228,850	6,710,899	(4,482,049)	-66.79%
Capital Grant Revenue	-	-	-	0.00%
TOTAL CAPITAL CONTRIBUTIONS	-	-	-	0.00%
CHANGE IN NET POSITION	2,228,850	6,710,899	(4,482,049)	-66.79%
Prior Period Adjustments	-	-	-	0.00%
Equity Transfers	1,037	(255)	1,292	-506.67%
Net Position at January 1	12,242,234	5,531,590	6,710,644	121.31%
NET POSITION AT DECEMBER 31	14,472,121	12,242,234	2,229,887	18.21%

Overall Financial Position and Results of Operations

The Authority's financial position is sound; the fundamental activities of housing and voucher administration performed routinely although with necessary adjustments to average voucher expense and case worker staffing.

Financial Highlights Primary Government

- 1) The Housing Choice Voucher (HCV) and Veterans Affairs Supportive Housing (VASH) programs expended \$380,052 less than was received for current year vouchers. HCV and VASH were budgeted for a gain of \$144,929 in 2017 with a pro-ration of 80%. Staffing shortages throughout the year decreased the overall administrative payroll by \$15,600. General Administrative expenses were under budget by \$13,100, Maintenance expenses were under budget \$2,780 whereas Insurance expenses were \$3,430 under budget. Administrative support pro-rations for the HCV and VASH programs came in lower than budgeted at roughly 77.58% generating an increase to Unrestricted Net Position of \$184,527 at year-end. Considering these factors, total Net Position increased by \$564,580 for the year.
- 2) The Walla Walla Housing Authority purchased the property located at 1627 Evergreen in Walla Walla. The purchase amount was \$299,000 with \$259,000 financed through a loan from the Washington State Housing Finance Commission's Land Acquisition Program that compounds 1% quarterly and matures December 31, 2025.

Capital Asset and Debt Administration

Emerald Family Properties LLLP drew \$4,365,051 of construction loan funds, \$242,696 of seller financing in 2017 to pay for general construction and acquisition costs. The project was an occupied-rehab and was 100% leased to qualified tenants at year-end. Construction was completed in November 2017, with conversion to permanent financing completed in 2018.

WWHA-Senior Housing Properties LLLP drew \$4,770,691 of construction loan funds, \$123,414 of seller financing, \$452,137 of Housing Trust and HOME funds in 2017 to pay for general construction and acquisition costs. The Housing Trust and HOME funds included \$1,134,646 in assumed loans. The Linden project was an unoccupied-rehab and was 48% leased to qualified tenants at year-end (100% occupied by January 31, 2018), with a tax-credit start date of January 2018. Construction was completed and the property was certified for occupancy in December 2017, with conversion to permanent financing completed in 2018.

The Washington School Apartments renovation project drew \$715,357 of construction loan funds in 2017 to pay for general construction costs. The Creekside Cottages renovation project drew \$857,070 of construction loan funds in 2017 to pay for

architectural and general construction costs. These projects were completed in October 2017.

Economic Factors Affecting the Authority's Future

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

The Authority is also challenged in its core activity of administering HUD-funded vouchers. HUD provides both Housing Assistance Payments (HAP) and Administrative Fees. Appropriations for administrative funds were pro-rated to 84% in 2016, 80% in 2017 and are projected to be at 74% for 2018 - hence there are fewer processing dollars to handle an increased workload.

Request for information

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

Housing Authority of the City of Walla Walla
Statement of Net Position
Current as of: December 31, 2017

	Primary Government	Component Units
<u>ASSETS</u>		
Cash & Cash Equivalents		
Unrestricted	3,429,296	1,002,714
Restricted for Modernization	306,774	1,295,680
Tenant Security Deposits	23,901	94,432
Current Liability Payment	-	19,025
Other Restricted	376,418	10,237
Total Cash & Cash Equivalents	4,136,390	2,422,087
Accounts Receivable		
HUD: HCV / VASH / PH / CFP	-	-
CORD / TBRA	53,975	-
Notes Receivable - Current	3,356	8,574
Due from Component Units	2,511,963	710
Intra-PG Bridge Financing	110,883	-
Tenant Rents	7,062	24,519
HAP Recovery	27,125	-
Miscellaneous Billings	6,546	7,024
Allowance for Doubtful Accts.	(20,331)	(16,817)
Total Accounts Receivable	2,700,579	24,010
Investments		
Unrestricted	257,544	-
Restricted	28,035	52,675
Total Investments	285,579	52,675
Other Current Assets		
Prepaid Expenses	63,231	74,601
Inventory (Maintenance)	75,771	-
Total Other Current Assets	139,003	74,601
TOTAL CURRENT ASSETS	7,261,550	2,573,374
Capital Assets		
Land	1,409,544	3,264,404
Buildings	8,268,523	63,587,865
Furniture / Equipment / Machinery	690,528	1,652,753
Leasehold Improvements	380,012	1,162,686
Accumulated Depreciation	(2,780,067)	(10,265,126)
Construction in Progress	104,677	(11,777)
Total Capital Assets	8,073,216	59,390,805

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

Other Non-Current Assets		
Notes: Mortgage Assistance	320,701	-
LP Mortgages & Accrued Interest	7,161,625	-
Managing Partner Capital in LP	214,028	-
Total Other Non-Current Assets	7,696,354	-
TOTAL NON-CURRENT ASSETS	15,769,571	59,390,805
Deferred Outflows Related to Pensions	151,956	-
TOTAL ASSETS	23,183,077	61,964,179
<u>LIABILITIES & NET POSITION</u>		
Current Liabilities		
AP - less than 90-days	114,366	171,284
Accrued Payroll / Taxes	30,562	-
Compensated Absences	31,520	-
Accrued Interest	16,923	116,911
AP - Other	5,009	686,427
Tenant Security Deposits	24,035	101,800
Prepaid Rent	6,353	30,750
Inter-Program Due-To	111,593	2,511,850
Current Portion - Long Term Debt	193,636	126,540
Net Pension Liability	999,464	-
Total Current Liabilities	1,533,462	3,745,563
Non-Current Liabilities		
Compensated Absences - Non-Current	72,785	-
Long Term Debt - Commercial	6,930,166	19,364,521
Long Term Debt - WWA	-	7,161,625
Construction Note	-	12,674,952
Total Non-Current Liabilities	7,002,951	39,201,098
Deferred Inflows Related to Pensions/HUD	174,545	-
TOTAL LIABILITIES	8,710,957	42,946,661
Net Position		
Unrestricted	12,470,737	(15,098,217)
Restricted	1,051,968	1,377,617
Invested in Capital	949,414	32,738,119
Total Net Position	14,472,119	19,017,518
TOTAL NET POSITION	14,472,119	19,017,518
TOTAL LIABILITIES & NET POSITION	23,183,077	61,964,179

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

Housing Authority of the City of Walla Walla
Statement of Revenues, Expenses, and Changes in Net Position
Current as of: December 31, 2017

	Primary Government	Component Units
<u>OPERATING REVENUES</u>		
Tenant Income		
Tenant Rents	716,570	2,861,131
Other Tenant Income	22,625	74,014
Net Tenant Income	739,195	2,935,144
Other Operating Revenues		
Contract Payroll Receipts	731,056	-
Partnership Income	295,386	-
HAP Recovery	86,589	-
Other Income	1,942,121	17,862
GROSS REVENUE	3,794,348	2,953,007
<u>OPERATING EXPENSES</u>		
Payroll Expenses		
Salaries - Administration	764,360	-
Benefits & Taxes - Administration	121,180	-
Contract Administrative Payroll	-	155,055
Salaries - Maintenance	612,216	-
Benefits & Taxes - Maintenance	166,944	-
Contract Maintenance Payroll	-	532,871
Subtotal Payroll	1,664,700	687,926
Administrative Expenses		
Legal & Auditing	66,722	158,566
Partnership Fees	-	295,386
Development Costs	33,788	-
Other Administrative Expenses	171,314	20,337
Total Administration	271,823	474,289
Utility Expenses		
Water	46,358	167,045
Sewer	151,238	241,741
Electricity	34,412	46,446
Gas	5,053	3,880
Total Utility Expenses	237,062	459,112
Maintenance Expenses		
Equipment Rentals	32,315	102,837
Interior Maintenance Contracts	117,637	146,673
Garbage Removal Contract	23,833	125,897

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

Exterior Maintenance Contracts	3,449	56,854
Total General Maintenance	177,235	432,261
Other G & A Expenses		
Insurance	50,881	107,091
Depreciation & Amortization	344,154	1,881,784
Business Taxes & Other General Exp.	1,967	3,585
Bad Debt	66,521	32,951
Total Other G & A Expenses	463,523	2,025,411
TOTAL OPERATING EXPENSES	2,814,342	4,079,000
NET OPERATING INCOME	980,006	(1,125,993)
<u>NON-OPERATING ACTIVITIES</u>		
Grant Revenues		
Voucher Funding	5,850,096	-
Operating Subsidies	797,845	-
Other Grant Revenue	1,600	-
Net Grant Revenues	6,649,541	-
Housing Assistance Payments		
Voucher Payments	5,425,417	-
Utility Assistance	25,205	-
Deposit Assistance	7,699	-
Total Housing Assistance Payments	5,458,321	-
Other Non-Operating Activities		
(Gain) / Loss on Sale of Assets	5,797	(23,116)
Interest (Income)	(237,052)	(2,141)
Interest Expense	173,633	617,998
NET NON-OPERATING ACTIVITIES	1,248,843	(592,741)
NET INCOME	2,228,848	(1,718,734)
Capital Grants	-	-
TOTAL CAPITAL CONTRIBUTIONS	-	-
CHANGE IN NET POSITION	2,228,848	(1,718,734)
Prior Period Adjustments	-	-
Equity Transfers	1,037	42,113
Net Position at January 1	12,242,233	20,694,139
NET POSITION AT DECEMBER 31	14,472,119	19,017,518

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

Housing Authority of the City of Walla Walla
Statement of Cash Flows
For the Period Ended: December 31, 2017

	Primary Government	Component Units
Cash Flow from Operating Activities		
Receipts from Tenants Rent	836,856	2,920,653
Receipts - Other Other Income	2,899,927	20,184
Payments to Suppliers Suppliers	(782,902)	(2,108,041)
Payroll: Earnings / Ben Payroll	(1,655,068)	36,847
Net Cash Flow from Operating Activities	1,298,812	869,643
Cash Flow from Non-Capital Financing Activities		
Voucher Funds Receive HAP-In	5,816,341	-
Voucher Payments HAP-Out	(5,458,321)	-
Operating Subsidies Admin Fees	832,846	-
Mortgage Assistance Mortgage Asst	34,962	-
Interfunding - NET Interfund	-	-
Security Deposits / Caf SD/Café	2,548	6,700
Inter-Company Inter-Co	(385,457)	9,344
Component Unit - NET CU-Net	(1,799,949)	1,646,363
Net Cash Flow from Non-Capital Financing Activities	(957,030)	1,662,407
Cash Flow from Capital Financing Activities		
Capital Contributions & Grants	(454,062)	42,113
Capitalized Construction Interest-Capital	-	-
Sale of Washington School WASH	-	-
Retainage Payable Retainage	-	-
Land / Building / Equipment Fixed Assets	(388,269)	(11,631,626)
Gain / (Loss) on Sale of Gain/Loss	(5,797)	23,116
Principal Payment on Debt Principal	80,346	9,950,990
Interest Paid (non-capit Interest-Paid	63,167	(534,598)
Net Cash Flow from Capital Financing Activities	(704,615)	(2,150,005)
Cash Flow from Investing Activities		
Purchases of Investments Invest	(247)	(105)
Interest & Dividends Interest-Earned	630	2,141
Net Cash Flow from Investing Activities	383	2,036
TOTAL PERIOD CASH FLOW	(362,449)	384,081
Cash & Cash Equivalents at January 1	4,498,839	2,038,006
Net Increase / (Decrease) in Cash and Cash Equivalents	(362,449)	384,081
Cash and Cash Equivalents at December 31	4,136,390	2,422,087

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

Reconcile Income Statement to Cash Flow from Operations

Net Income / (Loss) from Operations per Income Statement	980,006	(1,125,993)
Less: Voucher Funds Received		
Less: Operating Subsidies		
Less: Capital Grants		
Less: Interest Income		
Add Back: Depreciation	344,154	1,881,784
Adjusted Net Income / (Loss) from Operations	<u>1,324,160</u>	<u>755,791</u>
 Cash adjustment from changes in Assets and Liabilities		
(Increase) Decrease in accounts receivable	13,544	(5,536)
(Increase) Decrease in prepaid expenses	5,442	(983)
(Increase) Decrease in inventory	8,808	-
Increase (Decrease) in accounts payable	8,336	127,004
Increase (Decrease) in accrued liabilities	9,631	-
Increase (Decrease) in unearned revenue	(71,109)	(6,634)
Net Cash Adjustments	<u>(25,348)</u>	<u>113,852</u>
 Net Cash Flow from Operating Activities	<u>1,298,812</u>	<u>869,643</u>
	-	-

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

Housing Authority of the City of Walla Walla

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Housing Authority of the City of Walla Walla conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the most significant policies including identification of those policies which result in departures from generally accepted accounting principles:

A. Reporting Entity

The Housing Authority of the City of Walla Walla is a municipal corporation governed by an appointed six member board. As required by GAAP, management has considered all potential component units in defining the reporting entity. These financial statements present the Authority: the Primary Government, and its Component Units. The Component Units discussed below are included in the Authority's reporting entity because of the significance of their operational or financial relationships with the Authority. In accordance with GASB Statement 14, the following entities are discretely presented in the financial statements of the state in the Component Unit's column, to the right of the financial data of the Primary Government:

Emerald Family Properties Limited Liability Limited Partnership

The partnership was formed as a limited liability limited partnership under the laws of the State of Washington on December 23, 2015. The partnership agreement was amended August 5, 2016. The purpose of the partnership is to rehabilitate and operate a rental housing project. It consists of 84 residential units located at 9 scattered-sites in Walla Walla, Washington and operates under the name of Emerald Family Properties. The project is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one general partner, the Authority, which has a 0.01 percent interest and one limited partner, Wincopin Circle LLLP with a 99.99 percent interest. All profits and losses are allocated 0.01 percent to the general partner and 99.99 percent to the limited partner. Year 15 for Emerald Family Properties Limited Liability Limited Partnership is 2031. The operating budget is subject to approval of the Walla Walla Housing Authority board of directors. The board also approves proposed capital improvements and additions to the property facilities.

WWHA-Galbraith Gardens Limited Liability Company

The partnership was formed as a limited liability company under the laws of the State of Washington on January 4, 2008. The purpose of the partnership is to rehabilitate and operate a rental housing project. It consists of 34 residential units and a community room located in Walla Walla, Washington and operates under the name of Galbraith Gardens. The project is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one general

partner, the Authority which has a 0.01 percent interest and one limited partner, Enterprise Housing Partners XVIII Limited Partnership, with a 99.99 percent interest. All profits and losses are allocated 0.01 percent to the general partner and 99.99 percent to the limited partner. Year 15 for WWHG-Galbraith Gardens Limited Liability Company is 2023. The operating budget is subject to approval of the Walla Walla Housing Authority board of directors. The board also approves proposed capital improvements and additions to the property facilities.

WWHA-Lariat Housing Limited Liability Limited Partnership

The partnership was formed as a limited liability limited partnership under the laws of the State of Washington on February 19, 2015. The purpose of the partnership is to rehabilitate and operate a rental housing project. It consists of 43 residential units and a laundry room and an office located in Walla Walla, Washington and operates under the name of Lariat Gardens. The project is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one general partner, WWHG-Lariat Limited Liability Company, which has a 0.01 percent interest, and one limited partner, Enterprise Housing Partner XXIV Limited Partnership, with a 99.99 percent interest. All profits and losses are allocated 0.01 percent to the general partner and 99.99 percent to the limited partner. Year 15 for WWHG-Lariat Housing Limited Liability Limited Partnership is 2029. The operating budget is subject to approval of the Walla Walla Housing Authority board of directors. The board also approves proposed capital improvements and additions to the property facilities.

WWHA-Marcus Whitman Homes Limited Partnership

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

WWHA-Rosehaven Cottages Limited Partnership

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

15 for WWhA-Rosehaven Cottages Limited Partnership is 2019. The operating budget is subject to approval of the Walla Walla Housing Authority board of directors. The board also approves proposed capital improvements and additions to the property facilities.

WWhA-Senior Housing Properties Limited Liability Limited Partnership

The partnership was formed as a limited liability limited partnership under the laws of the State of Washington on July 18, 2016. The purpose of the partnership is to rehabilitate and operate a rental housing project. It consists of 80 residential units at 3 separate sites located in Walla Walla and College Place, Washington and operates under the names of Creekside Cottages (25 units), Linden Place (31 units and community room), and Washington School Apartments (24 units). The project is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one general partner, the Authority, which has a 0.01 percent interest, and one limited partner, NEF Assignment Corporation (as nominee), with a 99.99 percent interest. All profits and losses are allocated 0.01 percent to the general partner and 99.99 percent to the limited partner. Year 15 for WWhA-Senior Housing Properties Limited Liability Limited Partnership is 2032. The operating budget is subject to approval of the Walla Walla Housing Authority board of directors. The board also approves proposed capital improvements and additions to the property facilities.

Walla Walla Family Homes Limited Liability Company

The partnership was formed as a limited liability company under the laws of the State of Washington on January 06, 2010. The purpose of the partnership is to construct and operate a rental housing project, targeted to farm workers. It consists of 60 residential units and one community room located in Walla Walla, Washington and operates under the name of Walla Walla Family Homes. The land is leased from the Authority. The project is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one managing member, the Authority, which has a 0.01 percent interest and one special member, Boston Capital Corporate Tax Credit Fund XXXIII Limited Partnership, with 99.99 percent interest. All profits and losses are allocated 0.01 percent to the managing member and 99.99 percent to the special member. Year 15 for Walla Walla Family Homes Limited Liability Company is 2025. The operating budget is subject to approval of the Walla Walla Housing Authority board of directors. The board also approves proposed capital improvements and additions to the property facilities.

Walla Walla Family Homes Two Limited Liability Company

The partnership was formed as a limited liability company under the laws of the State of Washington on November 26, 2014. The purpose of the partnership is to construct and operate a rental housing project, targeted to farm workers. It consists of 68 residential units and one community room located in Walla Walla, Washington and operates under the name of Walla Walla Family Homes Two. The land is leased from the Authority. The project is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one managing member, the Authority, which has a 0.01 percent interest and one special member, NEF Assignment Corporation, with 99.99 percent interest. All profits and losses are allocated 0.01 percent to the managing member and 99.99 percent to the special member. Year 15 for Walla Walla Family Homes Two Limited Liability Company is 2029. The operating budget is subject to approval of the Walla Walla Housing Authority board of directors.

The board also approves proposed capital improvements and additions to the property facilities.

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

Washington School Homes Planned Unit Development Property Owners Association

The property owners association was formed as a non-profit corporation under the laws of the State of Washington on August 15, 2007. The purpose of the corporation is to manage the affairs of Washington School Homes Planned Unit Development, which property is made subject to Declaration of Covenants, Conditions, Restrictions and Reservations of Washington School Homes Planned Unit Development. It consists of 25 single-family lots and three additional lots owned by the Authority. The number of memberships available equals the total number of lots within the Planned Unit Development; the Authority holds three memberships plus all memberships of unsold lots or living units. The Authority maintains memberships for the unsold lots or living units until such time termination occurs by selling or disposing of an ownership interest or property interest covered under the Declarations, and membership is transferred as a part of title.

Walla Walla Housing Foundation

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

The Washington School Homes Planned Unit Development Property Owners Association and the Walla Walla Housing Foundation are presented as blended component units in the financial statements of the state.

B. Basis of Accounting and Presentation

The accounting records of the Authority are maintained and reported in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW and the Federal Department of Housing and Urban Development. The Authority must report using GAAP; however, it has the option to use either the single enterprise proprietary fund or special purpose governmental fund model.

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

Housing Choice Voucher Program

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

Project Based Vouchers

In 2016, as part of the Low-Rent Public Housing divestiture and conversion to a Low-Income-Housing-Tax-Credit project via HUD's Rental Assistance Demonstration program, the Authority was awarded 84 project based vouchers that are attached to the 84 units owned and operated by Emerald Family Properties LLLP. The vouchers are administered together with the Housing Choice Voucher Program. Additionally, the Authority was awarded 20 VASH Project Based Vouchers which began leasing in June 2017 and are administered together with the VASH program.

HUD-Veterans Affairs Supportive Housing (VASH)

The VASH Program was established to provide rental assistance for homeless veterans to rent in the private market. The Veterans Administration Medical Center is responsible for screening and referral. The Authority administers 220 VASH vouchers in Walla Walla, Columbia, Franklin, and Benton counties in Washington State and the greater Milton-Freewater area of Umatilla County in Oregon State.

Tenant Based Rental Assistance Program

The Tenant Based Rental Assistance Program was established to provide rental and deposit assistance to eligible homeless families to rent in the private market. Funding is provided from the State Department of Commerce using HOME funds under CFDA 14.239. The Authority administers the program and provides assistance to an annual average of 12 homeless individuals and families.

Chronically Homeless Voucher Program

The Chronically Homeless Voucher Program was established in collaboration with Central Washington Comprehensive Mental Health to provide rental assistance to eligible homeless individuals and families using a progressive engagement service model that coordinates with supportive services. Central Washington Comprehensive Mental Health is responsible for screening and referral. The Authority administers the program and provides assistance to an annual average of 5 homeless individuals and families.

Veterans Homeless Program

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

Neighborhood Stabilization Program

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

Belmont Apartments

The Belmont Apartments consists of 21 apartments owned and operated by the Authority. The project receives no federal subsidies however, due to funding received from the Washington Housing Trust Fund, the units are rented at 50% LIHTC rate. A minimum of 10 units are dedicated to developmentally disabled individuals.

Foothill Homes

Foothill Homes consists of 25 townhome-style apartments located on various sites throughout Walla Walla and is owned and operated by the Authority. The project receives no federal subsidies, however, due to funding received from the Washington Housing Trust Fund, the units are rented at 60% of the area median income.

Parkview Apartments

Parkview Apartments consists of 48 apartments owned and operated by the Authority. The project receives no federal subsidies and the units are rented at market rate.

Enterprise Program

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

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

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

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

C. Assets, Liabilities, Fund Balance, Net Position**1. Cash and Cash Equivalents**

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

2. Investments: See Note 2, *Deposits and Investments*.

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

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

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

3. Receivables

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

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

4. Inventories

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

5. Restricted Assets

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

Primary Government - Restricted Net Assets	
HCV & VASH Housing Assistance	385,444
Mortgage Assistance - Revolving Loan Fund	320,701
Deposit Assistance - Revolving Loan Fund	6,477
Water/Sewer System Replacement Reserves	152,795
CORD Replacement Reserve	28,035
Belmont Replacement Reserve	42,751
Parkview Replacement Reserve	14,204
Foothill Homes Operating/Replacement Reserves	97,024
Total Net Restricted Assets	1,047,431

Primary Government - Other Restricted Cash	
Enterprise Security Deposits	23,901
Cafeteria Plan	4,537
Total Other Restricted Cash	28,438

Component Units - Restricted Net Assets	
Operating/Replacement Reserves	1,367,380
Total Net Restricted Assets	1,367,380

Component Units - Other Restricted Cash	
Construction Funds - Emerald / Senior	10,237
Security Deposits	94,432
Total Other Restricted Cash	104,669

6. Capital Assets: See Note 3, *Capital Assets*

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of

business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Authority and Component Units during the current fiscal year is \$791,631.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives, unless dictated otherwise by partnership or other agreements:

Assets	Years
Buildings and Improvements	27.5 - 30
Land Improvements	15 - 30
Furniture and Equipment	3 - 10

7. Operating Revenues/Expenses

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

8. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The Authority utilizes undifferentiated Paid Time Off (PTO) for vacation, sick leave, and personal leave. The Authority records unpaid leave for compensated absences as an expense and a liability when incurred. PTO may be accumulated and carried-over at year end up to 120 hours. The employee's PTO balance is payable upon resignation, retirement, or death.

9. Pensions

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

10. Long-Term Debt: See Note 6, *Long-Term Debt*.

11. Conditional Assets

The Authority holds mortgages in second position on six homes in the Washington School Homes development for a total amount of \$148,980. The terms are as follows:

Borrowers making at or below 80% of the area median income are eligible for a deferred-payment second mortgage subsidy recorded as a promissory note secured by a mortgage document with a recapture clause. No interest will be assessed and the borrower will make no payments. If the home is sold within the first 10 years, the Authority will collect the original subsidy and share a portion of the sales proceeds after the retirement of other outstanding debt against the property. Two of the agreements accounting for \$15,000 require no repayment of the mortgage after year-10. The remaining agreements accounting for \$166,980 require 50% repayment of the mortgage after year-10.

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

12. Construction Financing

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

Emerald Family Properties LLLP has secured interim financing, via tax-exempt bonds, with Banner Bank in the amount of \$7,400,000 for the rehabilitation of 84 units at 9 scattered-sites. This loan was reduced to \$2,200,000 and converted to permanent financing in May 2018.

WWHA-Senior Housing Properties LLLP has secured interim financing, via tax-exempt bonds, with Banner Bank in the amount of \$6,000,000 for the rehabilitation of Creekside Cottages, Linden Place, and Washington School Apartments. This loan was reduced to \$2,200,000 and converted to permanent financing in May 2018.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

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

B. Investments

As of the year ended December 31, 2017, the Authority had the following investments:

Primary Government Certificates of Deposit	285,579
Component Unit Certificates of Deposit	52,675

NOTE 3 – CAPITAL ASSETS

Primary Government capital asset activity for the year ended December 31, 2017 was as follows:

Non-Depreciating Capital Assets	Beginning	Additions	Retirements	Ending
Land	1,257,054	152,490	-	1,409,544
Construction in Progress	44,831	116,473	(56,627)	104,677
Total Non-Depreciating Capital Assets	1,301,885	268,963	(56,627)	1,514,221
Depreciating Capital Assets	Beginning	Additions	Retirements	Ending
Buildings & Site Improvements	8,470,715	155,920	-	8,626,635
Equipment	391,839	33,502	(20,372)	404,969
Capitalized Costs	303,794	3,664	-	307,459
Total Depreciating Capital Assets	9,166,348	193,086	(20,372)	9,339,063
Accumulated Depreciation	Beginning	Additions	Retirements	Ending
Buildings & Site Improvements	(2,143,129)	-	(300,257)	(2,443,386)
Equipment	(234,240)	3,219	(28,908)	(259,929)
Capitalized Costs	(61,764)	-	(14,989)	(76,753)
Total Accumulated Depreciation	(2,439,132)	3,219	(344,154)	(2,780,067)
NET CAPITAL ASSETS	8,029,101	465,268	(421,153)	8,073,216

Component Unit capital asset activity for the year ended December 31, 2017 was as follows:

Non-Depreciating Capital Assets	Beginning	Additions	Retirements	Ending
Land	3,200,297	274,672	(210,565)	3,264,404
Construction in Progress	4,122,943	11,698,442	(15,833,162)	(11,777)
Total Non-Depreciating Capital Assets	7,323,240	11,973,114	(16,043,727)	3,252,627
Depreciating Capital Assets	Beginning	Additions	Retirements	Ending
Buildings & Site Improvements	48,599,755	15,222,982	(137,906)	63,684,831
Equipment	1,123,669	254,148	(5,480)	1,372,337
Capitalized Costs	1,250,077	98,275	(2,216)	1,346,136
Total Depreciating Capital Assets	50,973,501	15,575,405	(145,602)	66,403,305
Accumulated Depreciation	Beginning	Additions	Retirements	Ending
Buildings & Site Improvements	(7,347,047)	-	(1,714,170)	(9,061,218)
Equipment	(777,964)	1,847	(117,066)	(893,182)
Capitalized Costs	(251,892)	-	(58,835)	(310,726)
Total Accumulated Depreciation	(8,376,903)	1,847	(1,890,070)	(10,265,126)
NET CAPITAL ASSETS	49,919,838	27,550,367	(18,079,399)	59,390,805

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

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

NOTE 4 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The Authority has active construction commitments as of December 31, 2017. Projects listed on the table below have contractor commitments at year end as noted:

Component Units - Construction	Expended	Remaining
Emerald Family Properties LLLP	14,522,545	788,045
WWHA Senior Housing Properties LLLP	11,174,295	351,953
Total Construction In Progress	25,696,839	1,139,998

Neither the Authority nor the Component Units will be required to raise further capital to complete the projects currently underway.

NOTE 5 – SHORT-TERM DEBT

The Authority had no external short-term financing in 2017.

NOTE 6 – LONG-TERM DEBT

Primary Government has long term loans secured by capital assets, and one unsecured loan. These loans were used to acquire capital assets that provide low income housing and to

improve the Authority's offices in one case. All loans will be repaid from revenues generated by the Primary Government.

Primary Government - Mortgages	Principal	Issue Date	Rate	Due	Outstanding
Washington School Homes - Bridge Loan	169,750	06/26/15	4.12%	2019	162,468
Frankland/Hobson - Secured by Real Estate	100,000	07/01/11	6.25%	2021	43,205
WWHA Office - Secured by Real Estate	205,000	05/29/98	4.50%	2023	67,661
Parkview WSHFC - Secured by Real Estate****	663,000	11/28/17	1.00%	2024	669,643
Evergreen Office - Banner Permanent***	259,000	12/28/17	1.00%	2025	259,000
CORD - Secured by Real Estate	126,000	01/18/98	4.50%	2028	36,810
CORD - Secured by Real Estate	70,000	09/13/98	4.50%	2028	63,193
Drinking Water State Reserve Fund	253,595	05/03/13	3.00%	2028	174,347
Belmont Apartments - Secured by Real Estate	237,250	09/24/99	4.50%	2029	133,033
Parkview - Secured by Real Estate	1,640,000	11/27/17	2.62%	2036	1,576,806
Foothill Homes - Banner Permanent	2,054,600	07/01/10	5.00%	2040	1,799,902
Belmont Apartments - Secured by Real Estate	100,000	06/30/09	1.00%	2048	89,295
Belmont Apartments - Secured by Real Estate*	100,000	06/30/09	1.00%	2048	120,811
Belmont Apartments - Secured by Real Estate**	113,920	06/30/09	1.00%	2048	137,628
Foothill Homes - HTF secured by Real Estate	1,875,000	10/30/09	1.00%	2049	1,790,000
Total Current Mortgage Balances					7,123,802
* Capitalized Interest at Maturity - Belmont HTF 2					1,208
** Capitalized Interest at Maturity - Belmont HTF 3					15,919
*** Capitalized Interest at Maturity - Evergreen					21,496
**** Capitalized Interest at Maturity - Parkview WSHFC					48,382
Total Mortgage Balances through Maturity					7,210,807

Service requirements to maturity for mortgages are as follows:

<u>Primary Government Debt Summary</u>		
Year	Principal	Interest
2018	193,636	157,797
2019	359,139	149,722
2020	206,166	139,171
2021	207,119	132,205
2022	225,289	125,600
2023 - 2027	2,153,596	529,042
2028 - 2032	1,208,501	363,410
2033 - 2037	1,301,017	186,960
2038 - 2042	746,126	33,131
2043 - 2047	401,023	3,231
2048 - 2052	209,196	164
2053 - 2057	-	-
Total	7,210,807	1,820,434

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

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

Component Units - Mortgages	Principal	Issue Date	Rate	Due	Outstanding
WWHA-Lariat Housing - Secured by Real Estate	2,000,000	06/01/16	5.25%	2033	1,959,905
WW Family Homes 2 - Secured by Real Estate	750,000	01/01/16	5.25%	2033	731,008
M. Whitman Homes LP - Secured by Real Estate	2,547,775	09/15/04	6.84%	2035	349,130
Emerald Family Prop.- Secured by Real Estate	2,200,000	05/01/18	3.75%	2035	2,200,000
Senior Housing Prop. - Secured by Real Estate	2,200,000	05/14/18	3.38%	2036	2,200,000
Rosehaven Cottages LP - Secured by Real Estate	207,714	05/13/05	6.50%	2036	170,108
Galbraith Gardens LLC - Secured by Real Estate	800,000	07/01/10	5.75%	2040	708,841
M. Whitman Homes LP - Secured by Real Estate	1,363,000	08/01/05	1.00%	2045	1,373,908
Rosehave Cottages LP - Secured by Real Estate	850,000	03/31/06	1.75%	2045	811,500
Galbraith Gardens LLC - Secured by Real Estate	2,825,000	12/24/08	0.00%	2049	2,825,000
WW Family Homes - Secured by Real Estate*	2,500,000	11/10/10	1.00%	2051	2,650,000
WWHA-Lariat Housing - Secured by Real Estate***	3,500,000	05/05/14	1.00%	2054	3,606,456
WW Family Homes 2 - Secured by Real Estate**	1,300,000	06/10/13	1.00%	2054	1,324,241
Total Current Mortgage Balances					<u>20,910,097</u>
* Accrued Interest Capitalized through 2031					350,000
** Accrued Interest Capitalized through 2044					936,048
*** Accrued Interest Capitalized through 2054					150,828
Emerald "AHP Note" - cash flow loan: payable from available cash flows, due in full no later than 2056					700,000
Senior "HTF Creekside" - cash flow loan: payable from available cash flows, due in full no later than 2056					655,363
Senior "HTF Linden" - cash flow loan: payable from available cash flows, due in full no later than 2056					2,965,000
Senior "HTF WA School" - cash flow loan: payable from available cash flows, due in full no later than 2056					484,646
Senior "Seller Note" - cash flow loan: payable from available cash flows, due in full no later than 2057					1,286,327
Emerald "Seller Note" - cash flow loan: payable from available cash flows, due in full no later than 2071					4,887,519
Emerald "Sponsor A" - cash flow loan: payable from available cash flows, due in full no later than 2071					1,479,254
Emerald "Sponsor B" - cash flow loan: payable from available cash flows, due in full no later than 2071					1,116,467
Total Mortgage Balances through Maturity					<u>35,921,546</u>

Cash flow loans, detailed above, are separated from other loans at this time due to the uncertainty of payment schedule; no interest or interim payments are assumed in the debt summary, below, except to present to overall payoff at the end of the term, not including capitalized interest.

Additional details of each loan are presented here:

Emerald Family Properties LLLP has four cash flow loans with the Authority. As indicated, the "AHP" Note is due in full no later than December 31, 2056 and carries a 0% interest rate. The Seller Note, Sponsor A loan, and Sponsor B loan all are due in full no later than December 31, 2071 and carry a 3% interest rate; all unpaid interest compounds annually. Pursuant to the Exhibit A-4, "Fees; Priority; Uses of Cash Flow", of the First Amended and Restates Agreement of Limited Partnership the afore-described loans are ninth in the priority of payments, after all other obligations.

Senior Housing Properties LLLP has four cash flow loans – one with the Authority, and three with the Washington State Housing Trust Fund (HTF). The Seller Note, with the Authority, carries a 2.07% interest rate and is due in full no later than March 31, 2057; all unpaid interest compounds annually. The three loans with the HTF carry a 2.07% interest rate and are due in full no later than December 31, 2056. Pursuant to Article 5, Section 5.1, "Distributions of Cash Flow", all four loans are sixth in the priority of payments with said cash flow to be split 50/50 by payee, with the HTF loan payments being made proportionately by loan.

Service requirements to maturity for mortgages are as follows:

<u>Component Unit Debt Summary</u>		
Year	Principal	Interest
2018	126,540	330,238
2019	170,493	388,853
2020	177,870	381,476
2021	186,484	372,862
2022	195,092	364,254
2023 - 2027	1,137,196	1,676,639
2028 - 2032	1,496,062	1,437,193
2033 - 2037	4,954,978	848,749
2038 - 2042	377,275	396,875
2043 - 2047	2,265,949	356,416
2048 - 2052	5,759,065	286,730
2053 - 2057	11,591,302	75,401
2058 - 2062	-	-
2063 - 2067	-	-
2068 - 2072	7,483,239	-
Total	<u>35,921,546</u>	<u>6,915,687</u>

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

NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

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

Primary Government	Beginning	Additions	Pay Downs	Ending
Mortgages Payable	7,043,455	268,202	(187,856)	7,123,802
Compensated Absences	100,384	30,424	(26,503)	104,305
Total	<u>7,143,840</u>	<u>298,626</u>	<u>(214,359)</u>	<u>7,228,107</u>
Component Units	Beginning	Additions	Pay Downs	Ending
Mortgages Payable	25,837,440	6,957,541	(6,142,293)	26,652,687
Add: Emerald & Senior Perm Loans	4,400,000	-	-	4,400,000
Deduct: Current Balances - Cash Flow Loans	-	(10,142,590)	-	(10,142,591)
Compensated Absences	-	-	-	-
Claims & Judgements	-	-	-	-
Total	<u>30,237,440</u>	<u>(3,185,049)</u>	<u>(6,142,293)</u>	<u>20,910,097</u>

NOTE 8 – PENSION PLAN

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

Aggregate Pension Amounts - All Plans	
Pension liabilities	999,464
Pension assets	-
Deferred outflows of resources	151,956
Deferred inflows of resources	174,545
Pension expense/expenditures	130,474

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a 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 on September 30, 1977.

Contributions

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

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
Total	11.18%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%

The Authority's actual contributions to the plan were \$0.00 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 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a

survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

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 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January through June 2017	11.18%	6.12%
July through December 2017	12.70%	7.38%
Employee PERS Plan 3		varies

* For employees participating in JBM, the contribution rate was 15.30%

The Authority's actual contributions to the plan were \$160,473 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 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 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% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

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

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below.

The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

Sensitivity of Net Pension Liability / (Asset)

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

	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
PERS 1	627,001	514,699	417,420
PERS 2/3	1,306,008	484,765	(188,122)

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 June 30, 2017, the Authority reported a total pension liability of \$999,464 for its proportionate share of the net pension liabilities as follows:

	Liability / (Assets)
PERS 1	514,699
PERS 2/3	484,765

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

	Proportionate Share 6/30/2016	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.010926%	0.010847%	-0.000079%
PERS 2/3	0.013999%	0.013952%	-0.000047%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Non-employer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.46 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.54 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) 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 year ended December 31, 2017, the Authority recognized pension expense as follows:

	Pension Expense
PERS 1	32,128
PERS 2/3	67,406

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	19,207
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	33,644	-
TOTAL	33,644	19,207

PERS 2 / 3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	49,118	15,943
Net difference between projected and actual investment earnings on pension plan investments	-	129,227
Changes of assumptions	5,149	-
Changes in proportion and differences between contributions and proportionate share of contributions	14,442	10,168
Contributions subsequent to the measurement date	49,602	-
TOTAL	118,311	155,338

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows (not applicable to PERS Plan 1):

Year ended	PERS 2 / 3	PERS 2 / 3	(NOTE - NO PERS 1)
December 31:	Outflows	Inflows	
2018	10,315	275	
2019	4,126	275	
2020	-	275	
2021	-	275	
2022	-	275	
Thereafter	-	357	

NOTE 9 – MAJOR COMPONENT UNITS

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

A. Component Units

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

NOTE 10 – RELATED PARTY TRANSACTIONS

Emerald Family Properties LLLP, WWHHA-Galbraith Gardens LLC, WWHHA-Lariat Housing LLLP, WWHHA-Marcus Whitman Homes LP, WWHHA-Rosehaven Cottages LP, WWHHA-Senior Housing Properties LLLP, Walla Walla Family Homes LLC and Walla Walla Family Homes Two LLC are managed by the Authority. As such, the managing partner is entitled to, per the partnership agreements, certain property management and administrative fees.

The Authority earned the following fees during fiscal year 2017:

	Incentive Mgmt Fee	Developer Fee	Partnership Admin Fee	Property Mgmt Fee	Total Fees Earned
Emerald Family Properties LLLP	-	948,750	4,900	44,388	998,038
WWHA-Galbraith Gardens LLC	-	-	7,521	19,563	27,083
WWHA-Lariat Housing LLLP	-	-	9,807	18,257	28,063
WWHA-Marcus Whitman Homes LP	-	-	22,028	23,749	45,777
WWHA-Rosehaven Cottages LP	-	-	13,842	15,568	29,410
WWHA-Senior Housing Properties LLLP	-	772,924	-	20,102	793,026
Walla Walla Family Homes LLC	-	-	10,000	26,116	36,116
Walla Walla Family Homes Two LLC	-	-	19,669	39,877	59,546
Total	-	1,721,674	87,767	207,619	2,017,060

The Authority has entered into ground leases with the limited partners. Annual lease payments are \$12, with the exceptions of Walla Walla Family Homes LLC, which is \$10 annually (prepaid through 2018), and Walla Walla Family Homes Two LLC and Senior Housing Properties LLLP, which are \$1 annually.

The partnership agreements between the Authority and its component units provide for various obligations of the general partner including its obligation to provide funds for any development and operating deficits. The specific details of the notes payable from the Component Units to the Authority, if any, can be seen in Note 6.

The accompanying table ties to Current Asset: Due from Component Unit and to Non-Current Asset: Long-term Notes Due from Component Unit.

Amounts due from the Component Units at December 31, 2017, are as follows:

Emerald Family Properties LLLP	
Year-End Fees	29,165
AHP Note	15,974
Seller Loan - Long Term Note	4,887,519
Sponsor Loan B - Long Term Note	1,116,467
Accrued Interest on Long Term Notes	76,551
Developer Fees	948,750
WWHA-Galbraith Gardens LLC	
Year-End Fees	6,588
Partnership Fee	627
WWHA-Lariat Housing LLLP	
Year-End Fees	4,568
Partnership Fee	28,572
Developer Fee	239,510
Accrued Interest on Developer Fee	9,580
WWHA-Marcus Whitman Homes LP	
Year-End Fees	8,799
Partnership Fee	1,836
WWHA-Rosehaven Cottages LP	
Year-End Fees	3,680
Partnership Fee	1,154
WWHA-Senior Housing Properties LLLP	
Year-End Fees	22,059
Advanced Funds for Closing	14,071
Seller Loan - Long Term Note	1,141,666
Accrued Interest on Long Term Note	5,405
Developer Fees	772,924
WWHA-Walla Walla Family Homes LLC	
Year-End Fees	9,184
Partnership Fee	833
WWHA-Walla Walla Family Homes Two LLC	
Year-End Fees	9,203
Partnership Fee	60,504
Developer Fee	258,400
Total Due From Component Units	<u>9,673,588</u>

NOTE 11 – RECEIVABLE AND PAYABLE BALANCES

The Authority ordinarily eliminates intra-governmental receivables and payables that are offsetting within the Primary Government entity. However, some intra-governmental receivables and payables are not eliminated to add clarity for specific program performance and reporting. Additionally, there are balances due to Component Units and/or 3rd Parties

which are not detailed in the information in NOTE 10, above. The following tables are intended to detail balances which otherwise may be obscured by aggregation.

A. Accounts Receivable

Intra-Program Receivables (Enterprise Program to Receive from Supported Prog

Neighborhood Stabilization - ongoing program support	31,875	CFDA 14.228
Tenant-Based Rental Assistance - December 2017 program expenses repaid in January 2018	26,893	CFDA 14.239
Corps of Recovery Discovery - ongoing program support	47,444	CFDA 64.024
State/Local - ongoing program support	4,385	CFDA 2
Blended Component Unit	286	CFDA 6.2
	<u>110,883</u>	

B. Accounts Payable

Intra-Program Payables (Payable from Supported Programs to Enterprise Program

Neighborhood Stabilization - ongoing program support	31,875	CFDA 14.228
Tenant-Based Rental Assistance - December 2016 program expenses repaid in January 2017	26,893	CFDA 14.239
Corps of Recovery Discovery - ongoing program support	47,444	CFDA 64.024
State/Local - ongoing program support	4,385	CFDA 2
Blended Component Unit	286	CFDA 6.2

Payable to Component Units

WWHA-Senior Housing Properties LLLP	310	Reimbursement
Emerald Family Properties LLLP	400	Reimbursement
	<u>111,593</u>	

NOTE 12 – CONTINGENCIES AND LITIGATIONS

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

NOTE 13 – SUBSEQUENT EVENTS

There are no subsequent events of note in 2018 of which the Authority is currently aware.

NOTE 14 – RISK MANAGEMENT

The Housing Authority of the City of Walla Walla is a member of the Housing Authorities Risk Retention Pool (HARRP). Utilizing Chapter 48.62 RCW (self-insurance regulation) and

Chapter 39.34 RCW (Inter-local Cooperation Act), 55 public housing authorities in the states of Washington, Oregon and California originally formed HARRP in March 1987. HARRP was created for the purposes of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. HARRP currently has a total of 88 members in the states of Washington, Oregon, Nevada and California; 38 of the 87 members are Washington public housing entities.

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

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

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

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

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

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

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

Risk Exposure and Claims:

There were no damage claims in 2017. Claims have not exceeded insurance coverage in any of the last three years.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PERS 1, 2, and 3
As of June 30
Last 10 Fiscal Years**

<u>PERS # 1</u>		2017	2016	2015	2014	2013
Employer's proportion of the net pension liability (asset)		0.010847%	0.010847%	0.011140%	0.010329%	0.009738%
Employer's proportionate share of the net pension liability (asset)		514,699	586,778	582,726	520,328	569,016
Covered payroll*		1,373,838	1,315,745	1,338,710	1,189,109	1,139,063
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll		37.46%	44.60%	43.53%	43.76%	49.95%
Plan fiduciary net position as a percentage of the total pension liability		61.25%	57.03%	59.11%	61.19%	Unknown
<u>PERS # 2/3</u>		2017	2016	2015	2014	2013
Employer's proportion of the net pension liability (asset)		0.013952%	0.013999%	0.014388%	0.013298%	0.012969%
Employer's proportionate share of the net pension liability (asset)		484,765	704,839	514,091	268,801	553,778
Covered payroll*		1,373,838	1,315,745	1,338,710	1,189,109	1,139,063
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll		35.29%	53.57%	38.40%	22.61%	48.62%
Plan fiduciary net position as a percentage of the total pension liability		90.97%	85.83%	89.20%	93.29%	Unknown

Notes to Schedule:

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

Changes of assumptions: Per the DRS PEFI, there were changes in assumptions and methodology for the 2016 fiscal year in that the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.

* Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.

* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERS 1, 2, and 3

For the Year Ended December 31
Last 10 Fiscal Years*

	<u>PERS # 1</u>				
Statutorily or contractually required contributions	2017	2016	2015	2014	2013
	67,131	62,761	58,188	47,971	36,622
Contributions in relation to the statutorily or contractually required contributions*	<u>(67,131)</u>	<u>(62,761)</u>	<u>(58,188)</u>	<u>(47,971)</u>	<u>(36,622)</u>
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll*	1,373,838	1,315,745	1,338,710	1,189,109	1,139,063
Contributions as a percentage of covered payroll	4.89%	4.77%	4.35%	4.03%	3.22%
	<u>PERS # 2/3</u>				
Statutorily or contractually required contributions	2017	2016	2015	2014	2013
	93,342	81,971	74,567	59,406	54,684
Contributions in relation to the statutorily or contractually required contributions*	<u>(93,342)</u>	<u>(81,971)</u>	<u>(74,567)</u>	<u>(59,406)</u>	<u>(54,684)</u>
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll*	1,373,838	1,315,745	1,338,710	1,189,109	1,139,063
Contributions as a percentage of covered payroll	6.79%	6.23%	5.57%	5.00%	4.80%

Notes to Schedule:

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

Changes of assumptions: Per the DRS PEFI, there were changes in assumptions and methodology for the 2016 fiscal year in that the assumed valuation interest rate was lowered from 7.8% to 7.7%; Assumed administrative factors were updated.

* Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.

* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)

* Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 and PSERS 2 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par. 8)

City of Walla Walla Housing Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
Office Of Community Planning And Development, Department Of Housing And Urban Development (via WA State of Dept of Commerce)	Home Investment Partnerships Program	14.239	15-42401-113	97,309	-	97,309	-	1,2,3
Housing Voucher Cluster								
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Section 8 Housing Choice Vouchers	14.871	WA057	-	6,173,884	6,173,884	-	1,2
Total Housing Voucher Cluster:				-	6,173,884	6,173,884	-	
Va Health Administration Center, Department Of Veterans Affairs	VA Homeless Providers Grant and Per Diem Program	64.024	96-036-WA	-	128,298	128,298	-	1,2
Va Health Administration Center, Department Of Veterans Affairs	VA Homeless Providers Grant and Per Diem Program	64.024	05-072-WA	-	131,273	131,273	-	1,2
Va Health Administration Center, Department Of Veterans Affairs	VA Homeless Providers Grant and Per Diem Program	64.024	250-0568-687- SI-18-0	-	74,917	74,917	-	1,2
Total CFDA 64.024:				-	334,488	334,488	-	
Total Federal Awards Expended:				97,309	6,508,372	6,605,681	-	

The accompanying notes are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Funds

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Authority's portion, may be more than shown. Such expenditures are recognized, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

The Housing Authority of the City of Walla Walla has not elected to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

HA City of Walla Walla (WA057)
WALLA WALLA, WA
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2017

	Project Total	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	16.1 Component Unit - Discretely Presented	16.2 Component Unit - Blended	64.024 VA Homeless Providers Grant and Per Diem Program	14.239 HOME Investment Partnerships Program	2 State/Local	1 Business Activities	Subtotal	Total
111 Cash - Unrestricted			\$269,581	\$1,012,950		\$46,387		\$161,751	\$2,951,562	\$4,442,231	\$4,442,231
112 Cash - Restricted - Mission and Development				\$1,285,680				\$153,979	\$12,795	\$1,602,454	\$1,602,454
113 Cash - Other Restricted			\$371,897	\$19,025					\$4,537	\$395,459	\$395,459
114 Cash - Tenant Security Deposits				\$94,432				\$23,608	\$266	\$118,334	\$118,334
115 Cash - Restricted for Payment of Current Liabilities											
100 Total Cash	\$0	\$0	\$641,478	\$2,422,087	\$0	\$46,387	\$0	\$339,336	\$3,109,190	\$6,558,478	\$6,558,478
121 Accounts Receivable - PHA Projects											
122 Accounts Receivable - HUD Other Projects											
124 Accounts Receivable - Other Government											
125 Accounts Receivable - Miscellaneous											
126 Accounts Receivable - Tenants			\$335	\$720		\$24,681	\$29,250	\$32	\$2,533,948	\$53,931	\$53,931
128.1 Allowance for Doubtful Accounts - Tenants				\$31,533		\$0		\$9,691	\$159	\$41,383	\$41,383
126.2 Allowance for Doubtful Accounts - Other				\$13,222				\$4,463	\$83	\$17,768	\$17,768
127 Loans, & Mortgages Receivable - Current			\$0	\$3,595		\$0	\$0	\$950	\$518	\$5,063	\$5,063
128 Fraud Recovery			\$27,125	\$6,574				\$2,063	\$982	\$11,929	\$11,929
128.1 Allowance for Doubtful Accounts - Fraud			\$14,317							\$14,317	\$14,317
129 Accrued Interest Receivable											
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0	\$13,443	\$24,010	\$0	\$24,681	\$29,250	\$7,173	\$2,626,032	\$2,724,589	\$2,724,589
131 Investments - Unrestricted									\$257,544	\$257,544	\$257,544
132 Investments - Restricted										\$80,710	\$80,710
135 Investments - Restricted for Payment of Current Liability				\$52,675							
142 Prepaid Expenses and Other Assets		\$905	\$19,159	\$74,601		\$2,259	\$338	\$14,105	\$28,466	\$137,833	\$137,833
143 Inventories									\$76,521	\$76,521	\$76,521
143.1 Allowance for Obsolete Inventories									\$750	\$750	\$750
144 Inter Program Due From				\$0					\$0	\$0	\$0
145 Assets Held for Sale											
150 Total Current Assets	\$0	\$905	\$674,080	\$2,573,373	\$0	\$101,362	\$29,588	\$360,614	\$6,095,003	\$9,834,925	\$9,834,925
161 Land											
162 Buildings		\$35,241		\$3,264,404		\$62,500		\$813,501	\$498,302	\$4,673,948	\$4,673,948
163 Furniture, Equipment & Machinery - Dwellings		\$374,645		\$61,929,780		\$1,484,098		\$5,736,951	\$1,120,120	\$70,554,574	\$70,554,574
164 Furniture, Equipment & Machinery - Administration		\$4,147		\$1,265,373		\$23,615		\$104,690	\$4,525	\$1,402,350	\$1,402,350
165 Leasehold Improvements				\$106,965					\$267,993	\$374,958	\$374,958
166 Accumulated Depreciation		\$105,678		\$3,189,431		\$713,676		\$56,788	\$152,490	\$3,388,709	\$3,388,709
167 Construction in Progress				\$10,265,126				\$1,378,470	\$582,243	\$13,045,193	\$13,045,193
168 Infrastructure									\$104,677	\$104,677	\$104,677
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$308,355	\$0	\$9,390,807	\$0	\$656,537	\$0	\$5,333,460	\$1,572,864	\$67,464,023	\$67,464,023
171 Notes, Loans and Mortgages Receivable - Non-Current											
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									\$7,482,326	\$7,482,326	\$7,482,326
173 Grants Receivable - Non Current											
174 Other Assets											

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

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2017

Project Total	14,228 Community Development Block Grants/State's Program	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	64,024 VA Homeless Providers Grant and Per Diem Program	14,239 HOME Investment Partnerships Program	2 State/Local	1 Business Activities	Subtotal	Total
70300 Net Tenant Rental Revenue			\$2,861,131				\$716,571		\$3,577,702	\$3,577,702
70400 Tenant Revenue - Other			\$74,014				\$22,352		\$96,366	\$96,366
70500 Total Tenant Revenue	\$0	\$0	\$2,935,145	\$0	\$0	\$0	\$738,923	\$0	\$3,674,068	\$3,674,068
70600 HUD PHA Operating Grants		\$6,182,140							\$6,182,140	\$6,182,140
70610 Capital Grants										
70710 Management Fee										
70720 Asset Management Fee										
70730 Book Keeping Fee										
70740 Front Line Service Fee										
70750 Other Fees										
70700 Total Fee Revenue								\$2,748,117	\$2,748,117	\$2,748,117
70800 Other Government Grants										
71100 Proceeds from Disposition of Assets Held for Sale			\$82		\$334,488	\$87,381	\$33,770	\$1,835	\$457,474	\$457,474
71200 Mortgage Interest Income							\$16	\$236,662	\$236,740	\$236,740
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery		\$96,552								
71500 Other Revenue	\$21,600		\$17,862		\$38	\$9,928		\$196,517	\$248,507	\$248,507
71600 Gain or Loss on Sale of Capital Assets			\$23,116					\$-5,797	\$17,319	\$17,319
72000 Investment Income - Restricted	\$0	\$6,268,692	\$2,079	\$0	\$7	\$97,347	\$84	\$303	\$2,453	\$2,453
70000 Total Revenue	\$21,600	\$6,268,692	\$2,978,264	\$0	\$338,095	\$97,347	\$772,773	\$3,176,637	\$13,653,408	\$13,653,408
91100 Administrative Salaries	\$190	\$322,118	\$155,055		\$4,092	\$6,603	\$73,951	\$357,406	\$919,415	\$919,415
91200 Auditing Fees	\$13	\$8,795	\$75,306				\$2,273	\$13,977	\$100,364	\$100,364
91300 Management Fee										
91310 Book-keeping Fee										
91400 Advertising and Marketing			\$10,437				\$0	\$1,572	\$12,009	\$12,009
91500 Employee Benefit Contributions - Administrative	\$11	\$63,723			\$242	\$1,494	\$12,993	\$39,181	\$117,622	\$117,622
91600 Office Expenses	\$90	\$78,431	\$15,520	\$10	\$262	\$547	\$13,835	\$89,958	\$198,653	\$198,653
91700 Legal Expense			\$9,947				\$1,873	\$946	\$11,666	\$11,666
91800 Travel		\$3,679				\$42	\$742	\$14,471	\$18,937	\$18,937
91810 Allocated Overhead	\$3									
91900 Other		\$6,350	\$327,781			\$50	\$4,112	\$80,706	\$388,999	\$388,999
91000 Total Operating - Administrative	\$295	\$483,096	\$593,046	\$10	\$4,596	\$8,736	\$109,779	\$578,117	\$1,777,665	\$1,777,665
92000 Asset Management Fee										
92100 Tenant Services - Salaries										
92200 Relocation Costs										
92300 Employee Benefit Contributions - Tenant Services										
92400 Tenant Services - Other			\$3,503				\$30,115	\$1,962	\$35,580	\$35,580
92500 Total Tenant Services	\$0	\$0	\$3,503	\$0	\$0	\$0	\$30,115	\$1,962	\$35,580	\$35,580

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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