



Office of the Washington State Auditor
Pat McCarthy

April 13, 2020

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

**Contracted CPA Firm's Audit Report on Financial Statements and
Federal Single Audit**

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements and compliance with federal grant requirements of the City of Walla Walla Housing Authority for the fiscal year ended December 31, 2018. The Housing Authority contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements or the City of Walla Walla Housing Authority's compliance with federal grant agreements and, accordingly, we do not express an opinion on those financial statements or on compliance.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2018

**WITH
REPORT OF INDEPENDENT AUDITORS**

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
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FOR THE YEAR ENDED DECEMBER 31, 2018

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REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners
Housing Authority of the City of Walla Walla:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities (primary government) and the aggregate discretely presented component units of the Housing Authority of the City of Walla Walla (the "Authority") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Emerald Family Properties LLC, WWHA - Lariat Housing LLLP, WWHA - Marcus Whitman Homes LP, WWHA - Rosehaven Cottages LP, WWHA - Galbraith Gardens LLC, Walla Walla Family Homes LLC, Walla Walla Family Homes Two LLC, and WWHA - Senior Housing Properties LLLP, (the "Discretely Presented Component Units") which statements reflect total assets of \$14.3 million, \$7.1 million, \$2.7 million, \$1.9 million, \$3.4 million, \$7.9 million, \$11.4 million, and \$11 million, respectively, as of December 31, 2018, and total revenues of \$0.72 million, \$0.36 million, \$0.34 million, \$0.18 million, \$0.25 million, \$0.4 million, \$0.48 million, and \$0.56 million, respectively, for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Discretely Presented Component Units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The financial statements of the Discretely Presented Component Units were also audited in accordance with *Government Auditing Standards*.



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Auditors' Responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities (primary government) and the aggregate discretely presented component units of the Authority as of December 31, 2018, and the changes in their net position and where applicable, their cash flows 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 pension information 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.

Other Matters (continued)

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the financial statements. The accompanying financial data schedule is also not a required part of the financial statements and is presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

The schedule of expenditures of federal awards and financial data schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the schedule of expenditures of federal awards and financial data schedule are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Novogradac & Company LLP

August 1, 2019
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Section 8 Housing Choice Vouchers ("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 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, 2018, 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

Financial Analysis (continued)

condition of the Authority as of a certain point in time. It presents end-of-year data for assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.

Total assets of the Primary Government at December 31, 2018 are \$21,866,754. 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 deferred outflows of resources related to GASB 68 total \$139,827.

Total liabilities of the Primary Government are \$8,768,978 at December 31, 2018. 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. Additionally, deferred inflows of resources in the amount of \$314,585 are 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 position. This component of net position has external limitations on the way in which it may be used. The last category is unrestricted net position. This component of net position is 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, 2018.

Financial Analysis (continued)

<u>STATEMENT OF NET POSITION</u>	<u>2018</u>	<u>2017</u>	<u>Variance</u>	<u>% Change</u>
<u>ASSETS</u>				
Cash & Cash Equivalents	2,947,686	4,136,390	(1,188,704)	-28.74%
Accounts Receivable	830,985	2,700,579	(1,869,594)	-69.23%
Investments	258,066	285,579	(27,513)	-9.63%
Other Current Assets	151,877	139,003	12,874	9.26%
TOTAL CURRENT ASSETS	4,188,614	7,261,551	(3,072,937)	-42.32%
Capital Assets	9,173,742	8,073,218	1,100,524	13.63%
Other Non-Current Assets	8,504,398	7,696,354	808,044	10.50%
TOTAL NON-CURRENT ASSETS	17,678,140	15,769,572	1,908,568	12.10%
Deferred Outflows Related to Pensions	139,827	151,956	(12,129)	-7.98%
TOTAL ASSETS & DEFERRED OUTFLOWS	22,006,581	23,183,079	(1,176,498)	-5.07%
<u>LIABILITIES & NET POSITION</u>				
Accounts Payable	99,489	69,737	29,752	42.66%
Other Current Liabilities	150,357	197,839	(47,482)	-24.00%
Current Portion - Long Term Debt	382,636	193,636	189,000	97.61%
TOTAL CURRENT LIABILITIES	632,482	461,212	171,270	37.13%
Long Term Debt - Commercial	7,402,843	7,002,951	399,892	5.71%
Net Pension Liability	652,879	999,464	(346,585)	-34.68%
Other non-current liabilities	80,774	72,785	7,989	10.98%
TOTAL NON-CURRENT LIABILITIES	8,136,496	8,075,200	61,296	0.76%
Deferred Inflows - Pensions/HUD	314,585	174,545	140,040	80.23%
TOTAL LIABILITIES & DEFERRED INFLOWS	9,083,563	8,710,957	372,606	4.28%
NET POSITION				
Unrestricted	10,835,105	12,470,738	(1,635,633)	-13.12%
Restricted	699,650	1,051,968	(352,318)	-33.49%
Invested in Capital	1,388,263	949,416	438,847	46.22%
TOTAL NET POSITION	12,923,018	14,472,122	(1,549,104)	-10.70%
TOTAL NET POSITION	12,923,018	14,472,122	(1,549,104)	-10.70%
TOTAL LIABILITIES & NET POSITION	22,006,581	23,183,079	(1,176,498)	-5.07%

Financial Analysis (continued)

STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET POSITION

	2018	2017	Variance	% Change
<u>REVENUES</u>				
Tenant Income	782,198	738,869	43,329	5.86%
Other Income	1,366,706	3,065,406	(1,698,700)	-55.42%
TOTAL OPERATING REVENUE	2,148,904	3,804,275	(1,655,371)	-43.51%
Operating Subsidies & Other Grants	6,841,364	6,639,614	201,750	3.04%
Other Non-Operating Revenue	270,641	231,255	39,386	17.03%
TOTAL NON-OPERATING REVENUE	7,112,005	6,870,869	241,136	3.51%
GROSS REVENUE	9,260,909	10,675,144	(1,414,235)	-13.25%
<u>EXPENSES</u>				
Payroll & Related Expenses	1,564,970	1,664,699	(99,729)	-5.99%
Other Rental Operations Expenses	1,362,932	1,419,174	(56,242)	-3.96%
TOTAL OPERATING EXPENSES	2,927,902	3,083,873	(155,971)	-5.06%
Payments from Operating Subsidies	5,471,181	5,188,788	282,393	5.44%
Other Non-Operating Expenses	217,829	173,633	44,196	25.45%
TOTAL NON-OPERATING EXPENSES	5,689,010	5,362,421	326,589	6.09%
TOTAL EXPENSES	8,616,912	8,446,294	170,618	2.02%
INCOME (LOSS) BEFORE SPECIAL ITEMS	643,997	2,228,850	(1,584,853)	-71.11%
Special Items - Write down of notes receivable	(2,193,101)	-	(2,193,101)	0.00%
CHANGE IN NET POSITION	(1,549,104)	2,228,850	(3,777,954)	-169.50%
Prior Period Adjustments	-	-	-	0.00%
Equity Transfers	-	1,038	(1,038)	-100.00%
Net Position at January 1	14,472,122	12,242,234	2,229,888	18.21%
NET POSITION AT DECEMBER 31	12,923,018	14,472,122	(1,549,104)	-10.70%

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 HCV and VASH programs expended \$199,429 less than was received for current year vouchers. HCV and VASH were budgeted for a gain of \$113,697 in 2018 with a pro-ration of 74%. Staffing shortages throughout the year decreased the overall administrative payroll by \$10,255 from 2017. General Administrative expenses were under budget by \$12,486, Maintenance expenses were over budget \$1,207 whereas insurance expenses decreased \$3,433 from 2017. Administrative support pro-rations for the HCV and VASH programs came in higher than budgeted at roughly 80% generating an increase to Unrestricted Net Position.
- 2) The 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 completed an occupied-rehab of the property in November 2017. Emerald Family Properties entered into 4 loan agreements with the Walla Walla Housing Authority that total \$8,365,861. Payment of these loans are contingent upon cash flow and have been secured by deeds of trust on the property.

WWHA-Senior Housing Properties LLLP completed an unoccupied-rehab of the Linden property in December 2017. Senior Housing Properties LLLP entered into a loan agreement with the Walla Walla Housing Authority that totals \$1,311,976. Payment of this loan is contingent upon cash flow and has been secured by a deed of trust on the property.

The Authority completed a renovation of its office building in 2018. A tax-exempt bond was issued by Banner Bank for a total of \$1,400,000 to pay for architectural and general construction costs. A payment of \$500,000 was made prior to the end of 2018 to reduce the outstanding bond to \$900,000.

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 80% in 2017, increased from 76% to 80% in 2018 and are projected to be at 80% for 2019.

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.

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018

	ASSETS		
	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Current assets:			
Cash and cash equivalents	\$ 2,922,390	\$ 824,601	\$ 3,746,991
Tenant security deposits	25,296	111,390	136,686
Investments	258,066	-	258,066
Accounts receivable, net	830,985	10,743	841,728
Notes receivable, current	2,554	-	2,554
Prepaid expenses	66,058	63,424	129,482
Inventories, net	83,265	-	83,265
Total current assets	<u>4,188,614</u>	<u>1,010,158</u>	<u>5,198,772</u>
Non-current assets:			
Restricted cash	390,086	2,063,226	2,453,312
Restricted investments	28,049	-	28,049
Notes receivable, non-current	7,872,235	-	7,872,235
Investments in joint ventures	214,028	-	214,028
Other assets	-	354,920	354,920
Capital assets, net	<u>9,173,742</u>	<u>56,128,265</u>	<u>65,302,007</u>
Total non-current assets	<u>17,678,140</u>	<u>58,546,411</u>	<u>76,224,551</u>
Total assets	<u>21,866,754</u>	<u>59,556,569</u>	<u>81,423,323</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	<u>139,827</u>	<u>-</u>	<u>139,827</u>
Total assets and deferred outflows of resources	<u>\$ 22,006,581</u>	<u>\$ 59,556,569</u>	<u>\$ 81,563,150</u>

See accompanying notes to financial statements

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
STATEMENT OF NET POSITION (continued)
AS OF DECEMBER 31, 2018

	LIABILITIES		
	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Current liabilities:			
Accounts payable	99,489	31,306	130,795
Accrued expenses	23,849	-	23,849
Tenant security deposits	25,844	112,100	137,944
Prepaid rent	7,189	38,226	45,415
Accrued compensated absences, current	34,690	-	34,690
Loans payable, current	382,636	169,028	551,664
Accrued interest payable	16,073	34,404	50,477
Other current liabilities	42,712	415,056	457,768
Total current liabilities	632,482	800,120	1,432,602
Non-current liabilities:			
Accrued compensated absences, non-current	80,774	-	80,774
Accrued pension & OPEB liability	652,879	-	652,879
Loans payable, non-current	7,402,843	33,819,075	41,221,918
Other non-current liabilities	-	674,749	674,749
Total non-current liabilities	8,136,496	34,493,824	42,630,320
Total liabilities	8,768,978	35,293,944	44,062,922
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	314,585	-	314,585
Total deferred inflows of resources	314,585	-	314,585
NET POSITION			
Net position:			
Net investment in capital assets	1,388,263	22,140,162	23,528,425
Restricted	699,650	2,063,226	2,762,876
Unrestricted	10,835,105	59,237	10,894,342
Total net position	12,923,018	24,262,625	37,185,643
Total liabilities, deferred inflows of resources and net position	\$ 22,006,581	\$ 59,556,569	\$ 81,563,150

See accompanying notes to financial statements

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Operating revenues:			
Tenant revenue	\$ 782,198	\$ 3,176,311	\$ 3,958,509
HUD operating grants	5,635,687		5,635,687
Other government grants	1,205,677		1,205,677
Other revenues	<u>1,366,706</u>	<u>110,889</u>	<u>1,477,595</u>
Total operating revenues	<u>8,990,268</u>	<u>3,287,200</u>	<u>12,277,468</u>
Operating expenses:			
Administrative	1,160,766	582,257	1,743,023
Tenant services	3,163	-	3,163
Utilities	254,269	630,217	884,486
Ordinary repairs and maintenance	842,659	897,443	1,740,102
Insurance	45,236	103,332	148,568
General expenses	264,941	92,283	357,224
Housing assistance payments	5,471,181	-	5,471,181
Depreciation	<u>356,868</u>	<u>2,220,019</u>	<u>2,576,887</u>
Total operating expenses	<u>8,399,083</u>	<u>4,525,551</u>	<u>12,924,634</u>
Operating income (loss)	<u>591,185</u>	<u>(1,238,351)</u>	<u>(647,166)</u>
Non-operating revenues (expenses):			
Investment income	270,641	5,246	275,887
Interest expense	(184,561)	(813,565)	(998,126)
Loss on sale of fixed assets	<u>(33,268)</u>	<u>-</u>	<u>(33,268)</u>
Net non-operating revenues (expenses)	<u>52,812</u>	<u>(808,319)</u>	<u>(755,507)</u>
Income (loss) before special items	643,997	(2,046,670)	(1,402,673)
Special items - write down of notes receivable	(2,193,101)	-	(2,193,101)
Special items - capital contributions	<u>-</u>	<u>7,322,012</u>	<u>7,322,012</u>
Change in net position	(1,549,104)	5,275,342	3,726,238
Total net position, beginning of year	<u>14,472,122</u>	<u>18,987,283</u>	<u>33,459,405</u>
Total net position, end of year	<u>\$ 12,923,018</u>	<u>\$ 24,262,625</u>	<u>\$ 37,185,643</u>

See accompanying notes to financial statements

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Primary Government
Cash Flows from Operating Activities:	
Cash received from tenants and others	\$ 4,067,068
Cash received from grantors	6,780,447
Cash paid to employees	(1,421,913)
Cash paid to vendors and suppliers	<u>(6,897,721)</u>
Net cash provided by operating activities	<u>2,527,881</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from issuance of bonds/notes	1,411,886
Principal payments of bonds/notes	(750,209)
Interest paid on long term debt	(185,411)
Purchase of capital assets	(1,648,746)
Proceeds from sale of capital assets	<u>158,085</u>
Net cash (used in) capital and related financing activities	<u>(1,014,395)</u>
Cash Flows from Investing Activities:	
Investment income	130,633
Issuance of notes receivable	<u>(2,442,736)</u>
Net cash (used in) investing activities	<u>(2,312,103)</u>
Net (decrease) in cash and cash equivalents	(798,617)
Cash and cash equivalents, beginning of year	<u>4,136,389</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,337,772</u></u>
Reconciliation of cash and cash equivalents to the Statement of Net Position is as follows:	
Cash and cash equivalents	\$ 2,922,390
Tenant security deposits	25,296
Restricted cash	<u>390,086</u>
	<u><u>\$ 3,337,772</u></u>

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Primary Government</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ 591,185
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Depreciation	356,868
Bad debt expense	11,639
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable, net	1,854,602
Prepaid expenses	(2,827)
Inventory, net	(7,494)
Deferred outflows of resources	12,129
Accounts payable	(19,886)
Accrued expenses	(6,713)
Tenant security deposits liability	1,809
Prepaid rent	836
Accrued compensated absences	11,159
Other liabilities	(68,881)
Accrued pension liability	(346,585)
Deferred inflows of resources	<u>140,040</u>
Net cash provided by operating activities	<u>\$ 2,527,881</u>

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
AS OF DECEMBER 31, 2018

	Emerald Family Properties LLC	WWHA - Lariat Housing LLLP	WWHA -Marcus Whitman Homes LP	WWHA - Rosehaven Cottages LP	WWHA - Galbraith Gardens LLC	Walla Walla Family Homes LLC	Walla Walla Family Homes Two LLC	WWHA -Senior Housing Properties LLLP	Totals
ASSETS									
Current assets:									
Cash and cash equivalents	\$ 154,012	\$ 68,416	\$ 199,076	\$ 146,565	\$ 74,217	\$ 45,873	\$ 59,465	\$ 76,977	\$ 824,601
Tenant security deposits	21,176	8,401	10,602	5,101	7,101	17,703	20,402	20,904	111,390
Accounts receivable, net	4,697	594	853	-	478	1,237	2,176	708	10,743
Prepaid expenses	9,183	3,641	4,820	2,659	5,257	10,789	10,905	16,170	63,424
Total current assets	189,068	81,052	215,351	154,325	87,053	75,602	92,948	114,759	1,010,158
Non-current assets:									
Restricted cash	332,213	123,648	338,550	140,058	220,207	343,918	310,736	253,896	2,063,226
Other assets	53,841	25,805	3,749	10,206	26,386	85,666	91,553	57,714	354,920
Capital assets, net	13,703,910	6,880,264	2,119,746	1,549,133	3,063,980	7,361,588	10,895,393	10,554,251	56,128,265
Total non-current assets	14,089,964	7,029,717	2,462,045	1,699,397	3,310,573	7,791,172	11,297,682	10,865,861	58,546,411
Total assets	\$ 14,279,032	\$ 7,110,769	\$ 2,677,396	\$ 1,853,722	\$ 3,397,626	\$ 7,866,774	\$ 11,390,630	\$ 10,980,620	\$ 59,556,569

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
AS OF DECEMBER 31, 2018

	Emerald Family Properties LLC	WWHA - Lariat Housing LLLP	WWHA -Marcus Whitman Homes LP	WWHA - Rosehaven Cottages LP	WWHA - Galbraith Gardens LLC	Walla Walla Family Homes LLC	Walla Walla Family Homes Two LLC	WWHA -Senior Housing Properties LLLP	Totals
LIABILITIES									
Current liabilities:									
Accounts payable	\$ 6,607	\$ 3,946	\$ 4,163	\$ 277	\$ 72	\$ 2,791	\$ 6,331	\$ 7,119	\$ 31,306
Tenant security deposits	21,500	9,000	10,600	5,100	7,100	17,700	20,400	20,700	112,100
Prepaid rent	4,969	2,436	5,347	3,221	2,646	7,314	7,142	5,151	38,226
Mortgages payable, current	41,223	30,363	11,285	8,664	16,599	-	11,405	49,489	169,028
Accrued interest payable, current	6,812	8,442	4,221	895	3,346	-	4,561	6,127	34,404
Other current liabilities	133,740	41,072	9,788	5,488	5,235	15,757	85,786	118,190	415,056
Total current liabilities	214,851	95,259	45,404	23,645	34,998	43,562	135,625	206,776	800,120
Non-current liabilities:									
Mortgages payable	10,365,131	5,423,093	1,681,306	940,555	3,413,117	2,657,065	1,970,157	7,368,651	33,819,075
Other non-current liabilities	77,713	156,141	-	-	-	-	279,000	161,895	674,749
Total non-current liabilities	10,442,844	5,579,234	1,681,306	940,555	3,413,117	2,657,065	2,249,157	7,530,546	34,493,824
Total liabilities	10,657,695	5,674,493	1,726,710	964,200	3,448,115	2,700,627	2,384,782	7,737,322	35,293,944
NET POSITION									
Net position:									
Net investment in capital assets	3,297,556	1,426,808	427,155	599,914	(365,736)	4,704,523	8,913,831	3,136,111	22,140,162
Restricted	332,213	123,648	338,550	140,058	220,207	343,918	310,736	253,896	2,063,226
Unrestricted (deficit)	(8,432)	(114,180)	184,981	149,550	95,040	117,706	(218,719)	(146,709)	59,237
Total net position	3,621,337	1,436,276	950,686	889,522	(50,489)	5,166,147	9,005,848	3,243,298	24,262,625
Total liabilities and net position	\$ 14,279,032	\$ 7,110,769	\$ 2,677,396	\$ 1,853,722	\$ 3,397,626	\$ 7,866,774	\$ 11,390,630	\$ 10,980,620	\$ 59,556,569

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION -
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Emerald Family Properties LLC	WWHA - Lariat Housing LLLP	WWHA -Marcus Whitman Homes LP	WWHA - Roshaven Cottages LP	WWHA - Galbraith Gardens LLC	Walla Walla Family Homes LLC	Walla Walla Family Homes Two LLC	Senior Housing Properties LLLP	Totals
Operating revenues:									
Tenant revenue	\$ 672,601	\$ 349,525	\$ 327,581	\$ 179,438	\$ 244,700	\$ 395,018	\$ 469,199	\$ 538,249	\$ 3,176,311
Other revenues	<u>48,417</u>	<u>11,024</u>	<u>9,800</u>	<u>672</u>	<u>8,250</u>	<u>2,122</u>	<u>5,038</u>	<u>25,566</u>	<u>110,889</u>
Total operating revenues	<u>721,018</u>	<u>360,549</u>	<u>337,381</u>	<u>180,110</u>	<u>252,950</u>	<u>397,140</u>	<u>474,237</u>	<u>563,815</u>	<u>3,287,200</u>
Operating expenses:									
Administrative	113,853	53,776	75,863	41,349	51,295	64,227	94,266	87,628	582,257
Utilities	127,305	41,661	49,011	42,675	38,508	104,591	124,770	101,696	630,217
Ordinary repairs and maintenance	217,790	39,852	84,938	45,120	62,943	142,563	133,407	170,830	897,443
General expenses	29,622	18,369	20,578	14,545	11,810	29,770	35,328	35,593	195,615
Depreciation	<u>358,504</u>	<u>221,281</u>	<u>146,114</u>	<u>104,234</u>	<u>162,549</u>	<u>380,673</u>	<u>547,815</u>	<u>298,849</u>	<u>2,220,019</u>
Total operating expenses	<u>847,074</u>	<u>374,939</u>	<u>376,504</u>	<u>247,923</u>	<u>327,105</u>	<u>721,824</u>	<u>935,586</u>	<u>694,596</u>	<u>4,525,551</u>
Operating income (loss)	<u>(126,056)</u>	<u>(14,390)</u>	<u>(39,123)</u>	<u>(67,813)</u>	<u>(74,155)</u>	<u>(324,684)</u>	<u>(461,349)</u>	<u>(130,781)</u>	<u>(1,238,351)</u>
Non-operating revenues (expenses):									
Investment income	128	236	954	288	1,087	939	1,511	103	5,246
Interest expense	<u>(354,594)</u>	<u>(163,709)</u>	<u>(39,617)</u>	<u>(12,095)</u>	<u>(44,194)</u>	<u>(25,544)</u>	<u>(58,200)</u>	<u>(115,612)</u>	<u>(813,565)</u>
Net non-operating revenues (expenses)	<u>(354,466)</u>	<u>(163,473)</u>	<u>(38,663)</u>	<u>(11,807)</u>	<u>(43,107)</u>	<u>(24,605)</u>	<u>(56,689)</u>	<u>(115,509)</u>	<u>(808,319)</u>
Loss before special items	(480,522)	(177,863)	(77,786)	(79,620)	(117,262)	(349,289)	(518,038)	(246,290)	(2,046,670)
Special items - capital contributions (distributions)	4,045,000	-	-	-	-	(59,379)	-	3,336,391	7,322,012
Change in net position	3,564,478	(177,863)	(77,786)	(79,620)	(117,262)	(408,668)	(518,038)	3,090,101	5,275,342
Total net position, beginning of year	<u>56,859</u>	<u>1,614,139</u>	<u>1,028,472</u>	<u>969,142</u>	<u>66,773</u>	<u>5,574,815</u>	<u>9,523,886</u>	<u>153,197</u>	<u>18,987,283</u>
Total net position, end of year	<u>\$ 3,621,337</u>	<u>\$ 1,436,276</u>	<u>\$ 950,686</u>	<u>\$ 889,522</u>	<u>\$ (50,489)</u>	<u>\$ 5,166,147</u>	<u>\$ 9,005,848</u>	<u>\$ 3,243,298</u>	<u>\$ 24,262,625</u>

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Housing Authority of the City of Walla Walla (the "Authority") is a municipal corporation created under federal and state housing laws for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the city of Walla Walla (the "City"). The Authority is responsible for operating certain affordable housing programs in the City under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a six member board of commissioners which is essentially autonomous, but is responsible to HUD. An Executive Director is appointed by the Authority's board of commissioners to manage the day-to-day operations of the Authority.

B. Basis of Accounting / Financial Statement Presentation

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The programs of the Authority are organized as separate accounting entities. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position (program equity), revenues, and expenses. The individual programs account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The programs of the Authority are combined and considered an enterprise fund. An enterprise fund is used to account for activities that are operated in a manner similar to those found in the private sector.

The Authority's enterprise fund is accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Authority's financial statements are prepared in accordance with GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended ("GASB 34"). GASB 34 requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows. GASB 34 also requires the Authority to include Management's Discussion and Analysis as part of the Required Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting / Financial Statement Presentation (continued)

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB 33, *Accounting and Financial Reporting for Non-exchange Transactions* ("GASB 33"), grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

On January 30, 2008, HUD issued PIH Notice 2008-9 which requires that unused housing assistance payments ("HAP") under proprietary fund reporting should be reported as restricted net position, with the associated cash and investments also being reported as restricted. Any unused administrative fees should be reported as unrestricted net position, with the associated assets being reported on the financial data schedule as unrestricted.

Both administrative fee and HAP revenue continue to be recognized under the guidelines set forth in GASB 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended. The Section 8 Housing Choice Vouchers program is no longer a cost reimbursement grant; therefore, the Authority recognizes unspent administrative fee and HAP revenue in the reporting period as revenue for financial statement reporting.

C. Reporting Entity

In accordance with GASB 61, *The Financial Reporting Entity Omnibus - An Amendment of GASB Statement No. 14 and No. 34*, the Authority's basic financial statements include those of the Authority and any component units. Component units are legally separate organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

1. The primary government (Authority) is legally entitled to or can otherwise access the organization's resources.
2. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
3. The primary government is obligated in some manner for the debt of the organization.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity (continued)

Based upon the application of these criteria, this report includes blended and discretely presented component units. The blended component units are, although legally separate entities, in substance part of the Authority's operations and so data from these units are combined with data of the primary government and reflected in the "Primary Government" column on the financial statements. The discretely presented component units are reported in a separate column to emphasize that they are legally separate from the primary government. For financial reporting purposes, the Authority's reporting entity includes all financial activities that are controlled or dependent upon the actions taken by the Authority's Board.

The Authority's blended component units consist of the following:

Washington School Homes Planned Unit Development Property Owners Association (the "Association")

The Association was formed as a non-profit corporation under the laws of the State of Washington on August 15, 2007. The purpose of the Association is to manage the affairs of Washington School Homes Planned Unit Development, which property was made subject to Declaration of Covenants, Conditions, Restrictions and Reservations of the Washington School Homes Planned Unit Development (the "Development"). The Development 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 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 ("WWHF")

WWHF 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 Authority's educational, charitable, and scientific programs by performing fundraising exclusively for the benefit of the Authority. The sole member of WWHF is the Authority, who is responsible for appointing the Board of Directors and such other powers, including voting rights and approval rights.

The Authority's discretely presented component units consist of the following:

Emerald Family Properties Limited Liability Limited Partnership ("Emerald")

Emerald 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 Emerald 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. Emerald is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. Emerald 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. The tax credit compliance period ends in 2031.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity (continued)

WWHA-Galbraith Gardens Limited Liability Company ("Galbraith Gardens")

Galbraith Gardens was formed as a limited liability company under the laws of the State of Washington on January 4, 2008. The purpose of Galbraith Gardens is to rehabilitate and operate a rental housing project. It consists of 34 residential units and a community room located in Walla Walla, Washington. Galbraith Gardens is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. Galbraith Gardens has one managing member, the Authority, which owns a 0.01 percent interest and one limited partner, Enterprise Housing Partners XVIII Limited Partnership, with a 99.99 percent ownership interest. All profits and losses are allocated to the members according to their ownership interest. The tax credit compliance period for Galbraith Gardens ends in 2023.

WWHA-Lariat Housing Limited Liability Limited Partnership ("Lariat")

Lariat was formed as a limited liability limited partnership under the laws of the State of Washington on February 19, 2015. Lariat was formed to rehabilitate and operate a rental housing project. It consists of 43 residential units, a laundry room and an office located in Walla Walla, Washington and operates under the name of Lariat Gardens. Lariat is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. Lariat has one general partner, WWHHA-Lariat Limited Liability Company, which owns a 0.01 percent interest, and one limited partner, Enterprise Housing Partner XXIV Limited Partnership, with a 99.99 percent ownership interest. All profits and losses are allocated to the partners according to their ownership interest. The tax credit compliance period ends in 2029.

WWHA-Marcus Whitman Homes Limited Partnership ("Marcus Whitman")

Marcus Whitman was formed as a limited partnership under the laws of the State of Washington on May 5, 2003. Marcus Whitman was formed to rehabilitate 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. Marcus Whitman is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. Marcus Whitman has one general partner, the Authority, which owns a 0.01 percent interest and two limited partners, Enterprise Housing Partners III Series II Limited Partnership with a 48.99 percent ownership interest, and Enterprise Housing Partners XI Limited Partnership with a 51.00 percent ownership interest. All profits and losses are allocated to the partners according to their ownership interest. The tax credit compliance period ends in 2019.

WWHA-Rosehaven Cottages Limited Partnership ("Rosehaven Cottages")

Rosehaven Cottages 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. Rosehaven Cottages consists of 25 residential units and a community room located in Walla Walla, Washington. Rosehaven Cottages is eligible for low-income housing tax credits established under the program described in Section 42 of the Internal Revenue Code.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity (continued)

WWHA-Rosehaven Cottages Limited Partnership ("Rosehaven Cottages") (continued)

Rosehaven Cottages has one general partner, the Authority, with a 0.01 percent ownership interest and one limited partner, National Equity Assignment Corporation, which owns a 99.99 percent interest. All profits and losses are allocated to the partners according to their ownership interest. The tax credit compliance period ends in 2019.

WWHA-Senior Housing Properties Limited Liability Limited Partnership ("Senior Housing")

Senior Housing was formed as a limited liability limited partnership under the laws of the State of Washington on July 18, 2016. Senior Housing was formed 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). Senior Housing is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. Senior Housing has one general partner, the Authority, which owns a 0.01 percent interest, and one limited partner, NEF Assignment Corporation (as nominee), with a 99.99 percent ownership interest. All profits and losses are allocated to the partners according to their ownership interest. The tax credit compliance period ends in 2032.

Walla Walla Family Homes Limited Liability Company ("Family Homes")

Family Homes was formed as a limited liability company under the laws of the State of Washington on January 06, 2010. Family Homes was formed 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 owns a 0.01 percent interest and one special member, Boston Capital Corporate Tax Credit Fund XXXIII Limited Partnership, with 99.99 percent ownership interest. All profits and losses are allocated to the members according to their ownership interest. The tax credit compliance period ends in 2025.

Walla Walla Family Homes Two Limited Liability Company (Family Homes II)

Family Homes II was formed as a limited liability company under the laws of the State of Washington on November 26, 2014. Family Homes II was formed to construct and operate a rental housing project, targeted to farm workers. Family Homes II 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. Family Homes II has one managing member, the Authority, which owns a 0.01 percent interest and one special member, NEF Assignment Corporation, with 99.99 percent ownership interest. All profits and losses are allocated to the members according to their ownership interest. The tax credit compliance period for Family Homes II ends is 2029.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity (continued)

Operating budgets and capital improvements for the discretely presented component units are all approved by the Authority's board of commissioners.

Copies of the audited financial statements of the discretely presented component units may be obtained by contacting Julie Hanson, Finance Director, 501 Cayuse Street, Walla Walla, WA 99362.

D. Description of Programs

The Authority maintains its accounting records by program. A summary of the significant properties and programs operated by the Authority is as follows:

Section 8 Housing Choice Vouchers Program

The Section 8 Housing Choice Vouchers 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 Public and Indian 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 project based vouchers are administered together with the Section 8 Housing Choice Vouchers 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 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 30 homeless individuals and families.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Description of Programs (continued)

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. Due to lack of referrals and community partnerships, the Authority no longer administered the program after April 2018.

Veterans Homeless Program

The Corps of Recovery Discovery program is a transitional housing and vocational rehabilitation program for twenty-four (24) 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 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 leases the units to Valley Residential Services to provide services for ten (10) homeless veterans.

Belmont Apartments ("Belmont")

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

Foothill Homes ("Foothill")

Foothill consists of 25 townhome-style apartments located on various sites throughout Walla Walla and is owned and operated by the Authority. Foothill 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")

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

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Description of Programs (continued)

Enterprise

In order to account for indirect program revenue and expenses, the Authority has a separate 'fund' referred to as Enterprise. The 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 with a community space that is available for use by each program's tenants and other groups and individuals. Included in Enterprise are revenues and expenses associated with the well-water system, sewer lift-stations, daycare facility and laundry facility located at the Valle Lindo property.

E. Use of Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment and contingencies. Actual results could differ significantly from these estimates.

F. Cash and Cash Equivalents

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment.

HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase. It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.

G. Investments

Investments consist of certificates of deposit and are valued at their cost which approximates their market value in accordance with GASB 40, *Deposit and Investment Risk Disclosures - An Amendment of GASB No. 3*.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Accounts Receivable

Rents are due from tenants on the first day of each month. As a result, tenants receivable balances primarily consist of rents past due and due from vacated tenants. An allowance for doubtful accounts is established to provide for accounts which may not be collected in the future for any reason. Collection losses on accounts receivable are charged against the allowance for doubtful accounts. Also, included in accounts receivable are those amounts that tenants owe the Authority for retroactive rent as payment for committing fraud or misrepresentation.

The Authority recognizes a receivable from HUD and other governmental agencies for amounts earned and billed but not received and for amounts unbilled, but earned as of year-end.

I. Allowance for Doubtful Accounts

The Authority periodically reviews all accounts receivable to determine the amount, if any, that may be uncollectable. If it is determined that an account or accounts may be uncollectable, the Authority prepares an analysis of such accounts and records an appropriate allowance against such amounts.

J. Notes Receivable

The Authority has utilized funds in accordance with HUD guidelines to assist in the construction and redevelopment of numerous affordable housing developments through the issuance of mortgage notes. When preparing financial statements in accordance with GAAP, management is required to make estimates as to the collectability of such mortgage notes. When estimating collectability, management analyzes the value of the underlying mortgaged property; the property's ability to generate positive cash flow, and current economic trends and conditions. Management utilizes these estimates and judgments in connection with establishing an allowance for uncollectable amounts during an accounting period. During the year ended December 31, 2018, the Authority charged \$2,193,101 as an estimate for uncollectable amounts.

K. Prepaid Expenses

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

L. Inventories, Net

Inventory consists of miscellaneous supplies and appliances and are valued at cost using the average cost method. If inventory falls below cost due to damage, deterioration, or obsolescence, the Authority writes down inventory to its net realizable value through the establishment of an allowance for obsolete inventory. As of December 31, 2018, the allowance for obsolete inventory totaled \$750.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Investment in Joint Ventures

The Authority holds minority ownership interests in various limited partnerships and limited liability companies whereby its maximum exposure to loss is its current investment. The Authority does not consolidate the limited partnerships in which it does not have the power to direct their activities that most significantly impact their economic performance and does not have an obligation to absorb losses or the right to receive benefits that could potentially be significant to the limited partnerships.

The Authority accounts for its investments in the various limited partnerships under the equity method, which requires that the investments are recorded at cost and adjusted for the Authority's share of income or loss. Since the Authority has no obligation to fund liabilities of the limited partnerships beyond its investment, the investment may not be reduced below zero.

The Authority regularly assesses its investment in limited partnerships and limited liability companies for the existence of impairment. Impairment typically occurs when the carrying value of the Authority's investment in an entity exceeds the estimated value of the investment as determined by management. The estimated value generally consists of remaining future housing tax credits and other tax benefits allocable to, and the estimated residual value if any, of the investment available to the Authority. The residual value is estimated by management based on current economic and capital market conditions, operational results and the terms of the entity's agreements which provide for distributions to the Authority upon the liquidation of the entity or sale or disposition of its assets.

An impairment loss has no effect on the actual fair value of the underlying property or performance of the overall investment, nor does it have any effect on the remaining low-income housing tax credits to be generated. If an investment in an entity is considered to be impaired, the Authority reduces its investment in such entity on the statement of revenues, expenses, and changes in net position. The Authority did not recognize an impairment loss on its investments in limited partnerships or limited liability companies for the year ended December 31, 2018.

N. Capital Assets

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of fixed assets, the cost and related accumulated depreciation are eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Capital Assets (continued)

Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

- | | |
|------------------------------|-----------------|
| • Buildings and Improvements | 27.5 - 30 years |
| • land improvements | 15 - 30 years |
| • Furniture and Equipment | 3 - 10 years |

The Authority has established a capitalization threshold of \$5,000

O. Impairment of Long Lived Assets

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is significant and other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. During the year ended December 31, 2018 there were no impairment losses incurred.

P. Inter-program Receivables and Payables

Inter-program receivables and payables are all classified as either current assets or current liabilities, and are the result of the use of a concentrated account depository as the common paymaster for most of the programs of the Authority. Cash settlements are made monthly. All inter-program balances are reconciled, and inter-program receivables and payables balances net to zero. In accordance with GASB 34, interprogram receivables and payables are eliminated for financial statement purposes. Detail balances by program are found in the Financial Data Schedule of this report.

Q. Accounts Payable and Accrued Liabilities

The Authority recognizes a liability for goods and services received but not paid for as of year-end. The Authority recognizes a liability for wages and fringe benefits related to services performed at year-end but not yet paid to employees or taxing authorities.

R. Prepaid Rent

The Authority's prepaid rent primarily consists of the prepayment of rent by residents applicable to future periods.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Compensated Absences

Compensated absences are those absences for which employees will be paid in accordance with the Authority's Personnel Policy. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such event take place.

T. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until that time.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

U. 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 the Washington State Department of Retirement Systems ("WDRS") and additions to/deductions from WDRS's fiduciary net position have been determined on the same basis as they are reported by WDRS. 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.

V. Equity Classifications

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of resources including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

V. Equity Classifications (continued)

Restricted net position - Consists of resources with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

W. Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided as well as government subsidies and grants used for operating purposes. The Authority receives annual operating subsidies from HUD, subject to limitations prescribed by HUD. Operating subsidies from HUD are recorded when received and are accounted for as revenue. Operating expenses are costs incurred in the operation of the program. The Authority classifies all other revenues and expenses as non-operating.

X. Economic Dependency

The Section 8 Housing Choice Vouchers program of the Authority is economically dependent on grants from HUD. The program operates at a loss prior to receiving the grants.

Y. Taxes

The Authority is a unit of local government under Washington law and is exempt from real estate, sales and income taxes.

Z. Risk Management

The Authority is a member of the Housing Authorities Risk Retention Pool ("HARRP"). 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.

The Authority is exposed to various risks related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by HARRP for all major programs and there have been no significant reductions in insurance coverage. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, the amount of the loss can be reasonably estimated, and said amount exceeds insurance coverage. Settlement amounts have not exceeded insurance coverage for the last three years.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 2. CASH AND CASH EQUIVALENTS

As of December 31, 2018, the Authority had funds on deposit in checking, savings, and money market accounts. The carrying amount of the Authority's cash and cash equivalents (including restricted cash) was \$6,336,989, and the bank balances of the primary government approximated \$3,341,455.

<u>Cash Category</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity</u>
Unrestricted	\$ 2,922,390	\$ 824,601	\$ 3,746,991
Tenant security deposits	25,296	111,390	136,686
Restricted	<u>390,086</u>	<u>2,063,226</u>	<u>2,453,312</u>
Total cash and cash equivalents	<u>\$ 3,337,772</u>	<u>\$ 2,999,217</u>	<u>\$ 6,336,989</u>

Of the bank balances of the primary government, \$250,000 was covered by federal depository insurance and the remaining \$3,091,455 was collateralized with the pledging financial institutions as of December 31, 2018.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of December 31, 2018, the Authority's bank balances were not exposed to custodial credit risk.

NOTE 3. INVESTMENTS

As of December 31, 2018, the primary government's investments are stated at cost which approximates their fair value, and consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>
<u>Unrestricted:</u>	
Certificates of Deposit:	
Banner Bank #1	\$ 190,808
Banner Bank #2	<u>67,258</u>
Total unrestricted investments	<u>\$ 258,066</u>
<u>Investment Type</u>	<u>Fair Value</u>
<u>Restricted:</u>	
Certificates of Deposit - Banner Bank #3:	<u>\$ 28,049</u>

The Banner Bank #3 certificate of deposit is restricted for the repair and replacement of property within the Veterans Homeless Providers Grant Program.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 3. INVESTMENTS (continued)

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 4. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following as of December 31, 2018:

<u>Description</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity</u>
Accounts receivable - tenants, net	\$ 8,224	\$ 10,743	\$ 18,967
Accounts receivable - other government	39,519	-	39,519
Accounts receivable - fraud recovery, net	2,577	-	2,577
Accounts receivable - miscellaneous	<u>780,665</u>	<u>-</u>	<u>780,665</u>
Total accounts receivable, net	<u>\$ 830,985</u>	<u>\$ 10,743</u>	<u>\$ 841,728</u>

Accounts Receivable - Tenants, Net

Tenant accounts receivable represents amounts owed to the Authority by tenants for outstanding rent, maintenance charges and/or late fees. The balance is shown net of an allowance for doubtful accounts of \$10,469.

Accounts Receivable - Other Government

Accounts receivable - other government represents amounts owed to the Authority by other federal agencies and state and local governments. Management estimates the amounts to be fully collectible and therefore no allowance for doubtful accounts has been established.

Accounts Receivable - Fraud Recovery, Net

Accounts receivable - fraud recovery, net represents amounts owed from tenants or other program participants who committed fraud or mis-representation and now owe additional rent or retroactive rent. The amount is shown net of an allowance for doubtful accounts of \$8,650.

Accounts Receivable - Miscellaneous

Accounts receivable - miscellaneous consists of amounts owed to the Authority from the discretely presented component units for unreimbursed operating and development costs. Management estimates the amounts to be fully collectible and therefore no allowance for doubtful accounts has been established.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 5. RESTRICTED DEPOSITS

As of December 31, 2018, restricted deposits consisted of the following:

<u>Cash Category</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity</u>
Housing assistance payment reserve	\$ 10,884	\$ -	\$ 10,884
Cafeteria plan escrows	6,450	-	6,450
Water and sewer system reserves	184,663	-	184,663
Reserve for replacement escrows	137,874	1,023,042	1,160,916
Operating reserves	50,215	1,040,184	1,090,399
Tenant security deposits	<u>25,296</u>	<u>111,390</u>	<u>136,686</u>
Total restricted deposits	\$ <u>415,382</u>	\$ <u>2,174,616</u>	\$ <u>2,589,998</u>

Housing assistance payment reserves are restricted for use only in the Section 8 Housing Choice Vouchers Program for future housing assistance payments.

Cafeteria plan escrows are restricted for the Authority's employee benefit plan expenses.

Water and sewer system reserves are restricted for repairs to the water and sewer infrastructure.

Reserve for replacement funds are required to be set aside for future project expenditures in accordance with the RAD Conversion Commitment as well as certain loan covenants.

Operating reserves are funds set aside to cover certain operating deficits in certain projects.

Tenant security deposits represent amounts held by the Authority on behalf of tenants. Upon termination from the program, the tenant is due amounts deposited plus interest earned less any amounts charged for damage to the unit.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 6. CAPITAL ASSETS, NET

The following is a summary of the primary government's changes in capital assets during the year ended December 31, 2018:

Description	December 31, 2017	Additions	Dispositions	Transfers	December 31, 2018
<u>Non-depreciable:</u>					
Land	\$ 1,409,544	\$ -	\$ -	\$ -	\$ 1,409,544
Construction in progress	<u>104,676</u>	<u>1,648,746</u>	<u>-</u>	<u>(1,751,422)</u>	<u>2,000</u>
Total	<u>1,514,220</u>	<u>1,648,746</u>	<u>-</u>	<u>(1,751,422)</u>	<u>1,411,544</u>
<u>Depreciable:</u>					
Buildings and improvements	8,648,535	-	-	1,751,422	10,399,957
Furniture and equipment	<u>690,528</u>	<u>-</u>	<u>(247,474)</u>	<u>-</u>	<u>443,054</u>
Total	<u>9,339,063</u>	<u>-</u>	<u>(247,474)</u>	<u>1,751,422</u>	<u>10,843,011</u>
Less: accumulated depreciation	<u>2,780,067</u>	<u>356,868</u>	<u>(56,122)</u>	<u>-</u>	<u>3,080,813</u>
Net capital assets	<u>\$ 8,073,216</u>	<u>\$ 1,291,878</u>	<u>\$ (191,352)</u>	<u>\$ -</u>	<u>\$ 9,173,742</u>

Depreciation expense for the fiscal year ended December 31, 2018 amounted to \$356,868.

The following is a summary of the discretely presented component units' changes in capital assets during the year ended December 31, 2018:

Description	December 31, 2017	Additions	Dispositions	Transfers	December 31, 2018
<u>Non-depreciable:</u>					
Land	\$ 3,264,404	\$ -	\$ (108,600)	\$ -	\$ 3,155,804
Construction in progress	<u>(11,777)</u>	<u>-</u>	<u>-</u>	<u>11,777</u>	<u>-</u>
Total	<u>3,252,627</u>	<u>-</u>	<u>(108,600)</u>	<u>11,777</u>	<u>3,155,804</u>
<u>Depreciable:</u>					
Buildings and improvements	64,750,551	-	(983,943)	(11,777)	63,754,831
Furniture and equipment	<u>1,652,753</u>	<u>2,333</u>	<u>(282,828)</u>	<u>-</u>	<u>1,372,258</u>
Total	<u>66,403,304</u>	<u>2,333</u>	<u>(1,266,771)</u>	<u>(11,777)</u>	<u>65,127,089</u>
Less: accumulated depreciation	<u>10,265,126</u>	<u>2,220,019</u>	<u>(330,517)</u>	<u>-</u>	<u>12,154,628</u>
Net capital assets	<u>\$ 59,390,805</u>	<u>\$ (2,217,686)</u>	<u>\$ (1,044,854)</u>	<u>\$ -</u>	<u>\$ 56,128,265</u>

Depreciation expense for the fiscal year ended December 31, 2018 amounted to \$2,220,019.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 7. NOTES RECEIVABLE

Outstanding notes receivable as of December 31, 2018 consisted of the following:

<u>Description</u>	<u>Amount</u>
On August 5, 2016, the Authority entered into a loan agreement with Emerald in the amount of \$700,000. The loan is non-interest bearing, with an annual payment contingent upon cash flow. Principal is due at maturity (December 31, 2071). The loan is secured by deed of trust on the property.	\$ 700,000
On August 5, 2016, the Authority entered into a loan agreement with Emerald in the amount of \$4,743,245. The loan accrues interest at 3% compounded annually. Annual payments are contingent upon cash flow with unpaid principal and accrued interest due at maturity (December 31, 2071). The loan is secured by deed of trust on the property and is shown net of an allowance for uncollectable amounts of \$1,666,689. Accrued interest on the loan totaled \$292,936.	3,076,556
On August 5, 2016, the Authority entered into a loan agreement with Emerald in the amount of \$1,479,255. The loan accrues interest at 3% compounded annually. Annual payments are contingent upon cash flow with unpaid principal and accrued interest due at maturity (December 31, 2071). The loan is secured by deed of trust on the property. Accrued interest on the loan totaled \$-.	1,479,255
On August 5, 2016, the Authority entered into a loan agreement with Emerald Family Properties LLLP in the amount of \$1,080,590. The loan accrues interest at 3% compounded annually. Annual payments are contingent upon cash flow with unpaid principal and accrued interest due at maturity (December 31, 2071). The loan is secured by deed of trust on the property. Accrued interest on the loan totaled \$69,835.	1,080,590
On November 8, 2016, the Authority entered into a loan agreement with Senior Housing in the amount of \$1,264,711. The loan accrues interest at 2.07% compounded annually. Annual payment contingent upon cash flow; principal and accrued interest due at maturity, March 31, 2057. The loan is secured by deed of trust on the property. Accrued interest on the loan totaled \$47,265.	1,264,711
The Authority entered into a mortgage assistance note on June 28, 2010 with a borrower in the amount of \$31,000 for a property located at 505 Martha Street, Walla Walla, WA 99362. The loan bears no interest unless borrower is in default of the note, in which case interest shall accrue at 12% per annum. The note matures when ownership of the property is transferred or unless the borrower is in default of the terms of the deed of trust securing this note.	31,000
The Authority entered into a promissory note with William Earl Ansorge in the amount of \$177,950. The loan bears interest at a rate of 4.125%, and monthly payments in the amount of \$755 are due beginning July 1, 2015. The full unpaid principal and all accrued but unpaid interest are due in full on June 30, 2019. The note is secured by residential real property.	169,677

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 7. NOTES RECEIVABLE (continued)

<u>Description</u>	<u>Amount</u>
The Authority entered into a mortgage assistance note on February 23, 2010 with a borrower in the amount of \$42,000 for a property located at 545 Martha Street, Walla Walla, WA 99362. The loan bears no interest unless borrower is in default of the note, in which case interest shall accrue at 12% per annum. The note matures when ownership of the property is transferred or unless the borrower is in default of the terms of the deed of trust securing this note.	42,000
The Authority entered into a mortgage assistance note on June 18, 2010 with a borrower in the amount of \$31,000 for a property located at 548 Quarter Street, Walla Walla, WA 99362. The loan bears no interest unless borrower is in default of the note, in which case interest shall accrue at 12% per annum. The note matures when ownership of the property is transferred or unless the borrower is in default of the terms of the deed of trust securing this note.	<u>31,000</u>
Total notes receivable	7,874,789
Less: current portion	<u>2,554</u>
Notes receivable, net of current portion	<u><u>\$ 7,872,235</u></u>
As of December 31, 2018, accrued interest on the aforementioned notes receivable amounted to \$410,036; however, management has recorded an allowance on 100% of the accrued interest balance.	

NOTE 8. OTHER ASSETS, NET

Other assets consisted of the following as of December 31, 2018:

<u>Description</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity</u>
Deposits with joint ventures	\$ 214,028	\$ -	\$ 214,028
Tax credit fees, net	<u>-</u>	<u>354,920</u>	<u>354,920</u>
Total other assets	<u><u>\$ 214,028</u></u>	<u><u>\$ 354,920</u></u>	<u><u>\$ 568,948</u></u>

Deposits with joint ventures represents upfront development costs paid to various limited partnerships. Amounts will be repaid from equity contributions from limited partners or from available cash flow.

Tax credit fees, net represent costs incurred to obtain tax credits and financing for projects that have been capitalized and are being amortized over fifteen (15) years.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 9. NON-CURRENT LIABILITIES

Non-current liabilities of the primary government as of December 31, 2018 consisted of the following:

Description	December 31, 2017	Additions	Payments	December 31, 2018	Amounts due within one Year
Compensated absences	\$ 104,305	\$ 11,159	\$ -	\$ 115,464	\$ 34,690
Accrued pension liability	999,464	-	(346,585)	652,879	-
Loans payable	<u>7,123,801</u>	<u>1,411,885</u>	<u>(750,207)</u>	<u>7,785,479</u>	<u>382,636</u>
Total long-term liabilities	<u>\$8,227,570</u>	<u>\$1,423,044</u>	<u>\$1,096,792)</u>	<u>\$8,553,822</u>	<u>\$ 417,326</u>

Non-current liabilities of the discretely presented component units as of December 31, 2018 consisted of the following:

Description	December 31, 2017	Additions	Payments	December 31, 2018	Amounts due within one Year
Developer fee payable	<u>\$2,319,584</u>	<u>\$ -</u>	<u>\$ (1,644,835)</u>	<u>\$ 674,749</u>	<u>\$ -</u>

NOTE 10. LOANS PAYABLE

Loans payable of the primary government consisted of the following as of December 31, 2018:

<u>Description</u>	<u>Amount</u>
The Authority entered into a bridge loan with Washington School Homes on June 26, 2015 in the amount of \$169,750. The loan bears interest at a rate of 4.12%, matures in 2019, and is secured by real estate.	\$ 159,236
The Authority entered into a loan with Frankland/Hobson on July 1, 2011 in the amount of \$100,000. The loan bears interest at a rate of 6.25%, matures in 2021, and is secured by real estate.	32,094
The Authority entered into a loan with Parkview WSHFC on November 28, 2017 in the amount of \$663,000. The loan bears interest at a rate of 1%, matures in 2024, and is secured by real estate.	676,350
The Authority entered into a loan with Evergreen Office on December 28, 2017 in the amount of \$259,000. The loan bears interest at a rate of 1%, matures in 2025, and is secured by real estate.	261,595

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 10. LOANS PAYABLE (continued)

<u>Description</u>	<u>Amount</u>
The Authority entered into a bond with Banner Bank on December 28, 2017 in the amount of \$1,400,000. The outstanding principal balance of the loan bears interest at a rate of 3.50% per annum. Effective March 1, 2028, up to but not including March 1, 2033, the outstanding principal balance of each draw shall bear interest at a rate determined by the bank to be the lesser of 5.07% per annum or the greater of 3.07% or the sum of .14% plus the most recent five year advance rate of the Federal Home Loan Bank of Des Moines ("FHLB"). Effective March 1, 2033, until maturity or prepayment in full, the outstanding principal balance of each draw shall bear interest at a rate determined by the bank to be the lesser of 7.07% per annum or the greater of 3.07% or the sum of .14% plus the most recent FHLB rate. The bond matures on March 1, 2038.	900,000
The Authority entered into a loan with Banner Bank for CORD-1 on January 18, 1998 in the amount of \$126,000. The loan bears interest at a rate of 4.5%, matures in 2028, and is secured by real estate.	34,072
The Authority entered into a loan with Banner Bank for CORD-1 on September 13, 1998 in the amount of \$70,000. The loan bears interest at a rate of 4.5%, matures in 2028, and is secured by real estate.	58,101
The Authority entered into a loan with the WA State Department of Health for the Drinking Water State Reserve Fund on May 3, 2013 in the amount of \$253,595. The loan bears interest at a rate of 3%, matures in 2028.	158,496
The Authority entered into a loan with the Belmont Apartments on September 24, 1999 in the amount of \$237,250. The loan bears interest at a rate of 4.50%, matures in 2029, and is secured by real estate.	124,198
The Authority entered into a loan with Banner Bank for the Parkview Apartments on November 27, 2016 in the amount of \$1,640,000. The loan bears interest at a rate of 2.62%, matures in 2036, and is secured by real estate.	1,511,932
The Authority entered into a loan with Banner Bank for Foothill Homes - Banner Permanent on July 1, 2010 in the amount of \$2,054,600. The loan bears interest at a rate of 5%, matures in 2040, and is secured by real estate.	1,756,559

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 10. LOANS PAYABLE (continued)

<u>Description</u>	<u>Amount</u>
The Authority entered into a loan with the Department of Commerce for the Belmont Apartments on June 30, 2009 in the amount of \$100,000. The loan bears interest at a rate of 1%, matures in 2048, and is secured by real estate.	86,822
The Authority entered into a loan with the Department of Commerce for the Belmont Apartments on June 30, 2009 in the amount of \$100,000. The loan bears interest at a rate of 1%, matures in 2048, and is secured by real estate.	122,019
The Authority entered into a loan with the Belmont Apartments on June 30, 2009 in the amount of \$113,920. The loan bears interest at a rate of 1%, matures in 2048, and is secured by real estate.	139,005
The Authority entered into a loan with the Foothill Homes - HTF on October 30, 2009 in the amount of \$1,875,000. The loan bears interest at a rate of 1%, matures in 2049, and is secured by real estate.	<u>1,765,000</u>
Total long-term debt	7,785,479
Less: current portion	<u>382,636</u>
Long-term debt, net of current portion	<u>\$ 7,402,843</u>

Annual debt service for principal and interest over the next five years and in five-year increments thereafter are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 382,636	\$ 182,365	\$ 565,001
2020	228,739	169,764	398,503
2021	230,369	162,148	392,517
2022	249,234	154,875	404,109
2023	256,160	147,500	403,660
2024-2028	2,309,326	608,331	2,917,657
2029-2033	1,489,997	397,722	1,887,719
2034-2038	1,479,379	169,644	1,649,023
2039-2043	629,309	17,593	646,902
2044-2048	401,830	2,434	404,264
2049	<u>128,500</u>	<u>-</u>	<u>128,500</u>
	<u>\$ 7,785,479</u>	<u>\$ 2,012,376</u>	<u>\$ 9,394,195</u>

Interest expense for the year ended December 31, 2018 totaled \$184,561.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 10. LOANS PAYABLE (continued)

A summary of the Authority's discretely presented component units long-term debt is as follows:

<u>Loans payable to the Authority as evidenced by a Note Receivable (see Note 8):</u>	<u>Amount</u>
On August 5, 2016, the Authority entered into a loan agreement with Emerald in the amount of \$700,000. The loan is non-interest bearing with annual payment contingent upon cash flow. Principal and accrued interest is due at maturity, December 31, 2071. The loan is secured by deed of trust on the property.	\$ 700,000
On August 5, 2016, the Authority entered into a loan agreement with Emerald in the amount of \$4,743,245. The loan accrues interest at 3% compounded annually. Annual payments are contingent upon cash flow with unpaid principal and accrued interest due at maturity (December 31, 2071). The loan is secured by deed of trust on the property. Accrued interest on the loan totaled \$292,936.	4,743,245
On August 5, 2016, the Authority entered into a loan agreement with Emerald in the amount of \$1,479,255. The loan accrues interest at 3% compounded annually. Annual payments are contingent upon cash flow with unpaid principal and accrued interest due at maturity (December 31, 2071). The loan is secured by deed of trust on the property. Accrued interest on the loan totaled \$-.	1,479,255
On August 5, 2016, the Authority entered into a loan agreement with Emerald Family Properties LLLP in the amount of \$1,080,590. The loan accrues interest at 3% compounded annually. Annual payments are contingent upon cash flow with unpaid principal and accrued interest due at maturity (December 31, 2071). The loan is secured by deed of trust on the property. Accrued interest on the loan totaled \$69,835.	1,080,590
On November 8, 2016, the Authority entered into a loan agreement with Senior Housing in the amount of \$1,264,711. The loan accrues interest at 2.07% compounded annually. Annual payment contingent upon cash flow; principal and accrued interest due at maturity, March 31, 2057. The loan is secured by deed of trust on the property. Accrued interest on the loan totaled \$47,265.	<u>1,264,711</u>
Total primary government loans to discretely presented component units	\$ <u>9,267,801</u>
<u>Loans payable to other lenders:</u>	
Family Homes entered into a loan with the State of Washington in the original amount of \$2,500,000; interest at 1% adding to principal beginning on January 1, 2012; quarterly interest payments of \$6,250 beginning March 31, 2032, continuing through September 30, 2051; balloon payment of \$3,006,250 due on or before maturity, December 31, 2015; secured by deed of trust on the related real estate.	\$ 2,675,000
Family Homes II entered into a note with Washington Community Reinvestment Association in the original amount of \$750,000, interest at 5.75%; monthly principal and interest payments of \$4,377 continuing through December 31, 2034; collateralized by investment in real estate.	720,238

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 10. LONG TERM DEBT (continued)

<u>Loans payable to other lenders:</u>	<u>Amount</u>
Family Homes II entered into a loan with the State of Washington in the original amount of \$1,300,000; compounding interest at 1% beginning January 1, 2015; annual payments of \$5,000 beginning December 31, 2015, through December 31, 2032; annual payments of \$13,000 beginning December 31, 2033, through December 31, 2043; final payments of \$70,000 beginning December 31, 2044; final payment of \$906,009 due on or before maturity, December 31, 2054; secured by deed of trust on the related real estate.	1,332,483
Galbraith Gardens entered into a note with Washington Community Reinvestment Association in the original amount of \$800,000, interest at 5.75%; monthly installments of principal and interest of \$4,669 beginning September 1, 2010, continuing through August 1, 2028, when a balloon payment of \$487,150 will be due; collateralized by investment in real estate.	693,167
Galbraith Gardens entered into a loan with the State of Washington in the original amount of \$2,825,000 with no interest; annual payments of \$17,105 begin December 31, 2027, continuing through December 31, 2049, when a balloon payment of \$2,448,690 will be due; collateralized by investment in real estate.	2,825,000
Emerald entered into a construction loan with Banner Bank, dated August 5, 2016 for \$7,400,000; interest at 2.75%; monthly interest only payments; construction loan matured February 2018, subject to a 6-month extension provided certain conditions are met; \$2,200,000 converted to a term loan on May 1, 2018; upon conversion term loan bears interest at 3.75% and is due to mature on May 1, 2035; secured by deed of trust on the related real estate.	2,179,963
Lariat entered into a construction loan with Banner Bank, dated July 13, 2014 for \$4,150,000; bore interest at a variable rate, 3.75%; construction loan matured July 1, 2016; \$2,000,000 converted to a term loan with interest at 5.25% and monthly payments of \$11,044 with a maturity date of July 1, 2033; secured by deed of trust on the related real estate.	1,929,572
Lariat entered into a loan with the State of Washington Department of Commerce, dated May 5, 2014, \$3,500,000; 1% interest compounding quarterly and added to principal, beginning January 1, 2015; beginning March 31, 2032, quarterly payments of principal and interest of \$6,500 through September 30, 2054; matures December 31, 2054, secured by deed of trust on the related real estate.	3,642,656
Marcus Whitman entered into a mortgage with Banner Bank, interest at 6.84%, monthly payments of \$2,821 beginning December 5, 2005, until maturity, November 1, 2020, at which time a balloon payment of \$317,032 is due; secured by deed of trust and assignment of rents.	338,837

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 10. LONG TERM DEBT (continued)

<u>Loans payable to other lenders:</u>	<u>Amount</u>
Marcus Whitman entered into a loan with the State of Washington at rate of 1% per annum, compounded quarterly, accruing beginning August 1, 2005, continuing through October 31, 2006; quarterly payments of principal and interest of \$3,500 beginning October 31, 2006 through July 1, 2038; then quarterly payments of \$11,250 from October 31, 2038 through April 30, 2045; balloon payment of \$1,152,340 due at maturity, July 31, 2045; secured by deed of trust and assignment of rents.	1,373,646
Rosehaven Cottages entered into a mortgage with Banner Bank, interest at 6.5%, monthly payments of \$1,313 beginning September 6, 2006, until maturity, August 1, 2021, at which time a balloon payment of \$154,594 is due; secured by deed of trust and assignment of rents.	165,200
Rosehaven Cottages entered into a mortgage payable with the State of Washington, no interest, quarterly payments of \$875 beginning March 31, 2007, until maturity, December 31, 2045, at which time a balloon payment of \$714,375 is due; secured by deed of trust on the investment in real estate.	808,000
Senior Housing entered into a mortgage with Banner Bank in the amount of \$2,200,000, interest at 3.375%, monthly principal and interest payments of \$10,189; matures April 2036; secured by deed of trust on the related real estate.	2,178,618
Senior Housing entered into a loan with the State of Washington Department of Commerce, dated November 2, 2016, for \$4,099,646; 3% interest compounding annually; annual payment contingent upon cash flow; principal and accrued interest due at maturity, March 31, 2057; secured by deed of trust on the related real estate.	<u>4,105,008</u>
Total long-term debt to other lenders	24,967,388
Less: debt issuance costs	<u>247,086</u>
Total long-term debt, net of debt issuance costs	33,988,103
Less: current portion of long-term debt	<u>169,028</u>
Total long-term debt, net of current portion	\$ <u>33,819,075</u>
Interest expense for the year ended December 31, 2018 totaled \$813,565.	

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 11. 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 2018:

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

The DRS CAFR may also 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.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 11. PENSION PLAN (continued)

Public Employees' Retirement System (PERS) (continued)

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 2018 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	12.70%	6.00%

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

The Authority's actual contributions to PERS Plan 1 were \$65,551 for the year ended December 31, 2018.

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.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 11. PENSION PLAN (continued)

Public Employees' Retirement System (PERS) (continued)

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 August 2018	12.70%	7.38%
September through December 2018	12.83%	7.41%
Employee PERS Plan 3		varies

* For employees participating in JBM, the contribution rate was 18.45%

The Authority's actual contributions to the PERS Plan 2/3 were \$97,113 for the year ended December 31, 2018.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 11. PENSION PLAN (continued)

Actuarial Assumptions

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

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.40%

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 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.4 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 7.4 percent was used to determine the total liability.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 11. PENSION PLAN (continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 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 7.4 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, 2018, 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	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	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 7.4 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 (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1	538,255	437,984	351,129
PERS 2/3	982,934	214,895	(414,811)

Pension Plan Fiduciary Net Position

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

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 11. PENSION PLAN (continued)

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

At June 30, 2018, the Authority reported a total pension liability of \$652,879 for its proportionate share of the net pension liabilities as follows:

<u>Plan</u>	<u>Liability / (Assets)</u>
PERS 1	\$ 437,984
PERS 2/3	214,895
	<hr/>
Total	\$ <u>652,879</u>

At June 30, 2018, the Authority's proportionate share of the collective net pension liabilities was as follows:

	<u>Proportionate Share June 30, 2017</u>	<u>Proportionate Share June 30, 2018</u>	<u>Change in Proportion</u>
PERS 1	0.010847%	0.009807%	-0.001040%
PERS 2/3	0.013952%	0.012586%	-0.001366%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2018 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 for the Law Enforcement Officers and Firefighters ("LEOFF") Plan 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.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 11. PENSION PLAN (continued)

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

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2018, the Authority recognized pension expense as follows:

	<u>Pension Expense</u>
PERS 1	\$ 38,850
PERS 2/3	<u>(4,630)</u>
Total	<u>\$ 34,220</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PERS Plan 1		
Net differences between projected and actual investment earnings on pension plan investments	\$ -	\$ 17,405
Contributions subsequent to measurement date	<u>38,975</u>	<u>-</u>
Total PERS Plan 1	<u>38,975</u>	<u>17,405</u>
PERS Plan 2/3		
Changes of Assumptions	\$ 2,514	\$ 61,157
Differences between expected and actual experience	26,340	37,624
Net differences between projected and actual investment earnings on pension plan investments	-	131,869
Changes in proportion and differences between contributions and proportionate share of contributions	14,442	66,530
Contributions subsequent to measurement date	<u>57,556</u>	<u>-</u>
Total PERS Plan 2/3	<u>100,852</u>	<u>297,180</u>
Total PERS Plans 1,2 and 3	<u>\$ 139,827</u>	<u>\$ 314,585</u>

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 11. PENSION PLAN (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date were recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows (not applicable to PERS Plan 1):

		PERS Plan 2/3 <u>Outflows</u>	PERS Plan 2/3 <u>Inflows</u>
Year ending June 30:			
	2019	\$ 4,126	\$ 11,938
	2020	-	8,870
	2021	-	8,103
	2022	-	8,103
	2023	-	8,103
	Thereafter	<u>-</u>	<u>9,479</u>
		<u>\$ 4,126</u>	<u>\$ 54,596</u>

* No PERS Plan 1 deferred inflows or deferred outflows

NOTE 12. RELATED PARTY TRANSACTIONS

Emerald, Galbraith Gardens, Lariat, Marcus Whitman, Rosehaven Cottages, Senior Housing, Family Homes and Family Homes Two 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 the year ended December 31, 2018:

Description	Developer Fee	Partnership Admin Fee	Property Management Fee	Total
Emerald	\$ 77,713	\$ 5,047	\$ 46,401	\$ 129,161
Galbraith Gardens	-	7,746	19,496	27,242
Lariat	156,141	10,101	19,218	185,460
Marcus Whitman	-	22,689	24,729	47,418
Rosehaven Cottages	-	14,258	16,015	30,273
Senior Housing	161,895	-	37,279	199,174
Family Homes	-	10,000	27,650	37,650
Family Homes Two	<u>-</u>	<u>20,259</u>	<u>41,379</u>	<u>61,638</u>
Total	<u>\$ 395,749</u>	<u>\$ 90,100</u>	<u>\$ 232,167</u>	<u>\$ 718,016</u>

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 12. RELATED PARTY TRANSACTIONS (continued)

The Authority has entered into several long-term ground leases with its component units ranging from 50 to 99 years. Annual lease payments range from \$1 to \$12.

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, are disclosed in Note 10.

The table below lists the amounts owed from the various component units which are included in notes receivable, accrued interest and accounts receivable on the Statement of Net Position for the Primary Government.

<u>Description</u>	<u>Amount</u>
<u>Emerald</u>	
Year-end fees	\$ 24,659
AHP Note	700,000
Seller loan, including accrued interest	5,036,181
Sponsor loan B, including accrued interest	1,150,425
Developer fee	77,713
	<u>\$ 6,988,978</u>
<u>Galbraith Gardens</u>	
Year-end fees	\$ 4,608
Partnership fees	627
	<u>\$ 5,235</u>
<u>Lariat</u>	
Year-end fees	\$ 4,924
Partnership fee	36,148
Developer fee	156,141
	<u>\$ 197,213</u>
<u>Marcus Whitman</u>	
Year-end fees	\$ 6,061
Partnership fee	3,727
	<u>\$ 9,788</u>
<u>Rosehaven Cottages</u>	
Year-end fees	\$ 4,334
Partnership fee	1,154
	<u>\$ 5,488</u>
<u>Senior Housing</u>	
Year-end fees	\$ 14,586
Seller loan, including accrued interest	1,311,976
Developer fee	161,895
	<u>\$ 1,488,457</u>

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 12. RELATED PARTY TRANSACTIONS (continued)

<u>Description</u>	<u>Amount</u>
<u>Family Homes</u>	
Year-end fees	833
Partnership fee	<u>9,222</u>
	<u>\$ 10,055</u>
<u>Family Homes Two</u>	
Year-end fees	9,941
Partnership fee	75,846
Developer fee	<u>179,000</u>
	<u>\$ 264,787</u>

NOTE 13. RESTRICTED NET POSITION

Restricted net position consists of the following as of December 31, 2018:

<u>Description</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity</u>
Housing assistance payment reserves	\$ 10,884	\$ -	\$ 10,884
Operating and replacement reserves	408,670	2,063,226	2,471,896
Mortgage assistance	273,677	-	273,677
Tenant security deposit assistance reserves	<u>6,419</u>	<u>-</u>	<u>6,419</u>
Total restricted net position	<u>\$ 699,650</u>	<u>\$ 2,063,226</u>	<u>\$ 2,762,876</u>

Housing assistance payment reserves are restricted for use only in the Section 8 Housing Choice Vouchers Program for future housing assistance payments.

Operating and replacement reserves are restricted for use within their respective project for operating expenses and the replacement and rehabilitation of property and equipment.

Mortgage assistance reserves are restricted for use in providing home ownership assistance to eligible homebuyers.

Tenant security deposit assistance reserves are restricted to assist tenants with payment of security deposits upon lease-up. Tenants are required to reimburse the Authority for the security deposit they received, and the funds go back into a revolving loan account to assist other tenants.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 14. RISK MANAGEMENT

The Authority is a member of 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 88 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.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2018

NOTE 14. RISK MANAGEMENT (continued)

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 2018. Claims have not exceeded insurance coverage in any of the last three years.

NOTE 15. CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of December 31, 2018, the Authority estimates that no material liabilities will result from such audits.

NOTE 16. SUBSEQUENT EVENTS

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through August 1, 2019 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



**INDEPENDENT AUDITORS' 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***

To the Board of Directors
Housing Authority of the City of Walla Walla:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities (primary government) and the aggregate discretely presented component units of the Housing Authority of the City of Walla Walla (the "Authority") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated August 1, 2019.

Our report includes a reference to other auditors who audited the financial statements of eight of the Authority's discretely presented component units: Emerald Family Properties LLC, WWHA - Lariat Housing LLLP, WWHA - Marcus Whitman Homes LP, WWHA - Rosehaven Cottages LP, WWHA - Galbraith Gardens LLC, Walla Walla Family Homes LLC, Walla Walla Family Homes Two LLC, and Senior Housing Properties LLLP as described in our report on the Authority's financial statements. This report includes the results of the other auditors' testing of internal control over financial reporting and compliance and other matters for Emerald Family Properties LLC, WWHA - Lariat Housing LLLP, WWHA - Marcus Whitman Homes LP, WWHA - Rosehaven Cottages LP, WWHA - Galbraith Gardens LLC, Walla Walla Family Homes LLC, Walla Walla Family Homes Two LLC, and Senior Housing Properties LLLP as these audits were also audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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



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Internal Control Over Financial Reporting (continued)

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 entity'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 Authority's financial statements are free from material misstatement, we performed tests of its 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Novogrudac & Company LLP

August 1, 2019
Toms River, New Jersey



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Housing Authority of the City of Walla Walla:

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Walla Walla's (the "Authority") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2018. The Authority's major federal programs are identified in the summary of auditors' results section of 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 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. However, our audit does not provide a legal determination of the Authority's compliance.



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Opinion on Each Major Federal Program

In our opinion, the 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, 2018.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on the major federal programs is not modified with respect to this matter.

The Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the 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 Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 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.

Report on Internal Control over Compliance (continued)

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 over compliance 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, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a significant deficiency.

The Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Novogradac & Company LLP

August 1, 2019
Toms River, New Jersey

SUPPLEMENTARY INFORMATION

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Expenditures</u>
U.S. Department of Housing and Urban Development:		
Housing Voucher Cluster		
Section 8 Housing Choice Vouchers	14.871	\$ <u>5,756,723</u>
Total Housing Voucher Cluster		5,756,723
Home Investment Partnership Program	14.239	<u>200,237</u>
Subtotal United States Department of Housing and Urban Development Direct Programs		<u>5,956,960</u>
U.S. Department of Veterans Affairs		
VA Homeless Providers Grant and Per Diem Program	64.024	<u>304,000</u>
Subtotal U.S. Department of Veterans Affairs		<u>304,000</u>
Total Expenditures of Federal Awards		\$ <u>6,260,960</u>

See Notes to Schedule of Expenditures of Federal Awards.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Authority under programs of the federal government for the year ended December 31, 2018. The information in the Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3. INDIRECT COST RATE

The Authority has not elected to use the ten percent de minimus indirect cost rate allowed under the Uniform Guidance.

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

I. Summary of Auditors' Results

Financial Statement Section

- | | | |
|----|---|------------|
| 1. | Type of auditors' report issued: | Unmodified |
| 2. | Internal control over financial reporting | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified? | No |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards Section

- | | | | | | | |
|--------------------|---|--------------------|--------------------------------|--------|-----------------------------------|--|
| 1. | Internal Control over compliance: | | | | | |
| a. | Material weakness(es) identified? | No | | | | |
| b. | Significant deficiency(ies) identified? | Yes | | | | |
| 2. | Type of auditors' report on compliance
for major programs: | Unmodified | | | | |
| 3. | Any audit findings disclosed that are required
to be reported in accordance with 2 CFR 200.516(a)? | Yes | | | | |
| 4. | Identification of major programs: | | | | | |
| | <table border="0" style="width: 100%;"> <tr> <td style="text-align: left;"><u>CFDA Number</u></td> <td style="text-align: left;"><u>Name of Federal Program</u></td> </tr> <tr> <td>14.871</td> <td>Section 8 Housing Choice Vouchers</td> </tr> </table> | <u>CFDA Number</u> | <u>Name of Federal Program</u> | 14.871 | Section 8 Housing Choice Vouchers | |
| <u>CFDA Number</u> | <u>Name of Federal Program</u> | | | | | |
| 14.871 | Section 8 Housing Choice Vouchers | | | | | |
| 5. | Dollar threshold used to distinguish between
Type A and Type B Programs: | \$750,000 | | | | |
| 6. | Auditee qualified as low-risk Auditee? | Yes | | | | |

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2018**

II. Financial Statement Findings

There were no findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

III. Federal Award Findings and Questioned Costs

Finding 2018-001

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Titles: Section 8 Housing Choice Vouchers Program

Federal Catalog Numbers: 14.871

Noncompliance – N. Special Tests and Provisions – Housing Quality Standards

Non Compliance Material to the Financial Statements: No

Significant Deficiency in Internal Control over Compliance for Special Tests and Provisions

Criteria: Housing Quality Standards Inspections. The PHA must inspect the unit leased to a family at least annually to determine if the unit meets the Housing Quality Standards (HQS) and the PHA must conduct quality control re-inspections. The PHA must prepare a unit inspection report (24 CFR sections 982.158(d) and 982.405(b)). For units that fail inspection, the PHA must correct all life threatening HQS deficiencies with 24 hours and all other deficiencies within 30 days.

Condition: Based upon inspection of the Authority's files and on discussions with management, there were units that had not passed re-inspection within the required thirty day period and abatements had not been processed for those units.

Context: Of a sample size of nine (9) units that had initially failed inspection, two (2) units did not pass re-inspection within 30 days. HAP abatements were either not processed or not processed in accordance with program compliance requirements for those two (2) units. Our sample size is statistically valid.

Known Questioned Costs: N/A

Likely Questioned Costs: N/A

Cause: There is a significant deficiency in internal controls over the compliance for the special tests and provisions type of compliance related to HQS inspections. The Authority has not properly considered, designed, implemented, maintained and monitored a system of internal controls that reasonably assures the program is in compliance.

Effect: The Section 8 Housing Choice Vouchers program is not in compliance with the special tests and provisions type of compliance related to HQS inspections.

Recommendation: We recommend the Authority design and implement internal control procedures that will reasonably assure compliance with the Uniform Guidance and the compliance supplement.

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2018**

III. Federal Award Findings and Questioned Costs continued)

Reference 2018-001: (continued)

Views of responsible officials and planned corrective action:

The Authority's practice for a failed inspection was to give a landlord a 30 day termination notice. We were not immediately abating the HAP. If there was a health and safety issue, we were ensuring that these items were addressed timely under those requirements, but for non-health and safety items, we gave the initial 30 day notice to repair and then if that did not occur, we were sending 30 day notices of termination. We allow owners and participants to "self-declare" the non-health and safety repairs have been completed. The majority of the time the repairs are made, but the paperwork was not turned in timely. Once the termination notice were received, the urgency to send back the paperwork was there. We did not feel an abatement was necessary or required. For the two inspections that were audited and HAP abatement should have occurred totaled \$328.22.

As a result of this audit we have revised our process and after the initial 30 days has passed from the failed inspection and a unit is not in compliance with HQS requirements, we are issuing a termination notice and starting the HAP abatement.

IV. Schedule of Prior Year Federal Audit Findings

There were no findings or questioned costs in the prior year.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
REQUIRED PENSION INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS 1, 2, AND 3
LAST 10 FISCAL YEARS*

	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
PERS #1						
Employer's proportion of the net pension liability (asset)	0.009807%	0.010847%	0.010926%	0.011140%	0.010329%	0.009738%
Employer's proportionate share of the net pension liability (asset)	437,984	514,699	586,778	582,726	520,328	569,016
Covered payroll*	1,401,163	1,373,838	1,315,745	1,338,710	1,189,106	1,139,063
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	31.26 %	37.46 %	44.60 %	43.53 %	43.76 %	49.95 %
Plan fiduciary net position as a percentage of the total pension liability	63.23 %	61.25 %	57.03 %	59.11 %	61.19 %	Unknown
PERS #2/3						
Employer's proportion of the net pension liability (asset)	0.012586%	0.013952%	0.013999%	0.014388%	0.013298%	0.012969%
Employer's proportionate share of the net pension liability (asset)	214,895	484,765	704,839	514,091	268,801	553,778
Covered payroll*	1,401,163	1,373,838	1,315,745	1,338,710	1,189,106	1,139,063
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	15.34 %	35.29 %	53.57 %	38.40 %	22.61 %	48.62 %
Plan fiduciary net position as a percentage of the total pension liability	95.77 %	90.97 %	85.83 %	89.20 %	93.29 %	Unknown

* 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
REQUIRED PENSION INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS 1, 2, AND 3
LAST 10 FISCAL YEARS*

	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
PERS #1						
Statutorily or contractually required contributions	70,882	67,131	62,761	58,188	47,971	36,622
Contributions in relation to the statutorily or contractually required contributions*	<u>(70,882)</u>	<u>(67,131)</u>	<u>(62,761)</u>	<u>(58,188)</u>	<u>(47,971)</u>	<u>(36,622)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll*	1,401,163	1,373,838	1,315,745	1,338,710	1,189,106	1,139,063
Contributions as a percentage of covered payroll	5.06 %	4.89 %	4.77 %	4.35 %	4.03 %	3.22 %
PERS #2/3						
Statutorily or contractually required contributions	105,066	93,342	81,971	74,569	59,406	54,684
Contributions in relation to the statutorily or contractually required contributions*	<u>(105,066)</u>	<u>(93,342)</u>	<u>(81,971)</u>	<u>(74,569)</u>	<u>(59,406)</u>	<u>(54,684)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll*	1,401,163	1,373,838	1,315,745	1,338,710	1,189,106	1,139,063
Contributions as a percentage of covered payroll	7.50 %	6.79 %	6.23 %	5.57 %	5.00 %	4.80 %

* 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 PERS 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											
Financial Data Schedule (FDS)											
December 31, 2018											
Line Item #	Account Description	14,228 Community Development Block Grant/ State's Program	14,871 Housing Choice Vouchers	6.1 Component Unit- Discretely Presented	6.2 Component Unit- Blended	64,024 VS Homeless Providers Grant & Per Diem Program	14,239 HOME Investment Partnerships Program	2 State/Local	1 Business Activities	ELIM	TOTAL
ASSETS:											
CURRENT ASSETS:											
111	Cash - unrestricted	286	\$ 497,996	\$ 824,601	\$ -	\$ 52,084	\$ -	\$ 186,436	\$ 2,191,588	\$ -	\$ 3,746,991
112	Cash - restricted - modernization and developer	-	-	2,063,226	-	-	-	183,089	184,663	-	2,435,978
113	Cash - restricted for payment of current liability	-	10,884	-	-	-	-	-	6,450	-	17,334
114	Cash - tenant security deposit	-	-	111,590	-	-	-	25,000	296	-	136,686
115	Cash - restricted for payment of current liability	-	-	-	-	-	-	-	-	-	-
116	Total cash	286	502,880	2,999,217	-	52,084	-	399,525	2,382,997	-	6,336,989
Accounts and notes receivables											
121	Accounts receivable - PHA project	-	-	-	-	-	-	-	-	-	-
122	Accounts receivable - HUD other project	-	-	-	-	-	-	-	-	-	-
123	Accounts receivable - other government	-	44	-	-	29,506	10,169	-	-	-	39,519
124	Accounts receivable - miscellaneous	-	-	-	-	-	-	-	780,374	-	780,748
125	Accounts receivable - tenant	-	-	14,981	-	-	-	11,671	3,006	-	33,674
126	Accounts receivable - tenant	-	4,016	(4,238)	-	-	-	(9,919)	(3,500)	-	(14,707)
126.1	Allowance for doubtful accounts - tenant	-	-	-	-	-	-	-	-	-	-
126.2	Allowance for doubtful accounts - other	-	-	-	-	-	-	-	-	-	-
127	Notes and mortgages receivable - current	-	-	-	-	-	-	979	1,575	-	2,554
128	Notes and mortgages receivable - current	-	11,227	-	-	-	-	-	1,224	-	12,251
128.1	Allowance for doubtful accounts - fraud	-	(8,650)	-	-	-	-	-	-	-	(8,650)
129	Accrued interest receivable	-	-	-	-	-	-	-	-	-	-
130	Total receivables, net of allowances for doubtful account	-	6,928	10,743	-	29,506	10,169	2,731	784,405	-	844,282
Current investments											
131	Investments - unrestricted	-	-	-	-	-	-	-	-	-	-
132	Investments - restricted	-	-	-	-	28,049	-	-	258,066	-	286,115
133	Investments - restricted for payment of current liability	-	-	-	-	-	-	-	-	-	-
142	Prepaid expenses and other asset	651	19,906	63,424	-	2,266	538	15,015	27,682	-	129,482
143	Inventories	-	-	-	-	-	-	-	84,015	-	84,015
143.1	Allowance for obsolete inventory	-	-	-	-	-	-	-	-	-	-
144	Interprogram - due from	-	-	-	-	-	-	-	91,006	-	91,006
145	Assets held for sale	-	-	-	-	-	-	-	-	-	-
150	TOTAL CURRENT ASSETS	957	529,714	3,073,384	-	111,705	10,707	417,271	3,627,921	-	7,771,139
NON-CURRENT ASSETS:											
Fixed assets											
161	Land	35,241	-	3,155,804	-	62,500	-	81,500	498,302	-	4,555,348
162	Buildings	374,645	-	60,495,400	-	1,844,098	-	5,786,951	2,625,954	-	70,777,028
163	Furniture, equipment & machinery - dwelling	4,147	-	1,265,293	-	23,626	-	104,564	4,268	-	1,401,398
164	Furniture, equipment & machinery - administrative	-	-	106,965	-	-	-	-	306,449	-	413,414
165	Leasehold improvements	-	-	3,259,431	-	-	-	58,788	121,541	-	3,437,760
166	Accumulated depreciation	(122,947)	-	(12,154,628)	-	(763,713)	-	(1,586,897)	(69,254)	-	(13,255,447)
167	Construction in Progress	-	-	-	-	-	-	-	2,000	-	2,000
168	Infrastructure	-	-	-	-	-	-	-	-	-	-
169	Total fixed assets, net of accumulated depreciation	291,086	-	36,128,265	-	806,509	-	5,126,907	2,997,240	-	65,302,007
Other non-current assets:											
171	Notes and mortgages receivable - non-current	-	-	-	-	-	-	-	-	-	-
172	Notes and mortgages receivable-non-current - past due	-	-	-	-	-	-	-	7,872,235	-	7,872,235
173	Other assets	-	-	354,920	-	-	-	-	-	-	354,920
174	Undistributed debt	-	-	-	-	-	-	-	-	-	-
175	Investment in joint ventures	-	-	-	-	-	-	-	214,028	-	214,028
176	Investment in joint ventures	-	-	-	-	-	-	-	-	-	-
180	TOTAL NON-CURRENT ASSETS	291,086	-	36,483,185	-	806,509	-	5,126,907	11,035,503	-	73,743,190
200	DEFERRED OUTFLOWS RESOURCES	136	29,938	-	-	937	1,366	16,250	91,200	-	139,827
290	TOTAL ASSETS AND DEFERRED OUTFLOWS RESOURCES	\$ 292,139	\$ 559,652	\$ 59,556,569	\$ -	\$ 919,151	\$ 12,073	\$ 5,569,438	\$ 14,754,124	\$ -	\$ 81,654,156

City of Walla Walla Housing Authority											
Financial Data Schedule (FDS)											
December 31, 2018											
Line Item #	Account Description	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 VS Homeless Providers Grant & Per Diem Program	14,239 HOME Investment Partnerships Program	2 State/Local	1 Business Activities	ELIM	TOTAL
LIABILITIES AND EQUITY											
LIABILITIES											
Current Liabilities											
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable- 90 days	56	2,114	31,206	-	26,566	-	5,436	67,517	-	130,795
321	Accounts payable- past due	-	-	-	-	-	-	-	-	-	-
322	Accrued wage payroll taxes payable	-	-	-	-	-	-	-	23,849	-	23,849
322	Accrued compensated absences - current portion	-	-	-	-	-	-	-	34,690	-	34,690
324	Accrued contingency liability	-	-	-	-	-	-	-	-	-	-
325	Accrued interest payable	217	-	34,404	-	346	-	13,396	2,114	-	50,477
325	Accrued interest payable - PHA program	-	-	-	-	-	-	-	-	-	-
325	Accrued interest payable - PHA project	-	-	-	-	-	-	-	-	-	-
332	Accounts payable - PHA program	-	-	-	-	-	-	-	-	-	-
332	Accounts payable - PHA project	-	-	-	-	-	-	-	-	-	-
333	Accounts payable - other government	-	-	-	-	-	-	-	-	-	-
333	Accounts payable - other government	-	-	-	-	-	-	-	-	-	-
341	Unearned security deposit	-	-	112,100	-	-	-	-	-	-	-
342	Unearned Revenue	-	109	38,226	-	-	-	25,544	300	-	137,944
343	Current portion of L-1 debt- capital project	11,799	-	109,028	-	8,190	-	6,606	474	-	45,415
344	Current portion of L-1 debt - operating borrowing	-	-	109,028	-	-	-	135,403	210,744	-	355,164
345	Other current liabilities	-	2,816	202,371	-	36,461	169	332	2,934	-	245,083
346	Accrued liabilities - other	-	-	212,685	-	-	-	-	-	-	212,685
347	Interprogram - due to	30,314	-	-	296	57,980	7,571	(8,155)	-	-	91,006
310	TOTAL CURRENT LIABILITIES	42,386	53,059	800,120	296	129,545	7,740	196,502	342,122	-	1,525,568
NON-CURRENT LIABILITIES											
348	Loan Liability - Current	-	-	-	-	-	-	-	-	-	-
351	Long-term debt, net of current - capital projects	20,295	-	33,819,075	-	83,981	-	6,029,482	1,569,085	-	41,221,918
352	Long-term debt, net of current - operating borrowing	-	-	-	-	-	-	-	-	-	-
353	Non-current liabilities - other	-	-	674,749	-	-	-	-	-	-	674,749
354	Accrued compensated absences - noncurrent	-	-	-	-	-	-	-	80,774	-	80,774
355	Loan Liability - Non Current	-	-	-	-	-	-	-	-	-	-
356	FASB 5 Liability	-	-	-	-	-	-	-	-	-	-
357	Accrued pension and OPEB liability	638	139,785	-	-	4,373	6,377	78,874	425,832	-	652,879
350	TOTAL NON-CURRENT LIABILITIES	20,933	139,785	34,493,824	-	88,354	6,377	6,105,356	1,775,691	-	42,630,520
300	TOTAL LIABILITIES	63,319	144,824	35,293,944	296	217,697	14,117	6,301,918	2,117,813	-	44,153,928
DEFERRED INFLOW OF RESOURCES											
400		-	67,355	-	-	2,107	3,073	36,590	205,183	-	314,595
EQUITY:											
508.1	Net Investment in Capital Asset	258,992	-	22,140,102	-	714,538	-	(1,054,978)	1,469,911	-	23,528,525
511.1	Restricted Net Position	-	10,884	2,063,225	-	28,049	-	188,089	472,628	-	2,762,875
512.1	Unrestricted Net Position	(140,459)	356,839	59,238	(296)	(43,040)	(15,177)	88,839	10,488,589	-	10,894,593
513	TOTAL EQUITY	228,533	347,473	24,262,625	(296)	69,947	(15,177)	(778,050)	12,431,128	-	37,185,643
600	TOTAL LIABILITIES, DEFERRED INFLOWS AND EQUITY	\$ 292,149	\$ 559,652	\$ 49,556,569	\$ -	\$ 919,151	\$ 12,073	\$ 5,560,428	\$ 14,754,124	\$ -	\$ 81,654,156

City of Walla Walla Housing Authority											
Financial Data Schedule (FDS)											
December 31, 2018											
Line Item #	Account Description	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 VS Homeless Providers Grant & Per Diem Program	14.239 HOME Investment Partnerships Program	2 State/Local	1 Business Activities	ELIMINATION	TOTAL
REVENUE:											
70300	Net tenant rental revenue	-	\$ -	\$ -	\$ -	\$ 5,000	\$ -	\$ 747,638	\$ -	84	\$ -
70400	Tenant revenue - other	-	-	-	-	5,000	-	29,476	-	-	29,476
70500	Total tenant revenue	-	-	-	-	-	-	777,114	-	84	-
70600	HUD PHA grants	-	-	-	-	-	-	-	-	-	-
70610	Capital grants	-	5,635,687	-	-	-	-	-	-	-	5,635,687
70710	Management fee	-	-	-	-	-	-	-	-	-	-
70720	Asset management fee	-	-	-	-	-	-	-	-	-	-
70730	Book keeping fee	-	-	-	-	-	-	-	-	-	-
70740	Front line service fee	-	-	-	-	-	-	-	-	-	-
70750	Public works service fee	-	-	-	-	-	-	-	-	-	-
70800	Other fees	-	-	-	-	-	-	-	1,997,668	-	1,997,668
71100	Other government grants	-	-	-	-	304,000	200,237	1,440	700,000	-	1,205,677
71200	Investment income - unrestricted	-	-	5,246	-	-	-	24	270,442	-	275,712
71300	Mortgage interest income	-	-	-	-	-	-	-	-	-	-
71301	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-	-	-	-
71400	Cost of sale of assets	-	29,728	-	-	-	-	-	-	-	29,728
71500	Fraud recovery	23,000	5,522	110,889	-	3,405	-	1,063	211,320	-	335,199
71600	Other revenue	-	-	-	-	(143)	-	(360)	(327,630)	-	(327,630)
72000	Proceeds from sale of fixed assets	-	-	-	-	14	-	76	83	-	175
70000	Investment income - restricted	-	-	-	-	-	-	-	-	-	-
70000	TOTAL REVENUE	23,000	5,670,937	3,292,446	-	312,274	200,237	779,357	2,241,836	-	12,520,087
EXPENSES:											
Administrative											
91100	Administrative salaries	450	317,059	141,585	-	6,452	13,705	54,840	375,500	-	906,591
91200	Auditing fees	43	11,848	56,378	-	-	-	3,344	20,799	-	92,612
91300	Outside management fees	-	-	-	-	-	-	-	-	-	-
91310	Book-keeping fee	-	-	-	-	-	-	-	-	-	-
91400	Advertising and marketing	-	-	-	-	-	-	-	101	-	101
91500	Employee benefit contributions- administrative	45	23,009	17,184	-	679	1,580	6,116	52,357	-	83,786
91600	Office expenses	172	74,578	17,184	11	284	1,402	17,552	86,237	-	197,440
91700	Legal expenses	-	-	5,977	-	-	-	5,800	9,430	-	15,207
91800	Allocated overhead	5	3,118	-	-	-	668	873	9,807	-	14,771
91810	Allocated overhead	-	-	-	-	-	-	-	-	-	-
91900	Other	-	3,967	358,933	-	-	5,723	9,858	39,591	-	438,072
	Total administrative	715	428,579	582,257	11	7,415	23,078	95,783	605,185	-	1,743,023
92000	Asset Management Fee	-	-	-	-	-	-	-	-	-	-
Tenant services											
92100	Tenant services - salaries	-	-	-	-	-	-	-	-	-	-
92200	Relocation costs	-	-	-	-	-	-	-	237	-	237
92300	Employee benefit contributions- tenant services	-	-	-	-	-	-	-	-	-	-
92400	Tenant services - other	-	50	-	-	-	-	991	1,885	-	2,926
	Total tenant services	-	50	-	-	-	-	991	2,122	-	3,163
Utilities											
93100	Water	1,305	1,105	184,754	-	6,257	38	25,973	12,289	-	231,721
93200	Electricity	12	3,187	49,559	-	-	104	10,010	19,441	-	82,313
93300	Gas	498	1,304	4,186	-	-	41	394	2,810	-	9,233
93400	Fuel	-	-	-	-	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-	-	-	-	-
93600	Sewer	1,577	2,051	255,361	-	6,088	71	45,475	114,239	-	424,862
93700	Employee benefit contributions- utilities	-	-	-	-	-	-	-	-	-	-
93800	Other utilities expense	-	-	136,357	-	-	-	-	136,337	-	136,337
	Total utilities	3,392	7,647	630,217	-	12,345	254	81,852	148,779	-	884,486
Ordinary maintenance & operation											
94100	Ordinary maintenance and operations - labor	959	-	622,329	-	3,309	-	109,046	545,701	-	1,281,235
94200	Ordinary maintenance and operations - materials & supplies	45	-	77,693	-	30	-	2,241	17,544	-	84,872
94300	Ordinary maintenance and operations - contract costs	1,825	2,364	197,421	-	9,229	79	58,140	15,610	-	284,768
94500	Employee benefit contributions- ordinary maintenance	174	-	151	-	151	-	11,877	59,272	-	118,777
	Total ordinary maintenance	2,903	2,364	897,443	-	12,984	79	198,304	626,025	-	1,740,102
Protective services											
95100	Protective services - labor	-	-	-	-	-	-	-	-	-	-
95200	Protective services- other contract costs	-	-	-	-	-	-	-	-	-	-
95300	Employee benefit contributions- protective services	-	-	-	-	-	-	-	-	-	-
95500	Total protective services	-	-	-	-	-	-	-	-	-	-

City of Walla Walla Housing Authority											
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December 31, 2018											