

HOUSING AUTHORITY CITY OF KENNEWICK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018



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

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Housing Authority City of Kennewick  
Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

- Significant deficiency(ies) identified that are not considered to be material weaknesses \_\_\_\_\_ Yes  X  No

Noncompliance material to financial statements \_\_\_\_\_ Yes  X  No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified?  X  Yes \_\_\_\_\_ No

- Significant deficiency(ies) identified that are not considered to be material weaknesses \_\_\_\_\_ Yes  X  No

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance  X  Yes \_\_\_\_\_ No

Identification of major program:

CFDA Number(s)      Name of Federal Program or Cluster  
14.871                      Section 8 Housing Choice Vouchers

Housing Authority City of Kennewick

Schedule of Findings and Questioned Costs - (Continued)

Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS - (Continued)

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee:

X  Yes        No

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings were noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See 2018-001

Housing Authority City of Kennewick

Schedule of Federal Findings and Questioned Costs

For the Year Ended June 30, 2018

Finding 2018-001

Identification of the federal program:

CFDA 14.871 Section 8 Housing Choice Vouchers

Federal Award Identification: WA012

Federal Agency: Department of Housing and Urban Development

Pass-through entity: N/A

Criteria: The public housing authority ("PHA") must determine income eligibility and calculate the tenant's rent payment using the documentation from third-party verification in accordance with 24 CFR part 5 subpart F (24 CFR section 5.601).

Condition: During our tests of compliance over the HCV program, we noted that in 2 instances, the Authority did not properly calculate the tenant's portion of rent.

Cause: The Housing specialist used incorrect amounts from the 3rd party income documents

Effect or potential effect: The Housing Authority was not in compliance with the criteria set forth in the above mentioned program.

Questioned Costs: There were actual questioned costs of \$2,388 and projected questioned costs of \$153,137.

Context: Management did not properly calculate the HAP payments on 2 files.

Repeat Finding: Not a repeat finding.

Recommendation: None considered necessary, see corrective action plan

Views of responsible offices and planned corrective actions: see corrective action plan



## **Corrective Action Plan**

**February 27, 2019**

The Housing Authority City of Kennewick respectfully submits the following Corrective Action Plan for the year ending June 30, 2018. This Corrective Action Plan will also be utilized in future years to eliminate any miscalculation of HAP.

Audit period: July 1, 2017-June 30, 2018

The finding from the June 30, 2018 schedule of findings and questioned costs are discussed below:

### **Finding:**

Finding No. 2018-001

### **Plan for Corrective Action:**

KHA has developed a multi-level Corrective Action Plan.

- 1) The Housing Authority's HCV Supervisor/KHA Compliance Director worked directly with the two Housing Specialists who made the two errors and is closely supervising the Specialists' work products. The errors will be addressed in the Specialists' next evaluation. The supervisor has discussed the importance of critically reviewing all income source documentation in order to accurately calculate the tenant's rent payment portion utilizing the documentation from the third-party verification in accordance with 24 CFR, Part 5, Subpart F.
- 2) Soon after the error was discovered, the HCV Supervisor/KHA Compliance Director proactively scheduled a refresher on-line HCV Housing Specialist course. All four Housing Specialists, the FSS Coordinator, the Intake Coordinator and the HCV Supervisor/KHA Compliance Director attended the Nan McKay HCV Specialist Training on January 14-17, 2019. The training module includes third-party verifications and HCV rent calculations as well as other requirements that are applicable to the administration of the Housing Choice Voucher program.
- 3) KHA will be exploring the use of peer review in addition to the HCV Supervisor/KHA Compliance Director's review and the SEMAP review to provide an additional layer of calculation review for this program. If feasible, these reviews would begin in July of 2019.
- 4) If KHA has vacancies in the HCV Housing Specialist Team, all new hires will be required to take the HCV Specialist course and pass the HCV Specialist test.

**Recommendation:**

No recommendation was considered necessary by the Auditor, but KHA will move forward with the actions described above.

**Actions Taken:**

All HCV Specialists took the Nan McKay HCV Housing Specialist Training in January 14-17, 2019. KHA is currently exploring staff peer review of each other files to provide an additional layer of review. The Team Supervisor, on an ongoing basis, will discuss the importance of staff accurately reviewing source documentation in order to correctly calculate the housing assistance payment for the participant.

**Contact Persons:**

Hermelinda Sierra, Finance Director  
509-586-8576 ext. 111

Amanda Taylor, HCV Supervisor/KHA Compliance Director  
509-586-8576 ext. 108

Lona Hammer, KHA Executive Director  
509-586-8576 ext. 103



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

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

Board of Commissioners  
Housing Authority City of Kennewick  
Kennewick, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority City of Kennewick (the Authority) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 20, 2019.

Internal Control Over Financial Reporting

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

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

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

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

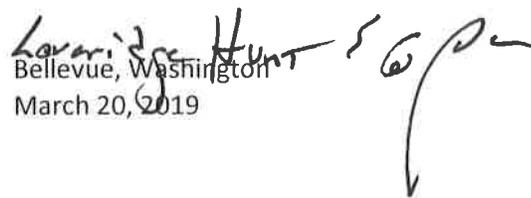
Compliance and Other Matters

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

Purpose of this Report

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

Laurie J. Hunt  
Bellevue, Washington  
March 20, 2019





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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners  
Housing Authority City of Kennewick  
Kennewick, Washington

Report on Compliance for The Major Federal Program

We have audited the Housing Authority City of Kennewick'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 the Authority's major federal program for the year ended June 30, 2018. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program 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 (CFR) 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 of the major federal programs. However, our audit does not provide a legal determination of the Authority's compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE - (CONTINUED)

Basis for Qualified Opinion on Section 8 Housing Choice Vouchers Program

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding CFDA 14.871 Section 8 Housing Choice Vouchers Program as described in finding number 2018-001 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Qualified Opinion on Section 8 Housing Choice Vouchers Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Section 8 Housing Choice Vouchers Program for the year June 30, 2018.

Other Matters

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 subject 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 its major federal program and to test and report on internal control over compliance in accordance with 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.

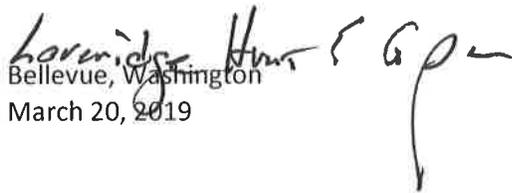
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE - (CONTINUED)

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as a 2018-001 to be a material weakness.

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.

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.

  
Bellevue, Washington  
March 20, 2019



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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Commissioners  
Housing Authority City of Kennewick  
Kennewick, Washington

### Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority City of Kennewick (the Authority) and the aggregate discretely presented component units, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component unit of the Authority as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12 to 19 and pension schedules on pages 44 to 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operation, economic or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

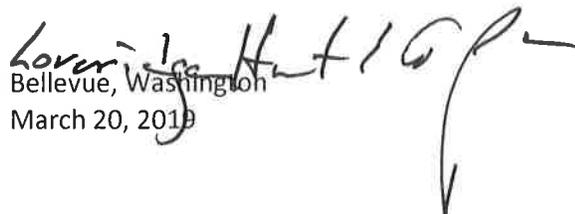
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. The Financial Data Schedules are presented for the purpose of additional analysis as required by HUD, and are also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 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 for the year ended June 30, 2018. 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.

  
Lovell J. Hart  
Bellevue, Washington  
March 20, 2019

FINANCIAL SECTION

As management of the Housing Authority City of Kennewick (the Housing Authority), we offer readers of the Housing Authority's basic financial statements this narrative overview and analysis of the financial activities of the Housing Authority for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Housing Authority's financial performance as a whole. Readers should also review the notes to the financial statements and the basic financial statements to enhance their understanding of the Housing Authority's financial performance.

### **Financial Highlights**

- The assets of the Housing Authority exceeded its liabilities at the close of the most recent fiscal year by \$7,225,911 (net position).
- The Housing Authority's total net position decreased by \$40,273.
- The unrestricted category of net position is \$123,546 at June 30, 2018. Unrestricted net position represents the amount the authority can use to meet the ongoing obligations of the citizens and creditors.
- The Housing Authority continues to operate without the need for operating debt borrowings during the current fiscal year.

### **Overview of the Basic Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority's basic financial statements are comprised of two components: 1) fund financial statements, and 2) notes to the financial statements. The Housing Authority is a special-purpose government agency engaged only in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Housing Authority are reported as proprietary funds or enterprise funds.

The financial statements consist of a statement of net position, statement of revenues, expenses and changes in fund net position and a statement of cash flows.

The statement of net position presents information on the Housing Authority's assets, deferred outflows, liabilities and deferred inflows, with the difference between these items reported as net position. Over time, increases or decreases in net position may serve as a

useful indicator of whether the financial position of the Housing Authority is improving or deteriorating. The statement of net position can be found on page 8 of this report.

The statement of revenues and expenses combined with the statement of changes in fund net position presents information showing how the Housing Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The statements of revenues, expenses and changes in fund net position can be found on page 9 of this report.

The statement of cash flows presents the change in the Housing Authority's cash and cash equivalents during the most recent fiscal year. The statement of cash flows can be found on pages 10 and 11 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found beginning on page 12 of this report.

## **Financial Analysis**

Our analysis below focuses on the net position and the change in net position of the Housing Authority as a whole.

**Table 1**  
**Housing Authority City of Kennewick, Net Position**

	June 30, 2018	June 30, 2017
Current and other assets	\$ 1,672,782	\$ 1,352,335
Capital assets, net	7,318,405	7,791,150
Total assets	\$ 8,991,187	\$ 9,143,485
Deferred Outflows of Resources	\$ 177,536	\$ 236,003
Current and other liabilities	\$ 162,100	\$ 152,829
Long-term liabilities	1,657,338	1,927,463
Total liabilities	\$ 1,819,438	\$ 2,080,292
Deferred Inflows of Resources	\$ 123,374	\$ 33,012
Net position		
Net investment in capital assets	\$ 6,904,898	\$ 6,787,816
Restricted	197,467	300,446
Unrestricted	123,546	177,922
Total net position	\$ 7,225,911	\$ 7,266,184

Total assets decreased by approximately \$152,000 or 2%. Current and other assets increased approximately \$320,000 or 24%, as due to a grant from Benton County. This was offset by a decrease in capital assets of approximately \$473,000 for depreciation and the transfer of the Nueva Vista Phase II project to the component unit.

Liabilities decreased approximately \$270,000 or 14% over fiscal year 2017. This decrease represents the Authority's payments on debt, the component unit's assumption of debt related to the Nueva Vista Phase II project and decreased net pension liabilities.

The Housing Authority's net position was \$7,225,911 at June 30, 2018. This is a decrease of \$40,273 from the previous year. The largest portion of the Housing Authority's net position (\$6,904,898) reflects its investment in capital assets (e.g., land, buildings, improvements, machinery, and equipment), net of related debt. The Housing Authority uses these capital assets to provide services to program participants; consequently, these assets are not available for future spending.

Restricted net position decreased as the Housing Authority used reserves for Housing Assistance Payments. HUD is now holding reserves available for housing assistance payments on behalf of the housing authority.

The overall financial position of the Housing Authority has decreased slightly from the previous year. The Housing Authority presents an operating loss of \$533,536, but non-operating income offsets this amount to show a 1% decrease in overall net position.

Operating revenues decreased 9% or approximately \$756,000 from FY17 to FY18. The majority of this decrease is within the HUD Subsidy received for housing assistance payments. Operating expenses decreased about 5%, largely due to decreased housing assistance payments.

**Table 2**  
**Housing Authority City of Kennewick, Changes in Net Position**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Operating revenues		
Rental and other	\$ 698,206	\$ 864,242
HUD PHA operating grants	7,189,689	7,780,120
Total Operating Revenue	<u>7,887,895</u>	<u>8,644,362</u>
Non-operating revenues		
Fraud Recovery	13,189	5,650
Non Operating Income	90,317	40,327
Interest income	24,223	1,019
Total non-operating revenue	<u>447,729</u>	<u>46,996</u>
Total revenue	<u>8,335,624</u>	<u>8,691,358</u>
Operating expenses		
Administration	1,305,769	1,232,801
Utilities	182,562	174,957
Ordinary maintenance and operations	402,215	504,574
General expenses	55,338	133,859
Housing Assistance Payments	6,044,733	6,399,513
Depreciation	430,814	429,768
Total operating expenses	<u>8,421,431</u>	<u>8,875,472</u>
Non-operating expenses		
Interest expense	<u>8,487</u>	<u>6,897</u>
Total expenses	<u>8,429,918</u>	<u>8,882,369</u>
Changes in Net Position before contributions	(94,294)	(191,011)
Contributions	54,021	246,687
Net Position, beginning of year	7,266,184	7,363,603
Prior Period Adjustments	-	(153,095)
Net Position, end of year	<u>\$ 7,225,911</u>	<u>\$ 7,266,184</u>

## Capital Assets and Long-Term Debt

### *CAPITAL ASSETS*

The Housing Authority's investment in capital assets as of June 30, 2018 amounts to \$7,318,405 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements and equipment. See Note 3 of the financial statements for additional information.

#### Capital Assets at Year-end

	June 30, 2018	June 30, 2017
Land	\$ 890,669	\$ 890,669
Construction in Progress	-	99,860
Total non-depreciable capital assets	<u>890,669</u>	<u>990,529</u>
Buildings	14,903,946	14,856,758
Equipment, Dwelling	299,910	299,910
Office/Maintenance Equipment	465,293	454,552
Total depreciable capital assets	<u>15,669,149</u>	<u>15,611,220</u>
Accumulated Depreciation	<u>9,241,413</u>	<u>8,810,599</u>
Total depreciable capital assets, net	<u>6,427,736</u>	<u>6,800,621</u>
Total Capital Assets, net	<u><u>\$ 7,318,405</u></u>	<u><u>\$ 7,791,150</u></u>

### *LIABILITIES*

At June 30, 2018, the Housing Authority had liabilities outstanding of \$1,702,856 compared to \$1,965,661 at June 30, 2017. The decrease represents payments on debt and the decrease in net pension liability. Debt is made up of real estate mortgages (\$110,010), government loans (\$302,497), net pension liability (\$667,243), and other miscellaneous debt (\$622,106).

Additional information on the Housing Authority's long-term debt can be found in Note 6.

***ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES***

The Housing Authority is dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by the federal budget than by local economic conditions.

***REQUESTS FOR INFORMATION***

This financial report is designed to provide a general overview of the Housing Authority City of Kennewick's finances for all those with an interest in the authority's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Executive Director, Housing Authority City of Kennewick, 1915 W 4th Place, Kennewick, Washington, 99336.

**Housing Authority City of Kennewick  
Statement of Net Position**

**June 30, 2018**

**(With Component Units presentation as of December 31, 2017)**

	<b>Business Type Activities</b>	<b>Component Units</b>
<b><u>ASSETS</u></b>		
Current Assets		
Cash - Unrestricted	\$ 970,411	\$ 143,313
Accounts Receivable - Tenants - Dwelling Rents	13,900	2,001
Accounts Receivable - Fraud Recovery	6,913	-
Accounts Receivable - Miscellaneous	323,210	-
Accounts Receivable - HUD	17,074	-
Interest Receivable	22,400	-
Prepaid Expenses	54,686	-
Restricted Assets		
Cash - Restricted	197,467	128,137
FSS Escrow	29,781	-
Tenant Security Deposits	36,940	6,400
<b>TOTAL CURRENT ASSETS</b>	<b>1,672,782</b>	<b>279,851</b>
Noncurrent Assets		
Capital Assets, at cost		
Land	890,669	875,292
Buildings and Improvements	14,903,946	5,095,506
Equipment, Dwelling	299,910	159,256
Office/Maintenance Equipment	465,293	-
Construction in Progress	-	846,619
Less: Accumulated Depreciation	(9,241,413)	(501,190)
Total Capital Assets, net	7,318,405	6,475,483
Other Long Term Assets	-	164,748
<b>TOTAL NONCURRENT ASSETS</b>	<b>7,318,405</b>	<b>6,640,231</b>
<b>TOTAL ASSETS</b>	<b>\$ 8,991,187</b>	<b>\$ 6,920,082</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Amounts Related to Pension	177,536	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 177,536</b>	<b>\$ -</b>
<b><u>LIABILITIES</u></b>		
Current Liabilities		
Accounts Payable	69,453	8,819
Accrued Payroll Taxes	9,304	-
Current Portion, Compensated Absences	34,485	-
Interest Payable	258	12,852
Accrued Liabilities - Other	-	5,850
Current Portion, Long-Term Debt	11,033	4,034
Tenant Security Deposits	37,567	6,400
<b>TOTAL CURRENT LIABILITIES</b>	<b>162,100</b>	<b>37,955</b>
Noncurrent Liabilities		
Long-Term Debt, net of current portion	402,474	1,757,763
Long-Term, Compensated Absences	51,728	-
Net Pension Liability	667,243	-
Other Long-Term Liabilities	535,893	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,657,338</b>	<b>1,757,763</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 1,819,438</b>	<b>\$ 1,795,718</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Amounts Related to Pension	123,374	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 123,374</b>	<b>\$ -</b>
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	6,904,898	4,713,686
Restricted Net Position	197,467	128,137
Unrestricted Net Position	123,546	282,541
<b>TOTAL NET POSITION</b>	<b>\$ 7,225,911</b>	<b>\$ 5,124,364</b>

**Housing Authority City of Kennewick**  
**Statement of Revenue, Expenses and Changes in Fund Net Position**  
**For the Fiscal Year Ended June 30, 2018**  
**(with Component Unit presentation year ended December 31, 2017)**

	<b>6/30/2018</b>	<b>12/31/2017</b>
	<b>Business Type Activities</b>	<b>Component Units</b>
	<u>                    </u>	<u>                    </u>
OPERATING REVENUE		
Net Rental Revenue	\$ 579,428	\$ 284,391
Tenant Revenue - Other	34,411	-
HUD PHA Operating Grants	7,189,689	-
Other Income	84,367	9,929
TOTAL OPERATING REVENUE	<u>7,887,895</u>	<u>294,320</u>
OPERATING EXPENSES		
Administrative	1,301,719	101,804
Tenant Services	4,050	21,908
Utilities	182,562	49,666
Maintenance	402,215	44,953
Protective Services	6,062	-
Insurance Premiums	53,452	-
Other General Expenses	(4,176)	35,090
Housing Assistance Payments	6,044,733	-
Depreciation and Amortization	430,814	247,340
TOTAL OPERATING EXPENSES	<u>8,421,431</u>	<u>500,761</u>
OPERATING INCOME (LOSS)	(533,536)	(206,441)
NON OPERATING REVENUES (EXPENSES)		
Other Government Grants	320,000	217,352
Investment Income	24,223	-
Fraud Recovery	13,189	-
Other Nonoperating Income	90,317	-
Interest Expense	(8,487)	(90,988)
TOTAL NON OPERATING REVENUE (EXPENSES)	<u>439,242</u>	<u>126,364</u>
CHANGES IN NET POSITION BEFORE CONTRIBUTIONS	(94,294)	(80,077)
CONTRIBUTIONS		
Equity Contributions	-	774,593
Capital Contributions	54,021	226,727
CHANGE IN NET POSITION	(40,273)	921,243
NET POSITION, beginning of year	7,266,184	4,203,121
NET POSITION, end of year	<u>\$ 7,225,911</u>	<u>\$ 5,124,364</u>

**Housing Authority City of Kennewick  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2018**

	<b>Business Type Activities</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Tenants	\$ 613,522
Cash Received from Other Activities	185,825
Cash Received from HUD Operating Grants	7,186,750
Cash Paid to Suppliers	(996,645)
Cash Paid to Employees	(1,078,741)
Cash Paid to Landlords	(6,044,733)
Net cash used by operating activities	(134,022)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Cash loaned to component Unit	(320,000)
Cash received from Related Party	91,195
Net cash from non-capital financing activities	(228,805)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Capital Assets	(100,078)
Proceeds from Issuance of Long-Term Debt	112,000
Principal Paid on Capital Debt	(465,503)
Interest Paid	(9,303)
Proceeds from Capital Leases	386,926
Capital Grants Received	374,021
Net cash provided by capital and related financing activities	298,063
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Received	1,823
Net cash provided by investing activities	1,823
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(62,941)
CASH AND CASH EQUIVALENTS, beginning of year	1,297,540
CASH AND CASH EQUIVALENTS, end of year	\$ 1,234,599
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>	
Cash and cash equivalents, unrestricted	\$ 979,503
Cash and cash equivalents, restricted	188,375
FSS Escrow	29,781
Tenant security deposits	36,940
CASH AND CASH EQUIVALENTS, TOTAL	\$ 1,234,599

**Housing Authority City of Kennewick  
Statement of Cash Flows (continued)  
For the Fiscal Year Ended June 30, 2018**

	<b>Business Type Activities</b>
<b>RECONCILIATION OF NET INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>	
Net income (loss)	\$ (533,536)
Adjustments to reconcile net income (loss) to net cash from operating activities	
Depreciation and amortization	430,814
Pension	
Increase (decrease) in cash due to changes in assets and liabilities	
Miscellaneous Receivables	(49,954)
Tenant Rents Receivables	(3,901)
Non-Operating Revenues	99,603
Fraud Recovery Receivables	
Prepaid Expenses	(34,148)
Accounts Payable	(9,960)
Change in Pension Activities	(52,605)
Accrued Liabilities - Other	14,225
Tenant Security Deposits	5,440
Net adjustments	399,514
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ (134,022)</b>
<b>NON CASH TRANSACTIONS</b>	
Nueva Vista II LLLP transfer of loans at closing	186,971
Nueva Vista II LLLP transfer of assets at closing	142,109
Forgiven loan principal	4,838

**Housing Authority City of Kennewick, Washington**  
**Notes to the Financial Statements**  
**June 30, 2018**

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

The accounting policies of the Housing Authority City of Kennewick (the Housing Authority) conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the most significant policies (including identification of those policies which result in departures from generally accepted accounting principles):

**Reporting Entity**

The Housing Authority is a municipal corporation governed by a six member board. Five of the members are appointed by the Mayor of the City of Kennewick and one of the members is a resident assisted commissioner appointed by the Housing Authority Commissioners. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. These financial statements present the Authority (the Primary Government) and its discretely presented Component Unit. The component unit is included in the Authority's reporting entity because of the significance of their operational or financial relationships with the Authority.

*Discretely Presented Component Units:*

Kennewick Affordable Housing Limited Liability Limited Partnership (Partnership) was formed as a limited partnership under the laws of the state of Washington on January 1, 2014 and was syndicated on December 22, 2014, for the purpose of constructing and operating an affordable rental housing project located at 386 North Union in the City of Kennewick. The partnership consists of one general partner, Housing Authority City of Kennewick (The General Partner) and two investment limited partners, PNC Real Estate Tax Credit Capital Institutional Fund 47 Limited Partnership and Columbia Housing SLP Corporation. Per the partnership agreement, covenants exist between the general partner and the Investment Limited Partners related to the delivery of tax credits, partnership operations, and other business matters. The project is eligible for the Affordable Housing Tax Credits established under the program described in Section 42 of the Internal Revenue Code. The construction of this project was completed at the end of December 2015 and units were leased in January, 2016.

Nueva Vista Phase II Limited Liability Limited Partnership (Partnership) was formed as a limited partnership under the laws of the state of Washington on December 27, 2016, for the purpose of constructing and operating an affordable rental housing project located at 386 N. Union St in the City of Kennewick. The partnership consists of one general partner, Housing Authority City of Kennewick (The General Partner) and investment limited partners, PNC Real Estate Tax Credit Capital Institutional Fund 65 LLC, a Delaware limited liability company, and Columbia Housing SLP, an Oregon corporation. Per the partnership agreement, covenants exist between the general partner and the Investment Limited Partners related to the delivery of tax credits, partnership operations, and other business matters. The project is eligible for the Affordable Housing Tax Credits established under the program described in Section 42 of the Internal Revenue Code. The construction of this project will be completed November 2018. Per the partnership agreement, covenants exist between the general partner and the Investment Limited Partners related to the delivery of tax credits, partnership operations, and other business matters.

# **Housing Authority City of Kennewick, Washington**

## **Notes to the Financial Statements**

### **June 30, 2018**

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The Component Units are presented with balances as of December 31, 2017, the fiscal year end. This presentation results in accounts receivable and accounts payable between component units and the primary government to not be equal as they are being presented at different dates.

#### **Basis of Accounting**

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

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

For the most part, the authority reports operating revenues as defined in GASB 9. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include fees and charges from providing services in connection with the ongoing operations of providing low income housing. Operating revenues also include operating subsidies and grants provided by the U.S. Department of Housing and Urban Development (HUD). The use of this classification is based on guidance from HUD, the primary user of the financial statements and is a departure from GAAP. Operating expenses are those expenses that are directly incurred while in the operation of providing low income housing. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Another exception to GAAP reporting is the Schedule of Expenditures of Federal Awards (SEFA). Housing authorities must report U S Department of Housing and Urban Development (HUD) ACC budget authority received during the fiscal year instead of expenditures on all programs as prescribed in the HUD Accounting Issue # 10.

The Housing Authority business activities column contains the following programs:

Low-Income housing program is comprised of 190 HUD subsidized Public Housing Units.

Capital Fund program is an annual fund for capital and other operating needs of selected Public Housing.

Business Activities is comprised of the 6-unit Mitchell Manor project, Delafield DVS duplex, and other business activities of the Housing Authority.

# Housing Authority City of Kennewick, Washington

## Notes to the Financial Statements

### June 30, 2018

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Section 8 Housing Choice Voucher (HCV) program has an ACC contract with the Federal Department of Housing & Urban Development for a maximum of 975 vouchers.

Moderate Rehabilitation program is comprised of Columbia Park Apartments, a 138-unit property owned by Alpha Group.

#### **Budgeting**

The Housing Authority follows the guidelines set forth in the Low Rent Housing Financial Management Handbook (RHA 7475.1) issued by HUD. The Housing Authority budgets using the accrual basis which is in accordance with Generally Accepted Accounting Principles (GAAP).

#### **Cash and cash equivalents**

For purposes of the Statement of Cash Flows, the Housing Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents as of June 30, 2018.

#### **Restricted Assets**

In accordance with loan agreements separate restricted accounts are required to be established. The assets held in these accounts are restricted for specific uses, including construction, debt service and other special reserve requirements.

The Housing Authority has several types of restricted and unrestricted funds related to a specific project. Each related project is to use its own unrestricted funds for all operating expenses. Restricted funds are used for payment assistance or for capital improvements only; there are cases that unrestricted funds can be used to pay for payment assistance and capital improvements if restricted funds are exhausted.

	<u>2018</u>
Restricted Assets	\$
Replacement Reserves	63,750
Operating Reserves	9,092
Housing Assistance Payments	123,409
Scholarship	1,216
FSS Escrow	29,781
Tenant Security Deposits	36,940
	<u>\$ 264,188</u>

# **Housing Authority City of Kennewick, Washington**

## **Notes to the Financial Statements**

### **June 30, 2018**

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#### **Receivables**

Accounts receivable, net consist of amount owed from tenants for housing services including repayment agreements, move out charges, rent and miscellaneous charges. When all efforts to collect directly from the tenant fail, the account is turned over to a collection agency and the account is charged to collection loss.

Receivables from component units represent amounts due for interest, developer activity and normal operating receivables.

#### **Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the Authority's financial statements.

#### **Capital Assets**

Capital asset purchases greater than \$5,000 are capitalized and recorded at cost. Donations are recorded at acquisition value at the time of donation. Capitalized purchases may also include capital leases and major repairs that increase useful lives. Maintenance, repair and minor renewals are accounted for as expenditures when incurred.

The original cost of disposed property, less salvage, is removed from the capital asset accounts, accumulated depreciation is charged with the accumulated depreciation related to the property disposed, and the net gain or loss on disposition is credited or charged to income.

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

Depreciation is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method with useful lives of 3 to 40 years.

See Note 3 – Capital Assets for further detail.

#### **Accounts Payable**

Accounts payable consists of invoices less than 90 days old which the Housing Authority has accrued as of June 30, 2018.

#### **Accrued Payroll Taxes**

These amounts consist of the amounts owing for the June 2018 payroll and 2nd quarter 2018 payroll taxes.

#### **Accrued Compensated Absences**

Compensated Absences are absences which employees may be paid vacation/and or sick leave. The Housing Authority records unpaid leave for compensated absences as an expense when incurred and a liability at year end for accrued compensated absences due.

Paid leave accumulates according to the following schedule:

**Housing Authority City of Kennewick, Washington**  
**Notes to the Financial Statements**  
**June 30, 2018**

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Exempt and Non-Exempt employees' annual vacation leave per years of service:

1 – 5 years	10 hours/month (to maximum of 320 hours)
6 – 10 years	12 hours/month (to maximum of 320 hours)
11 – 15 years	14 hours/month (to maximum of 320 hours)
16 + years	16 hours/month (to maximum of 320 hours)

Exempt and Non-Exempt Employees annual sick leave:

8 hours/month (to maximum of 560 hours)

Part-time employees accrue leave on a pro-rated basis.

Vacation leave is 100% payable and sick leave is payable at 25% on termination of employment unless terminated for gross misconduct or without giving at least a two (2) week notice prior to terminating employment.

**Pensions**

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

**NOTE 2 – DEPOSITS INVESTMENTS**

**Deposits**

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

**Investments**

The Housing Authority investments are reported at fair value in accordance with GASB statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. As of the year ended June 30, 2018, the Housing Authority had no funds that were considered investments.

**NOTE 3 – CAPITAL ASSETS**

Capital asset summary for the years ended June 30, 2018 is as follows:

**Housing Authority City of Kennewick, Washington**  
**Notes to the Financial Statements**  
**June 30, 2018**

	<u>7/1/2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>6/30/2018</u>
Land	\$ 890,669	\$ -	\$ -	\$ 890,669
Construction in Progress	99,860	42,149	142,009	-
Total non-depreciable capital assets	990,529	42,149	142,009	890,669
Buildings	14,856,758	47,188	-	14,903,946
Equipment, Dwelling	299,910	-	-	299,910
Office/Maintenance Equipment	454,552	10,741	-	465,293
Total depreciable capital assets	15,611,220	57,929	-	15,669,149
Accumulated Depreciation	(8,810,599)	(430,814)	-	(9,241,413)
Total depreciable capital assets, net	6,800,621	(372,885)	-	6,427,736
Total capital assets, net	<u>\$ 7,791,150</u>	<u>\$ (330,736)</u>	<u>\$ 142,009</u>	<u>\$ 7,318,405</u>

Capital asset activity for the Component Units for the year ended December 31, 2017 was as follows:

	<u>1/1/2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/2017</u>
Land	\$ 485,866	\$ 389,426	\$ -	\$ 875,292
Construction in Progress	-	846,619	-	846,619
Total non-depreciable capital assets	485,866	1,236,045	-	1,721,911
Buildings	5,095,506	-	-	5,095,506
Equipment, Dwelling	159,256	-	-	159,256
Office/Maintenance Equipment	-	-	-	-
Total depreciable capital assets	5,254,762	-	-	5,254,762
Accumulated Depreciation	(261,106)	(240,084)	-	(501,190)
Total depreciable capital assets, net	4,993,656	(240,084)	-	4,753,572
Total capital assets, net	<u>\$ 5,479,522</u>	<u>\$ 995,961</u>	<u>\$ -</u>	<u>\$ 6,475,483</u>

**NOTE 4 – PENSION PLANS**

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 fiscal year 2018:

**Housing Authority City of Kennewick, Washington**  
**Notes to the Financial Statements**  
**June 30, 2018**

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<b>Aggregate Pension Amounts - All Plans</b>	
Pension liabilities	\$ 667,243
Pension assets	\$ -
Deferred outflows of resources	\$ 177,536
Deferred inflows of resources	\$ 123,374
Pension expense/expenditures	\$ 62,429

**State Sponsored Pension Plans**

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

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

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

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

**Public Employees' Retirement System (PERS)**

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

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

**Housing Authority City of Kennewick, Washington**  
**Notes to the Financial Statements**  
**June 30, 2018**

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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 the fiscal year 2018 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.70%</b>	<b>6.00%</b>

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

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

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

**Housing Authority City of Kennewick, Washington**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**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 the fiscal year 2018 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>12.70%</b>	<b>7.38%</b>

The Authority’s actual PERS plan contributions were \$46,216 to PERS Plan 1 and \$68,818 to PERS Plan 2/3 for the year ended June 30, 2018.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2007-2012 Experience Study* and the *Economic Experience Study*.

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

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation

# Housing Authority City of Kennewick, Washington

## Notes to the Financial Statements

### June 30, 2018

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

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

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

- For all plans, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average remaining service lives calculation was revised.

#### **Discount Rate**

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

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

#### **Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by 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 time horizons. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

**Housing Authority City of Kennewick, Washington**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

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

**Sensitivity of the Net Pension Liability/ (Asset)**

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

	<b>1% Decrease 6.50%</b>	<b>Current Rate 7.50%</b>	<b>1% Increase 8.50%</b>
PERS 1	418,560	343,591	278,652
PERS 2/3	871,952	323,652	(125,599)

**Pension Plan Fiduciary Net Position**

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

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

At June 30, 2018, the Authority reported a total pension liability of \$667,243 for its proportionate share of the net pension liabilities as follows:

**Housing Authority City of Kennewick, Washington**  
**Notes to the Financial Statements**  
**June 30, 2018**

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<b>Plan</b>	<b>Liability or Asset</b>
PERS 1	\$ 343,591
PERS 2/3	323,652

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

	<b>Proportionate Share 6/30/16</b>	<b>Proportionate Share 6/30/17</b>	<b>Change in Proportion</b>
PERS 1	0.00735%	0.00724%	-0.00011%
PERS 2/3	0.00941%	0.00932%	-0.00009%

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

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

**Pension Expense**

For the year ended June 30, 2018, the Authority recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	14,718
PERS 2/3	47,711

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

At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

**Housing Authority City of Kennewick, Washington**  
**Notes to the Financial Statements**  
**June 30, 2018**

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of</b>
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (12,822)
Contributions subsequent to the measurement date	46,216	-
<b>TOTAL</b>	<b>\$ 46,216</b>	<b>\$ (12,822)</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of</b>
Differences between expected and actual experience	\$ 32,794	\$ (10,644)
Net difference between projected and actual investment earnings on pension plan investments	-	(86,278)
Changes of assumptions	3,438	-
Changes in proportion and differences between contributions and proportionate share of contributions	26,270	(13,630)
Contributions subsequent to the measurement date	68,818	
<b>TOTAL</b>	<b>\$ 131,320</b>	<b>\$ (110,552)</b>

<b>TOTAL ALL PLANS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of</b>
Differences between expected and actual experience	\$ 32,794	\$ (10,644)
Net difference between projected and actual investment earnings on pension plan investments	-	(99,100)
Changes of assumptions	3,438	-
Changes in proportion and differences between contributions and proportionate share of contributions	26,270	(13,630)
Contributions subsequent to the measurement date	115,034	-
<b>TOTAL</b>	<b>\$ 177,536</b>	<b>\$ (123,374)</b>

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Housing Authority City of Kennewick, Washington**  
**Notes to the Financial Statements**  
**June 30, 2018**

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Year ended June 30:	PERS 1	PERS 2/3
2018	(8,667)	(30,229)
2019	2,736	17,673
2020	(635)	(5,668)
2021	(6,256)	(35,256)
2022	-	2,361
Thereafter	-	3,069

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**NOTE 5 – LEASE COMMITMENTS**

The Housing Authority is committed under various equipment leases for 2018. These leases are considered operating leases for accounting purposes. Lease expense for the year ended June 30, 2018 was \$29,935. Future rental commitments for these leases are as follows:

2019	\$	29,935
2020		32,265
2021		32,265
2022		32,265
2023		32,265
	\$	<u>158,995</u>

**NOTE 6 – LONG TERM DEBT**

The Housing Authority has real estate mortgages and governmental loans to finance the construction of capital assets. The description of the real estate loan follows:

**Mitchell Manor Bank Loan** was refinanced with Banner Bank as of April 30, 2018 for a loan balance of \$112,000 with a 10 year term, amortized for 15 years. The loan is payable for 120 Benton St for Mitchell Manor Project with monthly payment of \$907.39 which includes \$150 paid towards Replacement Reserves required by Banner Bank. Interest for this loan is at 2.70%, loan is secured by the real estate and is due on March 31, 2028. The balance at June 30, 2018 is \$111,010.

The description of the government loan follows:

**Mitchell Manor WA Housing Trust Fund** recoverable grant is conditional on Mitchell Manor project providing low-income households with physically disabled individuals who at the time of initial occupancy have gross annual incomes at or below 50% of the median income for the Tri Cities MSA, as adjusted annually by HUD. Rents charged to tenants may not exceed 30% of the monthly income of the target population. The length of commitment to serve the target population will be 40 (forty) years ending February 28, 2045. The recoverable grant is secured by the Mitchell Manor property. This is a 0%

**Housing Authority City of Kennewick, Washington**  
**Notes to the Financial Statements**  
**June 30, 2018**

interest grant and no annual payments are due for a commitment of forty years. The balance at June 30, 2018 is \$268,183.

Principal payments due over the next five years and thereafter for the loan and mortgage are as follows:

	Principal	Interest	Total
2019	\$ 11,033	\$ 3,062	\$ 14,095
2020	11,196	2,798	13,994
2021	11,381	2,614	13,995
2022	11,562	2,433	13,995
2023	11,749	2,246	13,995
2024-2028	88,403	7,970	96,373
2029-2033	-	-	-
2034-2038	-	-	-
2039-2043	-	-	-
2044-2045	268,183	-	268,183
	<u>413,507</u>	<u>21,123</u>	<u>434,630</u>
Short-term portion	<u>(11,033)</u>	<u>(3,062)</u>	<u>(14,095)</u>
Long-term portion	<u>\$ 402,474</u>	<u>\$ 18,061</u>	<u>\$ 420,535</u>

Changes in long-term liabilities for the year ended June 30, 2018 are as follows:

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Due Within One Year
Real estate mortgages	\$ 289,256	\$ 112,000	\$ 290,246	\$ 111,010	\$ 6,196
Governmental Loans	589,754	-	287,257	302,497	4,837
Compensated absences	74,287	11,926	-	86,213	34,485
Other long-term liability	124,324	386,926	5,137	506,113	-
Net pension liability	868,677	-	201,434	667,243	-
FSS escrow deposits	19,363	10,417	-	29,780	-
Total	\$ 1,965,661	\$ 521,269	\$ 784,074	\$ 1,702,856	\$ 45,518

Component Unit Long-Term Debt

**PNC Bank Mortgage for Kennewick Affordable Housing LLLP** is secured by leasehold improvements and property, current and future rents, tax credits and partnership rights and interests. The original loan amount of \$368,620 with an interest rate of 5.5% was converted to a permanent loan in November 2016, with monthly payments of interest and principal of \$2,093 beginning January 2017 and maturing in November 2031. The balance at December 31, 2017 was \$363,943.

**Second Mortgage Loan Kennewick Affordable Housing LLLP** from the Washington State Department of Commerce is non-recourse with a maximum principal of \$1,107,270 to be secured

**Housing Authority City of Kennewick, Washington**  
**Notes to the Financial Statements**  
**June 30, 2018**

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by a mortgage or deed of trust. At December 31, 2017 the balance was \$1,107,270. Upon completion of construction and leasing of units, the loan will bear interest at a fixed rate not to exceed 1%. No payments are due under the loan until December 31, 2047, at which time annual payments of principal and interest in the amount of \$157,355 will be due each December 31<sup>st</sup> through December 31, 2056, on which date the loan is fully due and payable.

**WA Housing Trust Fund Loan**, secured by leasehold deed of trust. One percent compounding annually beginning October 1, 2018 maturing September 30, 2058. Original loan \$750,000. The amount drawn on this loan as of December 31, 2017 was \$32,455.

**Housing Authority of the City of Kennewick Loan**, total \$320,000, 7% annual compounded interest due on October 1, 2057. This loan is secured by mortgage deed of trust. \$102,647 has been drawn down as of December 31, 2017.

**Tri-Cities HOME Mortgage** for a total of \$300,000 has a 1% annual simple interest. Interest and payment is deferred for 37 years, due on September 1, 2054. \$255,008 has been drawn on this loan as of December 31, 2017.

**PNC Bank Bridge Loan** effective October 11, 2017 to finance Nueva Vista II construction, up to a maximum of \$3,762,000, secured by partnership interests and tax credits; matures October 11, 2019, extendable to April 11, 2010; variable rate interest at LIBOR plus two percent. Interest payments to be made monthly; all outstanding principal and unpaid interest to be paid at maturity date. \$2,330 has been drawn on this loan as of December 31, 2017.

Principal payments due over the next five years and thereafter for these mortgages are as follows:

	Principal
2018	\$ 7,576
2019	5,542
2020	5,854
2021	6,185
2022	6,534
2023-Thereafter	<u>1,831,962</u>
	1,863,653
Short-term portion	<u>(7,576)</u>
Long-term portion	<u>\$ 1,856,077</u>

Changes in long-term liabilities for the twelve month period ended December 31, 2017 are as follows:

**Housing Authority City of Kennewick, Washington**  
**Notes to the Financial Statements**  
**June 30, 2018**

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	Balance 1/1/2017	Additions	Payments	Balance 12/31/2017	Due Within One Year
Real estate mortgages	\$ 368,620	\$ 2,330	\$ 4,677	\$ 366,273	\$ 7,576
Debt issue costs	(105,398)	-	(3,542)	(101,856)	(3,542)
Governmental loans	1,107,270	390,110	-	1,497,380	-
Total	<u>\$ 1,370,492</u>	<u>\$ 392,440</u>	<u>\$ 1,135</u>	<u>\$ 1,761,797</u>	<u>\$ 4,034</u>

**NOTE 7 – CONTINGENCIES AND LITIGATION**

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

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

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

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

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

General and Automobile Liability coverages are written on an occurrence basis, without member deductibles. Errors & Omissions coverage (which includes Employment Practices Liability) is written on a claims made basis, and the members are responsible for 10% of the incurred costs of the 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 \$2,500 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, as well as Errors and Omissions are \$2,000,000 per occurrence with no annual aggregate. Property limits are offered on an agreed amount, based on

**Housing Authority City of Kennewick, Washington**  
**Notes to the Financial Statements**  
**June 30, 2018**

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each structure's value. Limits for Automobile Liability are covered at \$2,000,000, with no aggregate. HARRP self-insures \$2 million of coverage for liability lines. For property, HARRP retains the first \$2 million and then purchases \$45 million of excess insurance from Munich Reinsurance for a combined total of \$47,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

HARRP provides loss control and claim services with in-house staff and retained third party contractors.

HARRP is fully funded by member contributions that are adjusted by the HARRP Board on the basis of independent actuarial studies. These assessments cover loss, loss adjustment expenses, excess insurance, 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.

In the past three years, no settlements exceeded insurance coverage.

**NOTE 9 – COMMITMENTS**

General Partner Commitments Regarding the Component Units:

The General Partner shall be obligated, without the requirement of notice or demand, to advance all funds necessary during the ODG Period up to the ODG Cap (exclusive of any amounts funded from the Operating Reserve Account) in order to enable the Partnership to pay and satisfy Operating Deficits.

General Partner, for the period commencing on the Closing Date and ending upon the termination of the Compliance Period, agrees and guarantees to advance, without the requirement of notice or demand by the Partnership, any Partner or other party, an amount equal to the lesser of (i) the funds that would have been received under the HAP Contract with respect to the period of the Operating Deficit but for such loss or reduction of the rental assistance; and (ii) the amount of the operating Deficit.

From the Closing Date continuously through the ODG Period End Date, the General Partner has and shall maintain an aggregate net worth exclusive of the General Partner's interest in the Partnership or any sums owed to the General Partner by the Partnership equal to at least \$2,000,000, of which at least \$500,000 shall be liquid assets. Liquid Assets shall mean unrestricted cash and unencumbered marketable securities held solely in the name of the General Partner.

Development Duties, Covenants and Obligations: The General Partner shall promptly take all action which may be necessary or appropriate for the timely and proper development, construction and/or rehabilitation as applicable, maintenance and operation of the Project in accordance with the provisions of this Agreement, the Project Documents and all applicable laws and regulations.

Furthermore, the General Partner and Developer hereby unconditionally jointly and severally agree to promptly pay any Development Costs to the extent available Development Funds are insufficient to pay (such Development Costs when due (such obligations are referred to herein as the "Development Completion Obligation").

**Housing Authority City of Kennewick, Washington**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**NOTE 10 – DATE OF MANAGERMENTS REVIEW**

Management of the Housing Authority has evaluated events and transactions occurring after June 30, 2018 through March 20,2019; the date the financials were available for issuance, for recognition or disclosure in the financial statements. Besides those events disclosed in Note 12, there were not events or transactions that require recognition or disclosure in the financial statements.

**NOTE 11 – OTHER LONG TERM LIABILITIES**

The Housing Authority has a lease agreement with Kennewick Affordable Housing LLLP where the Authority is leasing the land where the Tax Credit property was built. Kennewick Affordable Housing LLLP has paid \$126,860 for a lease that is to expire December 31, 2114. The Housing Authority has recorded this amount as unearned income and will amortize it for the course of the lease. The unamortized amount at June 30, 2018 is \$123,056.

In addition, Nueva Vista II LLLP has signed a lease that is to expire December 31, 2116, for a base payment amount of \$386,926, which was paid in full during the year ended June 30, 2018. The Housing Authority has recorded this amount as unearned income and will amortize it for the course of the lease. The unamortized amount at June 30, 2018 is \$383,057.

**NOTE 12 – SUBSEQUENT EVENTS**

KHA's Board of Commissioners voted to accept administration of up to 40 vouchers due to Hawaiian Village's Opt-Out Conversion action which will take place on November 30, 2018. KHA will administer voucher assistance for the families living in Hawaiian Village in an assisted project-based unit on the date of conversion. The families may continue to live in Hawaiian Village, now Arlo on 10th, with their tenant-based voucher or move to another unit off site which accepts Section 8 assistance. The vouchers will be provided to these tenants but the funds will not be rolled into KHA's Annual Contributions Contract as once the voucher holder is no longer on program, the voucher cannot be reissued. Currently 39 of the 40 units are occupied and eligible for conversion. We have begun working with tenants and HUD on this new program and plan to provide written material and a group orientation to these tenants in the coming months.

KHA signed an agreement on July 1, 2018 with Spokane Housing Authority to begin administering 15 project-based rental assistance vouchers on behalf of Spokane Housing Authority on October 1, 2018. This will be an ongoing administrative activity.

**Housing Authority City of Kennewick, Washington**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**SUPPLEMENTARY INFORMATION**

**Housing Authority City of Kennewick  
Required Supplementary Information Related to Pensions  
As of June 30, 2018  
Last 10 Fiscal Years\***

**MCAG NO. 1497**

**Schedule of Proportionate Share of the Net Pension Liability**

PERS 1  
As of June 30  
Last Five Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.007241%	\$ 343,591	\$ 906,778	37.89%	61.24%
2016	0.007353%	394,891	893,001	44.22%	57.03%
2015	0.006350%	332,164	800,831	41.48%	59.10%
2014	0.006793%	342,201	702,587	48.71%	61.19%
2013	0.008783%	513,213	670,211	76.57%	NA

PERS 2/3  
As of June 30  
Last Five Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.009315%	\$ 323,652	\$ 906,778	35.69%	90.97%
2016	0.009410%	473,786	893,001	53.06%	85.82%
2015	0.008199%	292,956	800,831	36.58%	89.20%
2014	0.008745%	176,768	702,587	25.16%	93.29%
2013	0.008631%	368,545	670,211	54.99%	NA

**Housing Authority City of Kennewick  
Required Supplementary Information Related to Pensions  
As of June 30, 2018  
Last 10 Fiscal Years\***

**MCAG NO. 1497**

**Schedule of Contributions**

PERS 1  
As of June 30, 2018  
Last Five Fiscal Years

Year Ended June 30,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2018	\$ 46,216	\$ (46,216)	-	\$ 918,799	5.03%
2017	43,253	(43,253)	-	906,778	4.77%
2016	42,597	(42,597)	-	893,001	4.77%
2015	32,110	(32,110)	-	800,831	4.01%
2014	28,465	(28,465)	-	702,587	4.05%

PERS 2/3  
As of June 30, 2018  
Last Five Fiscal Years

Year Ended June 30,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2018	\$ 68,818	\$ (68,818)	-	\$ 918,799	7.49%
2017	56,492	(56,492)	-	906,788	6.23%
2016	55,635	(55,635)	-	893,011	6.23%
2015	40,204	(40,204)	-	800,831	5.02%
2014	34,977	(34,977)	-	702,587	4.98%

**Housing Authority City of Kennewick**  
**Notes to the Required Supplementary Information**  
**For the fiscal year ended June 30, 2018**

**MCAG NO. 1497**

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As of June 30  
Last Five Fiscal Years

**Note 1:** Information Provided

GASB 68 was implemented for the year ended June 30, 2015, therefore there is no data available for years prior to June 30, 2013. Eventually, the schedules will show ten years of data.

**Note 2:** Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

**Note 3:** Covered payroll

Covered payroll has been presented in accordance with GASB 82, *Pension Issues*. Covered payroll includes all payroll on which a contribution is based.

**Note 4:** Contribution rates

Rates in effect during the periods covered by the Required Supplemental Information are below:

**PERS 1**

<u>From this Date</u>	<u>Through this Date</u>	<u>Rate</u>
9/1/2013	6/30/2015	9.21%
7/1/2015	6/30/2017	11.18%
7/1/2017	current	12.70% *

\* Employer contribution rate includes an administrative expense rate of 0.18%

**PERS 2/3**

<u>From this Date</u>	<u>Through this Date</u>	<u>Rate</u>
9/1/2013	6/30/2015	9.21%
7/1/2015	6/30/2017	11.18%
7/1/2017	current	12.70% *

\* Employer contribution rate includes an administrative expense rate of 0.18%

**Housing Authority City of Kennewick  
Schedule of Expenditures of Federal Awards  
For Fiscal Year Ended June 30, 2018**

<b>Grantor Agency</b>	<b>Program Name</b>	<b>Federal CFDA Number</b>	<b>Grant No. or Other ID</b>	<b>Total Direct Funds</b>
<b>US Department of Housing and Urban Development Direct Programs</b>		14.850	WA01200000118D	\$ 212,587
	Public and Indian Housing - Subsidy	14.850	WA01200000117D	203,823
	Public and Indian Housing - Subsidy	14.850	WA01200000116D	568
	<b>Total Public and Indian Housing</b>			<b>416,978</b>
	Section 8 HCV - Cluster	14.871	WA012VO	5,422,380
	<b>Total HCV Cluster</b>			<b>5,422,380</b>
	Section 8 - Moderate Rehabilitation - Cluster	14.856	WA012MR0001	1,113,446
	<b>Total Moderate Rehabilitation Cluster</b>			<b>1,113,446</b>
<b>Capital Funds Direct Programs</b>				
	Public Housing Capital Fund - 2015	14.872	WA19P012501-15	18,814
	Public Housing Capital Fund - 2016	14.872	WA19P012501-16	190,872
	Public Housing Capital Fund - 2017	14.872	WA19P012501-17	81,220
	<b>Total Capital Funds</b>			<b>290,906</b>
	<b>Total US Department of Housing and Urban Development Direct Programs</b>			<b>7,243,710</b>
	<b>TOTAL FEDERAL AWARDS EXPENDED</b>			<b>\$ 7,243,710</b>

**Housing Authority City of Kennewick**  
**Notes to the Schedule of Federal Expenditures and Awards**  
**For the fiscal year ended June 30, 2018**

**MCAG NO. 1497**

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**NOTE 1 – BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Housing Authority City of Kennewick (the Housing Authority) financial statements. The Housing Authority uses the accrual basis of accounting. The Housing Authority's accounting records are maintained in accordance with the methods prescribed by the State Auditor under the authority of Washington State law, Chapter 43.09 RCW. The Housing Authority uses the revenue and expenditure classifications contained in the Financial and Accounting Handbooks prescribed by the Department of Housing and Urban Development (HUD).

**NOTE 2 – PROGRAM COSTS**

The amounts shown as current year expenditures represent only the federal grant portion of the program costs for FY 2018. Entire program costs, including the Housing Authority's portion, may be more than shown.

**NOTE 3 – INDIRECT COSTS**

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

**NOTE 4 – SUBRECIPIENTS**

The Housing Authority did not grant funds to sub-recipients.

HA City of Kennewick (WA012)  
KENNEWICK, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit Discretely Presented	9 Other Federal Program 2	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$57,755	\$145,854	\$143,313	\$405,738	\$361,064	\$1,113,724		\$1,113,724
112 Cash - Restricted - Modernization and Development					\$74,058	\$74,058		\$74,058
113 Cash - Other Restricted		\$153,190	\$128,137			\$281,327		\$281,327
114 Cash - Tenant Security Deposits	\$35,253		\$6,400		\$1,687	\$43,340		\$43,340
115 Cash - Restricted for Payment of Current Liabilities								
100 Total Cash	\$93,008	\$299,044	\$277,850	\$405,738	\$436,809	\$1,512,449	\$0	\$1,512,449
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects	\$17,074					\$17,074		\$17,074
124 Accounts Receivable - Other Government								
125 Accounts Receivable - Miscellaneous	\$3,210			\$0	\$320,000	\$323,210		\$323,210
126 Accounts Receivable - Tenants	\$33,931		\$2,001		\$7,827	\$43,759		\$43,759
126.1 Allowance for Doubtful Accounts - Tenants	-\$27,555		\$0		-\$303	-\$27,858		-\$27,858
126.2 Allowance for Doubtful Accounts - Other	\$0			\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current								
128 Fraud Recovery		\$7,983		\$1,520		\$9,503		\$9,503
128.1 Allowance for Doubtful Accounts - Fraud		-\$2,590		\$0		-\$2,590		-\$2,590
129 Accrued Interest Receivable					\$22,400	\$22,400		\$22,400
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$26,660	\$5,393	\$2,001	\$1,520	\$349,924	\$385,498	\$0	\$385,498
131 Investments - Unrestricted								
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets	\$45,575	\$5,720		\$1,489	\$1,902	\$54,686		\$54,686
143 Inventories								
143.1 Allowance for Obsolete Inventories								
144 Inter Program Due From	\$83,451			\$675	\$14	\$84,140	-\$84,140	\$0
145 Assets Held for Sale								
150 Total Current Assets	\$248,694	\$310,157	\$279,851	\$409,422	\$788,649	\$2,036,773	-\$84,140	\$1,952,633
161 Land	\$50,247		\$875,292		\$840,422	\$1,765,961		\$1,765,961
162 Buildings	\$14,176,598		\$5,095,506		\$727,348	\$19,999,452		\$19,999,452
163 Furniture, Equipment & Machinery - Dwellings	\$261,825		\$159,256		\$38,085	\$459,166		\$459,166
164 Furniture, Equipment & Machinery - Administration	\$464,774				\$519	\$465,293		\$465,293
165 Leasehold Improvements								
166 Accumulated Depreciation	-\$8,896,274		-\$501,190		-\$345,139	-\$9,742,603		-\$9,742,603
167 Construction in Progress			\$846,619			\$846,619		\$846,619

168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$6,057,170	\$0	\$6,475,483	\$0	\$1,261,235	\$13,793,888	\$0	\$13,793,888	
171 Notes, Loans and Mortgages Receivable - Non-Current									
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									
173 Grants Receivable - Non Current									
174 Other Assets			\$164,748			\$164,748		\$164,748	
176 Investments in Joint Ventures									
180 Total Non-Current Assets	\$6,057,170	\$0	\$6,640,231	\$0	\$1,261,235	\$13,958,636	\$0	\$13,958,636	
200 Deferred Outflow of Resources	\$88,480	\$71,313		\$14,965	\$2,778	\$177,536		\$177,536	
290 Total Assets and Deferred Outflow of Resources	\$6,394,344	\$381,470	\$6,920,082	\$424,387	\$2,052,662	\$16,172,945	-\$84,140	\$16,088,805	
311 Bank Overdraft									
312 Accounts Payable <= 90 Days	\$57,786	\$6,173	\$8,819	\$466	\$5,028	\$78,272		\$78,272	
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable	\$9,304					\$9,304		\$9,304	
322 Accrued Compensated Absences - Current Portion	\$17,054	\$13,398		\$3,662	\$371	\$34,485		\$34,485	
324 Accrued Contingency Liability									
325 Accrued Interest Payable			\$12,852		\$258	\$13,110		\$13,110	
331 Accounts Payable - HUD PHA Programs									
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government									
341 Tenant Security Deposits	\$35,340		\$6,400		\$2,227	\$43,967		\$43,967	
342 Unearned Revenue									
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue			\$4,034		\$11,033	\$15,067		\$15,067	
344 Current Portion of Long-term Debt - Operating Borrowings									
345 Other Current Liabilities									
346 Accrued Liabilities - Other			\$5,850			\$5,850		\$5,850	
347 Inter Program - Due To	\$21,622	\$45,000		\$11,400	\$6,118	\$84,140	-\$84,140	\$0	
348 Loan Liability - Current									
310 Total Current Liabilities	\$141,106	\$64,571	\$37,955	\$15,528	\$25,035	\$284,195	-\$84,140	\$200,055	
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			\$1,757,763		\$402,474	\$2,160,237		\$2,160,237	
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other		\$29,780			\$506,113	\$535,893		\$535,893	
354 Accrued Compensated Absences - Non Current	\$25,581	\$20,097		\$5,493	\$557	\$51,728		\$51,728	
355 Loan Liability - Non Current									
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities	\$332,534	\$268,021		\$56,247	\$10,441	\$667,243		\$667,243	
350 Total Non-Current Liabilities	\$358,115	\$317,898	\$1,757,763	\$61,740	\$919,585	\$3,415,101	\$0	\$3,415,101	
300 Total Liabilities	\$499,221	\$382,469	\$1,795,718	\$77,268	\$944,620	\$3,699,296	-\$84,140	\$3,615,156	
400 Deferred Inflow of Resources	\$61,487	\$49,557		\$10,400	\$1,930	\$123,374		\$123,374	

508.4 Net Investment in Capital Assets	\$6,057,170		\$4,713,686		\$847,728	\$11,618,584		\$11,618,584
511.4 Restricted Net Position	\$0	\$123,409	\$128,137		\$64,966	\$316,512		\$316,512
512.4 Unrestricted Net Position	-\$223,534	-\$173,965	\$282,541	\$336,719	\$193,418	\$415,179		\$415,179
513 Total Equity - Net Assets / Position	\$5,833,636	-\$50,556	\$5,124,364	\$336,719	\$1,106,112	\$12,350,275	\$0	\$12,350,275
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$6,394,344	\$381,470	\$6,920,082	\$424,387	\$2,052,662	\$16,172,945	-\$84,140	\$16,088,805

HA City of Kennewick (WA012)  
KENNEWICK, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single  
Audit

Fiscal Year End: 06/30/2018

	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	9 Other Federal Program 2	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$499,431		\$284,391		\$79,997	\$863,819		\$863,819
70400 Tenant Revenue - Other	\$25,200		\$9,929		\$9,211	\$44,340		\$44,340
70500 Total Tenant Revenue	\$524,631	\$0	\$294,320	\$0	\$89,208	\$908,159	\$0	\$908,159
70600 HUD PHA Operating Grants	\$653,863	\$5,422,380		\$1,113,446		\$7,189,689		\$7,189,689
70610 Capital Grants	\$54,021					\$54,021		\$54,021
70710 Management Fee								
70720 Asset Management Fee								
70730 Book Keeping Fee								
70740 Front Line Service Fee								
70750 Other Fees					\$4,388	\$4,388		\$4,388
70700 Total Fee Revenue						\$0	\$0	\$0
70800 Other Government Grants	\$0		\$217,353		\$320,000	\$537,353		\$537,353
71100 Investment Income - Unrestricted	\$1,392	\$196			\$22,635	\$24,223		\$24,223
71200 Mortgage Interest Income	\$0					\$0		\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0					\$0		\$0
71310 Cost of Sale of Assets	\$0					\$0		\$0
71400 Fraud Recovery	\$0	\$11,096		\$2,093		\$13,189		\$13,189
71500 Other Revenue	\$41,988	\$84,367	\$1,001,320		\$43,941	\$1,171,616		\$1,171,616
71600 Gain or Loss on Sale of Capital Assets	\$0					\$0		\$0
72000 Investment Income - Restricted	\$0					\$0		\$0
70000 Total Revenue	\$1,275,895	\$5,518,039	\$1,512,993	\$1,115,539	\$480,172	\$9,902,638	\$0	\$9,902,638
91100 Administrative Salaries	\$336,000	\$350,874	\$17,669	\$73,635	\$7,079	\$785,257		\$785,257
91200 Auditing Fees	\$9,023	\$11,293	\$9,500	\$1,574	\$342	\$31,732		\$31,732
91300 Management Fee			\$17,504			\$17,504		\$17,504
91310 Book-keeping Fee								
91400 Advertising and Marketing			\$225			\$225		\$225
91500 Employee Benefit contributions - Administrative	\$93,783	\$139,269	\$3,846	\$26,529	\$1,115	\$264,542		\$264,542

91600 Office Expenses	\$81,415	\$116,023	\$21,762	\$15,401	\$5,237	\$239,838		\$239,838
91700 Legal Expense	\$3,201	\$648	\$1,924	\$29	\$1,101	\$6,903		\$6,903
91800 Travel	\$24,303	\$2,503		\$873	\$467	\$28,146		\$28,146
91810 Allocated Overhead								
91900 Other	\$0		\$18,578			\$18,578		\$18,578
91000 Total Operating - Administrative	\$547,725	\$620,610	\$91,008	\$118,041	\$15,341	\$1,392,725	\$0	\$1,392,725
92000 Asset Management Fee								
92100 Tenant Services - Salaries	\$4,050					\$4,050		\$4,050
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services								
92400 Tenant Services - Other			\$21,908			\$21,908		\$21,908
92500 Total Tenant Services	\$4,050	\$0	\$21,908	\$0	\$0	\$25,958	\$0	\$25,958
93100 Water	\$82,068		\$10,529		\$5,905	\$98,502		\$98,502
93200 Electricity	\$37,888		\$32,308		\$3,523	\$73,719		\$73,719
93300 Gas	\$1,630				\$300	\$1,930		\$1,930
93400 Fuel								
93500 Labor								
93600 Sewer								
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense	\$49,880		\$6,829		\$1,368	\$58,077		\$58,077
93000 Total Utilities	\$171,466	\$0	\$49,666	\$0	\$11,096	\$232,228	\$0	\$232,228
94100 Ordinary Maintenance and Operations - Labor	\$156,515		\$16,276		\$6,589	\$179,380		\$179,380
94200 Ordinary Maintenance and Operations - Materials and Other	\$73,465		\$12,429		\$2,148	\$88,042		\$88,042
94300 Ordinary Maintenance and Operations Contracts	\$56,109	\$77	\$16,248		\$1,307	\$73,741		\$73,741
94500 Employee Benefit Contributions - Ordinary Maintenance	\$97,820				\$8,185	\$106,005		\$106,005
94000 Total Maintenance	\$383,909	\$77	\$44,953	\$0	\$18,229	\$447,168	\$0	\$447,168
95100 Protective Services - Labor	\$166					\$166		\$166
95200 Protective Services - Other Contract Costs	\$5,789	\$54		\$28	\$25	\$5,896		\$5,896
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95000 Total Protective Services	\$5,955	\$54	\$0	\$28	\$25	\$6,062	\$0	\$6,062
96110 Property Insurance			\$29,538			\$29,538		\$29,538
96120 Liability Insurance	\$38,087	\$4,004		\$2,107	\$1,571	\$45,769		\$45,769
96130 Workmen's Compensation			\$2,963			\$2,963		\$2,963

96140 All Other Insurance	\$4,912	\$2,601			\$172	\$7,685		\$7,685
96100 Total Insurance Premiums	\$42,999	\$6,605	\$32,501	\$2,107	\$1,743	\$85,955	\$0	\$85,955
96200 Other General Expenses	-\$60,922	-\$10,258	\$7,971	\$16,186	\$2,539	-\$44,484		-\$44,484
96210 Compensated Absences	\$2,854	\$3,957		\$5,133	-\$14	\$11,930		\$11,930
96300 Payments in Lieu of Taxes			\$8			\$8		\$8
96400 Bad debt - Tenant Rents	\$35,996		\$5,407		\$353	\$41,756		\$41,756
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96800 Severance Expense								
96000 Total Other General Expenses	-\$22,072	-\$6,301	\$13,386	\$21,319	\$2,878	\$9,210	\$0	\$9,210
96710 Interest of Mortgage (or Bonds) Payable			\$90,988		\$8,487	\$99,475		\$99,475
96720 Interest on Notes Payable (Short and Long Term)								
96730 Amortization of Bond Issue Costs			\$7,256			\$7,256		\$7,256
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$98,244	\$0	\$8,487	\$106,731	\$0	\$106,731
96900 Total Operating Expenses	\$1,134,032	\$621,045	\$351,666	\$141,495	\$57,799	\$2,306,037	\$0	\$2,306,037
97000 Excess of Operating Revenue over Operating Expenses	\$141,863	\$4,896,994	\$1,161,327	\$974,044	\$422,373	\$7,596,601	\$0	\$7,596,601
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments		\$4,967,600		\$1,001,464		\$5,969,064		\$5,969,064
97350 HAP Portability-In		\$75,669				\$75,669		\$75,669
97400 Depreciation Expense	\$405,299		\$240,084		\$25,515	\$670,898		\$670,898
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	\$1,539,331	\$5,664,314	\$591,750	\$1,142,959	\$83,314	\$9,021,668	\$0	\$9,021,668
10010 Operating Transfer In								
10020 Operating transfer Out								
10030 Operating Transfers from/to Primary Government								
10040 Operating Transfers from/to Component Unit								
10050 Proceeds from Notes, Loans and Bonds								
10060 Proceeds from Property Sales								
10070 Extraordinary Items, Net Gain/Loss								

10080 Special Items (Net Gain/Loss)								
10091 Inter Project Excess Cash Transfer In								
10092 Inter Project Excess Cash Transfer Out								
10093 Transfers between Program and Project - In	\$290,906					\$290,906	-\$290,906	\$0
10094 Transfers between Project and Program - Out	-\$290,906					-\$290,906	\$290,906	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11000 Excess (Deficiency) or Total Revenue Over (Under) Total Expenses	-\$263,436	-\$146,275	\$921,243	-\$27,420	\$396,858	\$880,970	\$0	\$880,970
11020 Required Annual Debt Principal Payments	\$0	\$0	\$1,246	\$0	\$8,483	\$9,729		\$9,729
11030 Beginning Equity	\$6,097,072	\$95,719	\$4,203,121	\$364,139	\$709,254	\$11,469,305		\$11,469,305
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors				\$0	\$0	\$0		\$0
11050 Changes in Compensated Absence Balance								
11060 Changes in Contingent Liability Balance								
11070 Changes in Unrecognized Pension Transition Liability								
11080 Changes in Special Term/Severance Benefits Liability								
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents								
11100 Changes in Allowance for Doubtful Accounts - Other								
11170 Administrative Fee Equity		-\$173,965				-\$173,965		-\$173,965
11180 Housing Assistance Payments Equity		\$123,409				\$123,409		\$123,409
11190 Unit Months Available	2280	11700	384	1656	96	16116		16116
11210 Number of Unit Months Leased	2184	10385	378	1599	89	14635		14635
11270 Excess Cash	-\$32,489					-\$32,489		-\$32,489
11610 Land Purchases	\$0					\$0		\$0
11620 Building Purchases	\$47,188					\$47,188		\$47,188
11630 Furniture & Equipment - Dwelling Purchases	\$10,741					\$10,741		\$10,741
11640 Furniture & Equipment - Administrative Purchases	\$0					\$0		\$0
11650 Leasehold Improvements Purchases	\$0					\$0		\$0
11660 Infrastructure Purchases	\$0					\$0		\$0
13510 CFFP Debt Service Payments	\$0					\$0		\$0
13901 Replacement Housing Factor Funds	\$0					\$0		\$0