

WILMINGTON HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED MARCH 31, 2018

**WILMINGTON HOUSING AUTHORITY
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YEAR ENDED MARCH 31, 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Wilmington Housing Authority
Wilmington, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the enterprise fund and the aggregate discretely presented component units of the Wilmington Housing Authority (the Authority), as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Taylor West, LLC, which represents 24%, 19%, and 16%, respectively, of the assets, member's equity, and revenues of the discretely presented component units. Those statements, which were prepared in accordance with the Accounting Standards issued by the Financial Accounting Standards Board, were audited by other auditors whose report has been furnished to us. Our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund and the aggregate discretely presented component units of the Authority as of March 31, 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 4 through 15, the schedule of the Authority's proportionate share of net pension liability to local government employee retirement system (LGERS) on page 52, and the Authority's schedule of contributions to the LGERS on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 financial data schedule and schedules of revenues and expenditures – budget to actual, as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The financial data schedule, schedules of revenues and expenditures – budget to actual, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 generally accepted in the 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.

Board of Commissioners
Wilmington Housing Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

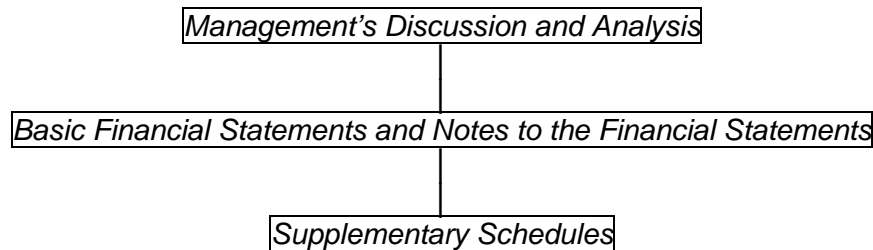
CliftonLarsonAllen LLP

Baltimore, Maryland
November 14, 2018

**WILMINGTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2018**

The Wilmington Housing Authority (the Authority) presents this discussion and analysis of its financial performance for the fiscal year (FY) ended March 31, 2018. The MD&A is designed to provide an overview of the financial activity for the year, identify changes in the Authority's financial position, and identify individual fund issues or concerns. Since its design is to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements, which follow this section.

The Authority's FY 2018 annual financial report consists of two parts – the management's discussion and analysis, and the basic financial statements (which include notes to those financial statements). Also included are supplementary schedules that show information sent to the U.S. Department of Housing and Urban Development (HUD) related to our basic financial statements.



The FY 2018 discussion and analysis is based on the financial results of the financial statements of the Authority using accounting methods similar to those used by private sector companies (Enterprise Fund). The discussion and analysis is also based on the financial results represented in three basic financial statements – the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows.

The statement of net position includes all of the Authority's assets, liabilities, and deferred inflow/outflow of resources and provides information about the amounts and investments in assets and the obligations to Authority creditors. It also provides a basis of assessing the liquidity and financial flexibility of the Authority.

The current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. This statement measures the success of the Authority's operations over the past fiscal year.

The statement of cash flows provides information about the Authority's cash receipts and disbursements during the reporting period. The statement reports net changes in cash resulting from operations, financing activities, capital activities, and investing activities.

**WILMINGTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2018**

INTRODUCTION (CONTINUED)

Under GASB 34, the Authority's single business-type activities financial statements for FY 2018 report on all assets, liabilities, revenues, expenses, and net position under the programs it administers. The Authority's FY 2018 highlights are included in the following summary:

- Total assets were approximately \$47.6 million at March 31, 2018 after elimination of the interfund accounts.
- Total revenues and expenses were approximately \$23.2 million and \$22.3 million, respectively. After considering capital grants of \$1.4 million, the change in net position increased by \$1.8 million during the fiscal year.
- Revenues are derived from various sources with approximately 85.6% from subsidy sources. Rental revenues from Authority-owned properties were approximately \$2.3 million, or 10.0% of total revenue.

Financial Statements

The Authority's mission focuses on the management, financing, rehabilitation, preservation and construction of housing, primarily for low- and moderate-income households, assisting in the revitalization of neighborhoods, and redevelopment of areas in the City of Wilmington. The Authority, as of March 31, 2018, owned 981 residential units that are leased to low-income and moderate-income families and individuals. In addition, housing assistance was being paid to over 1,638 households under the Federal Housing Choice Voucher, HOPWA, HOME and Shelter Plus Care programs for privately owned existing housing.

In view of this mission, the Authority's financial reporting objective under GASB 34 in FY 2018 focuses on the financial activities of the Authority as a whole. They report the net position and changes in net position in full compliance with GASB 34 and on a full accrual basis. Under the full accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period when they are incurred.

This entity-wide presentation represents over a dozen programs and activities. Most of these programs are financed by federal grants from HUD, rents, and other user charges resulting from operations of subsidized housing, by development and financing fees, and by investment income.

In FY 2018, the financial statement presentation includes the GASB 61 reporting requirement. GASB 61 effects on the financial statements include:

- Increased emphasis on financial relationships
- Clarifies the requirements to blend certain component units
- Improved recognition of ownership interest in joint partnerships, component units and investments

To comply with GASB Statement No. 61, the Authority included six additional component units to their financial statements. The financial information for Glover Plaza, Inc., Housing and Economic Opportunities, Inc. (HEO), Jervay House, LLC, HEO Partners I, II, III, LLC, WHA Partners I, II, LLC, and Supportive Housing I, LLC are blended as part of the financial statements of the Authority. The financial statements for the LIHTC properties – Taylor West, LLC, Rankin Place Terrace and Creekwood South LLC, are discretely presented, meaning they are aggregately presented separate from the Authority's activity.

**WILMINGTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2018**

Financial Statements (Continued)

In FY 2018, the following programs made up the Authority's single business-type activities financial statements:

- *Low Income Public Housing Program* – Funding is from federal grants from HUD, rents, and other tenant charges and provides essential affordable housing for low-income and moderate-income families, disabled persons, and the elderly.
- *Housing Choice Voucher* – These programs are funded by HUD and are subsidy programs for low- and moderate-income families seeking housing in the private rental market.
- *Grant Programs (nonmajor funds)* – These programs account for HUD grant funds received for the following activities: Resident Opportunity and Self Sufficiency, Family Self Sufficiency (housing counseling assistance), Shelter Plus Care and Housing Opportunities for Persons with Aids.
- *HOPE VI Program* – This program accounts for the revitalization of severely distressed public housing.
- *Capital Fund Program* – This program uses HUD capital contributions to fund new construction, acquisition and major improvements to existing public housing properties.
- *Business Activities* – This program finances the activities that involve sources and uses of funds not restricted for a particular program.
- *Blended Component Units* – These programs consist of Glover Plaza, Inc., Housing and Economic Opportunities, Inc. (HEO), Jervay House, LLC, HEO Partners I, II, III, LLC, WHA Partners I, II, LLC, and Supportive Housing I, LLC. All organizations operate as separate entities, each with its own board of directors.
- *Discretely Presented Component Units* – These programs consist of Taylor West, LLC, Creekwood South LLC and Rankin Place Terrace LLC. All organizations operate as separate entities.

**WILMINGTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2018**

Net Position

The following table reflects the Authority's condensed summary of the balance sheet as of March 31, 2018 and 2017.

**Table 1
Comparative Summary of the Statement of Net Position (Balance Sheet)
March 31, 2018 and 2017**

	FYE 2018	FYE 2017	Variance	% Change
Current Assets	\$ 10,170,514	\$ 8,738,773	\$ 1,431,741	16.38%
Capital Assets, Net	22,677,566	23,445,505	(767,939)	-3.28%
Noncurrent Assets	14,740,946	14,805,975	(65,029)	-0.44%
Total Assets	<u>47,589,026</u>	<u>46,990,253</u>	598,773	1.27%
Deferred Outflow of Resources	672,900	867,611	(194,711)	100.00%
Current Liabilities	3,725,169	3,961,983	(236,814)	-5.98%
Noncurrent Liabilities	3,145,929	3,306,471	(160,542)	-4.86%
Total Liabilities	<u>6,871,098</u>	<u>7,268,454</u>	(397,356)	-5.47%
Deferred Inflow of Resources	<u>27,865</u>	<u>54,960</u>	(27,095)	100.00%
Net Investment in Capital Assets	21,040,029	21,455,665	(415,636)	-1.94%
Restricted Net Position	1,259,017	647,957	611,060	94.31%
Unrestricted Net Position	19,063,917	18,430,828	633,089	3.43%
Total Net Position	<u>\$ 41,362,963</u>	<u>\$ 40,534,450</u>	<u>\$ 828,513</u>	2.04%

Net position may serve over time as a useful indicator of the Authority's financial position. As illustrated in the statement of net position, the Authority's Net Position for FY 2018 increased by \$828,614 or 2.1% from FY 2017.

Capital assets comprise about 47.7% of the Authority's total assets of \$47.6 million. These assets carry related current and long-term debt of approximately \$1.6 million, which is about 23.8% of its total liabilities. The net investment in capital assets amounts to about 50.9% of total net position. Net Investment in Capital Assets decreased 1.9% or \$415,636 from the prior year.

The Authority's net position also consists of restricted and unrestricted net position. Restricted net position includes cash and investments restricted for housing assistance payments, loan loss and future capital projects less the liabilities that will be paid from these restricted assets. Unrestricted net position would include cash in the bank, receivables net of allowances, and other assets less all other liabilities not previously applied. For FY 2018, restricted and unrestricted net position increased by 6.5% or \$1,244,250.

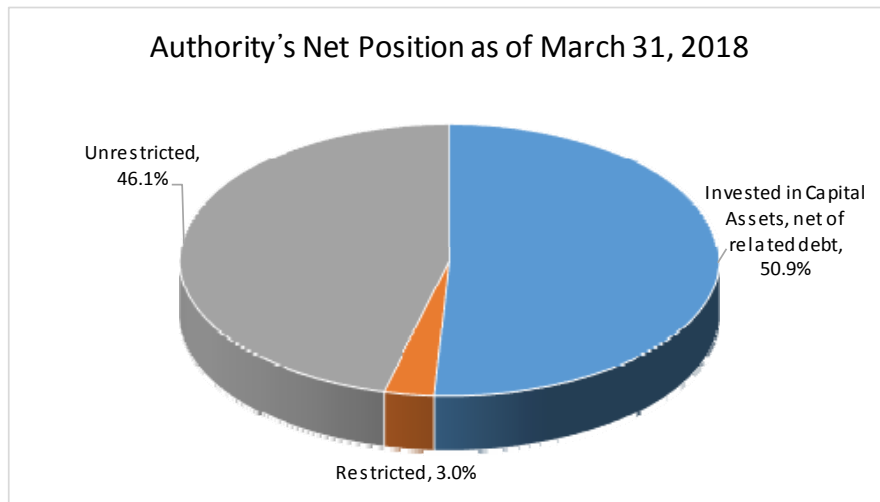
**WILMINGTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2018**

Net Position (Continued)

In 2016, the Authority implemented GASB Statement 68 and 71. The Authority has allocated its proportionate share of the Local Government Employee's Retirement System's (LGERS) net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. In 2018, the Authority's portion of the LGERS net position liability was \$458,928. The Authority's portion of the deferred outflows of resources related to this new statement was just under \$673 thousand while deferred inflows of resources was \$27.8 thousand. The Authority also recognized pension expense of approximately \$226,042.

Management of the Local Government Employees' Retirement System resides with the LGERS Board of Trustees, which consists of 13 members, including five ex-officio or public Teachers' and State Employees' Retirement System Board members, plus eight members representing local governments. Decisions related to the funding and investing in the plan are made by the Department of State Treasurer, not by the Authority's management.

The following graph illustrates the relative percentage of the Authority's net position, net investment in capital assets, and net position that is restricted and unrestricted.



Current assets increased by \$1,431,842 due to increased cash and cash equivalents, offset by a reduction in accounts receivables.

Capital assets decreased by \$768 thousand. The decrease is the net change in annual depreciation and additions in capital assets between fiscal years.

Current liabilities decreased by \$237 thousand due to reduction in accounts payable and accrued liabilities at year end.

There was a decrease in the noncurrent liabilities during the year in the amount of \$161 thousand which was due to decrease in net pension liability.

**WILMINGTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2018**

Revenues, Expenses, and Changes in Net Position

**Table 2
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended March 31, 2018 and 2017**

	FYE 2018	FYE 2017	Variance	% Change
Tenant Revenue	\$ 2,306,118	\$ 2,327,210	\$ (21,092)	-0.91%
HUD Subsidies	18,413,918	18,131,366	282,552	1.56%
Other Governmental Grants	77,961	90,790	(12,829)	100.00%
Other Income	937,982	397,163	540,819	136.17%
Total Revenues	<u>21,735,979</u>	<u>20,946,529</u>	<u>789,450</u>	3.77%
Administration	2,545,536	2,530,041	15,495	0.61%
Tenant Services	368,592	268,273	100,319	37.39%
Utilities	1,436,403	1,401,703	34,700	2.48%
Ordinary Maintenance	2,087,481	1,859,202	228,279	12.28%
Protective Services	284,047	274,657	9,390	3.42%
General Expenses	1,992,448	2,280,657	(288,209)	-12.64%
Housing Assistance Payments	11,277,111	11,653,113	(376,002)	-3.23%
Depreciation	2,266,089	2,178,052	88,037	4.04%
Total Expenses	<u>22,257,707</u>	<u>22,445,698</u>	<u>(187,991)</u>	-0.84%
Excess (Deficiency) Revenue Over Expenses	(521,728)	(1,499,169)	977,441	-65.20%
Investment Income	2,797	4,067	(1,270)	-31.23%
Interest Expense	(47,938)	(68,088)	20,150	-29.59%
Mortgage Interest Income	6,241	7,465	(1,224)	-16.40%
Capital Grants	1,389,141	569,710	819,431	143.83%
Change in Net Position	<u>828,513</u>	<u>(986,015)</u>	<u>1,814,528</u>	3.04%
Net Position - Beginning of Year	<u>40,534,450</u>	<u>41,520,465</u>	<u>(986,015)</u>	-2.37%
NET POSITION - END OF YEAR	<u>\$ 41,362,963</u>	<u>\$ 40,534,450</u>	<u>\$ 828,513</u>	3.04%

As shown in Table 2, during FY 2018, the Authority's total revenues increased by 7.5%. The \$1.6 million increase in revenue was due to several factors. HUD subsidies increased \$325 thousand or 1.79% from last year due to increase in LIPH, ROSS, HCVP, and FSS. Capital Grant revenue increased by 143.8% or \$819 thousand due mostly to capital improvements made to Houston Moore and Solomon Towers. Revenues from HUD grants can vary greatly from year to year due to Authority needs as well as various other economic and market conditions.

Other income reflected a 136.1% increase of \$540 thousand, which is due to one-time recognition of amounts earned on deferred ground lease revenue of \$212 thousand and receipt of bond issuance fee of \$140 thousand.

**WILMINGTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2018**

Revenues, Expenses, and Changes in Net Position (Continued)

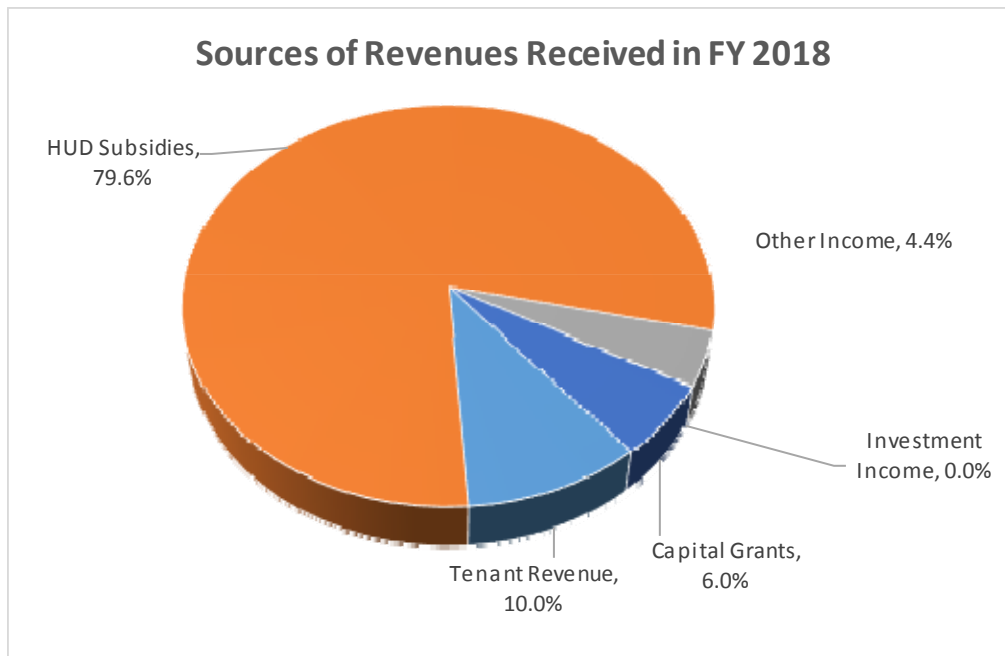
Total expenses in FY 2018 decreased \$165 thousand or 0.74%. Spending in the HCV program decreased \$376,002 from the prior year. The HCV reduction was due to reduced housing assistance payments utilization.

At the end of fiscal year 2018, the Authority's Net Position increased by \$829 thousand.

Sources of Revenues and Expenses

The majority of revenues received came from subsidies which amounted to 85.6% of total revenue. Total operating subsidies including capital funds received from HUD FY 2018 were \$19.8 million. Tenant rent revenues received in FY 2018 amounted to 10.3% of the total revenues received for the year. Rental income decreased by 0.91% as compared to FY 2017.

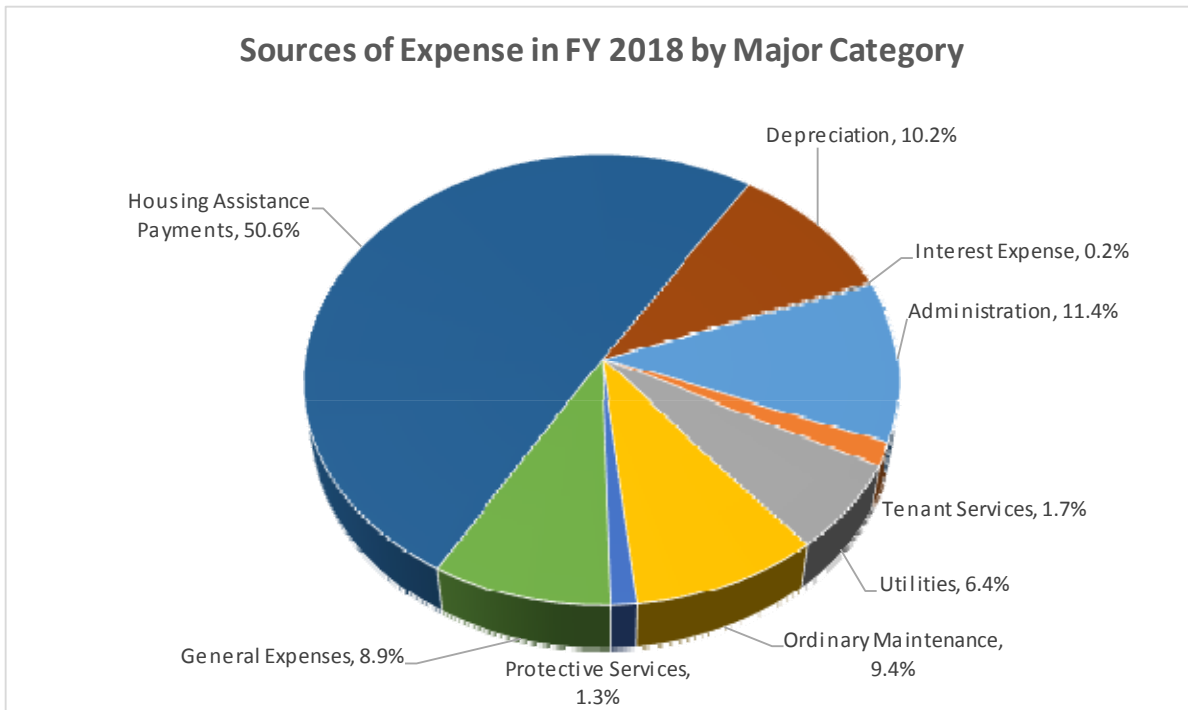
The following graph illustrates the major sources of these revenues and related percentages:



**WILMINGTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2018**

Sources of Revenues and Expenses (Continued)

The following graph illustrates the major expense groups and the percent that each category represents to total expenses incurred.



The Authority's expenses decreased 0.74 % from last year.

Administrative expenses comprised of salary, benefits, compensated absences, auditing fees and management fee expense increased by \$15,495 or 0.61% from last year. This was primarily due to reduction in management fees that was more than offset by increased administrative salaries and benefits.

Tenant service expenses increased by \$142,719 due to increased tenant service salaries and benefits primarily due to a new ROSS-FSS grant for Housing Choice Voucher.

Ordinary Maintenance expenses increased by \$228,279 due to increased maintenance staff salaries and benefits and an increase in maintenance contract materials.

General expenses decreased by \$288,209 from the prior fiscal year due to a reduction in subsidy pass through expenses.

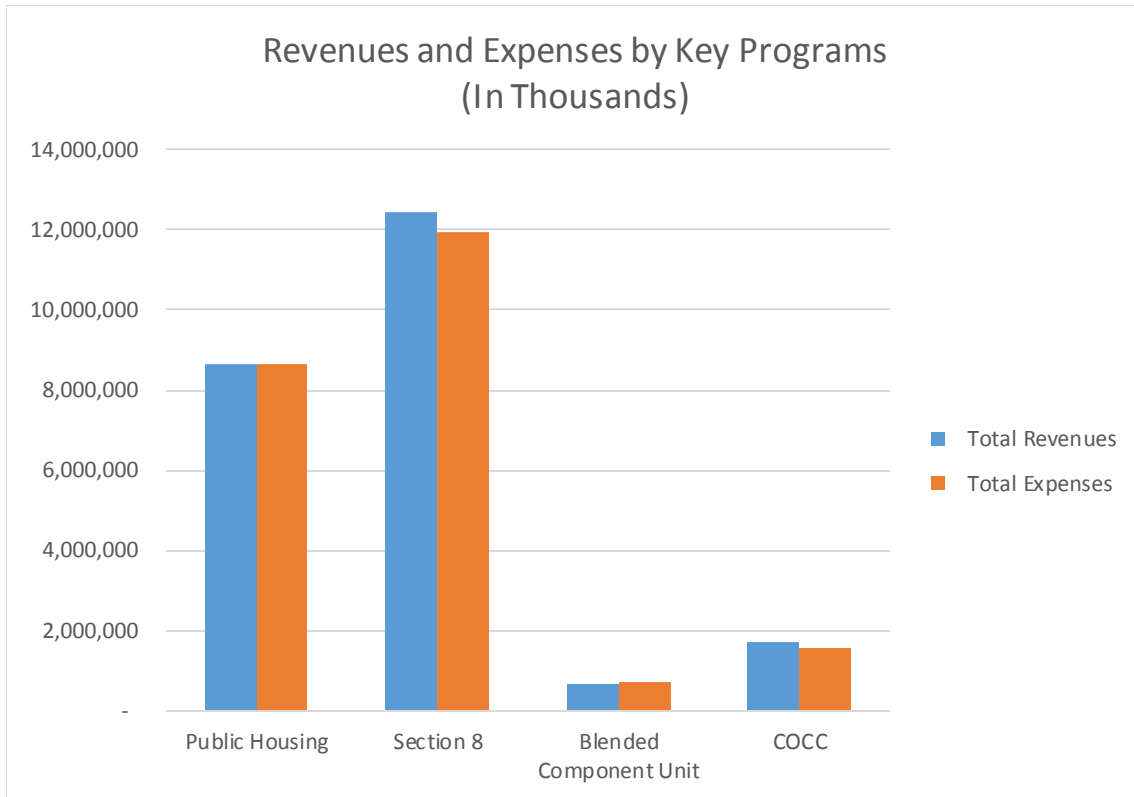
Housing assistance payments decreased by \$376,002. The decrease in utilization in the HCVP has been due to many factors, but primarily because the housing stock is not available. The demand clearly exceeds the supply across New Hanover County as well as in the City of Wilmington.

**WILMINGTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2018**

Sources of Revenues and Expenses (Continued)

Depreciation expense increased from last fiscal year by \$88,037. The increase is due to capital fund improvements, addition of authority wide vehicles and equipment, and the beginning of depreciation on the Houston Moore renovation.

The following graph illustrates a comparison of total revenues to total expenses incurred by major programs in FY 2018.



The following graph illustrates a comparison of total revenues to total expenses incurred by major programs in FY 2018.

**WILMINGTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2018**

Sources of Revenues and Expenses (Continued)

The following table gives us an idea of how the changes within the Authority's activities were spread among funds. The Authority experienced losses in the Public Housing Program, while the COCC and Housing Choice Voucher programs show gains. The Authority continues to work to reduce operating expenses, especially in the Low-Rent Public Housing, COCC and Housing Choice Voucher program due to economic factors and regulatory changes.

**Table 3
Sources of Revenues and Expenses by Program
Year Ended March 31, 2018**

	Public Housing	COCC	Hope VI	HCV & VASH	Other Programs	Eliminations	Total
Tenant Revenue	\$ 1,991,525	\$ -	\$ -	\$ -	\$ 314,593	\$ -	\$ 2,306,118
HUD Subsidies	5,255,815	-	-	12,412,376	788,228	-	18,456,419
Other Government Grants	-	-	-	-	77,961	-	77,961
Other Income	34,174	1,731,070	-	15,556	366,509	(1,209,327)	937,982
Total Revenues	7,281,514	1,731,070	-	12,427,932	1,547,291	(1,209,327)	21,778,480
Administrative	1,254,723	1,229,423	11,720	854,640	300,917	(1,105,887)	2,545,536
Tenant Services	17,731	-	-	-	393,261	-	410,992
Utilities	1,355,158	29,364	-	-	51,881	-	1,436,403
Maintenance	1,857,634	111,293	-	-	118,554	-	2,087,481
Protective Services	268,074	-	-	-	15,973	-	284,047
General/Other Items	1,846,742	115,475	10,684	59,263	63,724	(103,440)	1,992,448
Housing Assistance Payments	-	-	-	11,048,970	228,141	-	11,277,111
Depreciation	1,987,967	86,961	-	-	191,161	-	2,266,089
Total Expenses	8,588,029	1,572,516	22,404	11,962,873	1,363,612	(1,209,327)	22,300,107
Excess (Deficiency) Revenue Revenue over Expenses	(1,306,515)	158,554	(22,404)	465,059	183,679	-	(521,627)
Investment Income	1,776	-	-	213	808	-	2,797
Interest Expense	(47,938)	-	-	-	-	-	(47,938)
Mortgage Interest Income	-	-	-	-	6,241	-	6,241
Capital Grants	1,389,141	-	-	-	-	-	1,389,141
Operating Transfers	-	-	-	-	-	-	-
Net Change in Net Position	\$ 36,464	\$ 158,554	\$ (22,404)	\$ 465,272	\$ 190,728	\$ -	\$ 828,614

Legend:

Other Programs- Business Activities, Multi-Family Mortgage, Mortgage Disposition, CFP, Component Units (Blended), ROSS, Youthbuild, PH Family Self Sufficiency, Continuum of Care, HOPWA, HOME

**WILMINGTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2018**

Financial Condition Indicators

The Real Estate Assessment Center performs a financial evaluation of the Authority as it compares to its peers. This evaluation is known as the Financial Assessment Subsystem (FASS). Through regulation, the Authority provides the information needed to project its score.

Fiscal year ending March 31, 2018 coincides with the eighth year of project-based budgeting and accounting under asset management. At the time of this report, the Authority has not received a final score for the fiscal year ending March 31, 2018. This is a Standard Performer designation.

The Housing Choice Voucher Program obtained a Standard Performance status for fiscal year ending March 31, 2018 from the Real Estate Assessment Center.

Capital Assets

At the end of FY 2018, the Authority had Capital Assets amounting to \$22.7 million, net of depreciation. There were \$1,498,150 in capital asset acquisitions, which were offset by depreciation expense of \$2,266,089. A complete summary of capital assets follows:

**Wilmington Housing Authority
Combined State of Capital Assets**

	2018	2017	Total Change	% Change
Land	\$ 2,644,532	\$ 2,644,532	\$ -	0.00%
Buildings and Improvements	65,213,350	59,276,274	5,937,076	10.02%
Equipment	2,551,374	2,464,312	87,062	3.53%
Construction in Progress	-	1,139,041	(1,139,041)	-100.00%
	70,409,256	65,524,159	4,885,097	7.46%
Accumulated Depreciation	(47,731,690)	(42,078,654)	(5,653,036)	13.43%
Total Capital Assets	<u>\$ 22,677,566</u>	<u>\$ 23,445,505</u>	<u>\$ (767,939)</u>	-3.28%

Capital Debt Activity

The following is a summary of the Capital Debt activity for the year ended March 31, 2018:

	Public Housing	Central Office Cost Center	Blended Component Unit	Authority Totals
Beginning Balance	\$ 1,076,030	\$ -	\$ 913,810	\$ 1,989,840
Principal Reductions	(472,416)	-	(429,907)	(902,323)
Additions	-	-	550,020	550,020
Ending Balance	<u>\$ 603,614</u>	<u>\$ -</u>	<u>\$ 1,033,923</u>	<u>\$ 1,637,537</u>

The Authority paid the normal principal and interest payments on all debt.

**WILMINGTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2018**

Economic Factors and Events Affecting Operations

Several factors may affect the financial position of the Authority in the subsequent fiscal year. These factors include:

1. The Authority is operating in a period of declining revenues. As a result of the tightening of The Federal government's budget, the Authority faces the potential of declining HUD subsidies used to administer its programs. In the upcoming year, the Authority expects to receive 84% of the requested operating subsidy.
2. In the HCV Programs, WHA expects to receive 95% of the budget authority for HAP payments and 78% of the allowable administrative fees.
3. The Authority Development staff is actively seeking properties to acquire utilizing approximately \$2 million in Capital Fund Program Replacement Housing Factor funds.

Contacting Authority Management

This financial report is designed to provide the citizens of the City of Wilmington, taxpayers, customers, and investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Vice President / Chief Financial Officer, The Wilmington Housing Authority, 1524 S. 16th Street, Wilmington, NC 28401.

WILMINGTON HOUSING AUTHORITY
STATEMENT OF NET POSITION
MARCH 31, 2018

	Enterprise Fund
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 7,007,824
Restricted Cash	1,523,525
Inventories	29,191
Accounts Receivable, Net	1,443,360
Notes, Loans, and Mortgage Receivable - Current Portion	3,354
Prepaid Expenses	163,260
Total Current Assets	10,170,514
NONCURRENT ASSETS	
Capital Assets, Net	22,677,566
Notes, Loans, and Mortgages Receivable - Long-Term, Net	14,729,438
Other Noncurrent Assets	11,508
Total Noncurrent Assets	37,418,512
DEFERRED OUTFLOW OF RESOURCES - PENSION	
Total Assets and Deferred Outflow of Resources	\$ 48,261,926
CURRENT LIABILITIES	
Accounts Payable	\$ 820,856
Accrued Compensated Absences, Current Portion	67,806
Unearned Revenue - Ground Leases	1,977,614
Unearned Revenue - Other	333,805
Tenant Security Deposits	176,311
Accrued Liabilities	274,384
Current Portion of Long-Term Debt	74,393
Total Current Liabilities	3,725,169
NONCURRENT LIABILITIES	
Long-Term Debt, Less Current Portion	1,563,144
Other Noncurrent Liabilities	935,894
Net Pension Liability	458,928
Accrued Compensated Absences, Less Current Portion	187,963
Total Noncurrent Liabilities	3,145,929
Total Liabilities	6,871,098
DEFERRED INFLOW OF RESOURCES - PENSION	
Total Liabilities, Deferred Inflows of Resources, and Net Position	27,865
NET POSITION	
Net Investment in Capital Assets	21,040,029
Restricted	1,259,017
Unrestricted	19,063,917
Total Net Position	41,362,963
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 48,261,926

See accompanying Notes to Financial Statements.

WILMINGTON HOUSING AUTHORITY
BALANCE SHEET – DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2017

ASSETS	Taylor West, LLC	Rankin Terrace	Creekwood South, LLC	Total
CURRENT ASSETS				
Cash	\$ 149,018	\$ 271,434	\$ 283,022	\$ 703,474
Tenant Accounts Receivable, Net of Allowance	301	2,599	2,853	5,753
Accounts Receivable - Other	22,013	-	-	22,013
Prepaid Expenses	8,210	86,331	92,359	186,900
Total Current Assets	<u>179,542</u>	<u>360,364</u>	<u>378,234</u>	<u>918,140</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES				
Tenant Security Deposits	11,800	16,582	31,951	60,333
Tax and Insurance Escrow Deposits	50,315	-	-	50,315
Replacement Reserve	117,753	54,999	266,518	439,270
Operating Deficit Reserve	-	324,984	488,394	813,378
Operating and Annual Contribution Contract Reserves	260,675	-	-	260,675
Affordability Reserve	-	-	244,507	244,507
Total Restricted Deposits and Funded Reserves	<u>440,543</u>	<u>396,565</u>	<u>1,031,370</u>	<u>1,868,478</u>
RENTAL PROPERTY				
Land and Improvements	990,521	172,344	222,251	1,385,116
Building and Improvements	5,106,135	7,649,969	11,298,549	24,054,653
Furniture and Equipment	160,647	62,384	139,341	362,372
Accumulated Depreciation	<u>(1,309,943)</u>	<u>(472,584)</u>	<u>(1,634,179)</u>	<u>(3,416,706)</u>
Total Rental Property	<u>4,947,360</u>	<u>7,412,113</u>	<u>10,025,962</u>	<u>22,385,435</u>
OTHER ASSETS				
Tax Credit Monitoring Fees, Net	-	103,348	136,802	240,150
Prepaid Ground Lease	647,020	-	-	647,020
Other Assets	-	687	4,421	5,108
Total Other Assets	<u>647,020</u>	<u>104,035</u>	<u>141,223</u>	<u>892,278</u>
 Total Assets	 <u>\$ 6,214,465</u>	 <u>\$ 8,273,077</u>	 <u>\$ 11,576,789</u>	 <u>\$ 26,064,331</u>

WILMINGTON HOUSING AUTHORITY
BALANCE SHEET – DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)
DECEMBER 31, 2017

LIABILITIES AND MEMBERS' EQUITY	Taylor West, LLC	Rankin Terrace	Creekwood South, LLC	Total
CURRENT LIABILITIES				
Accounts Payable	\$ 18,084	\$ 122,777	\$ 119,314	\$ 260,175
Accrued Expenses	-	4,833	10,541	15,374
Current Maturities of Long-Term Debt	-	9,225	-	9,225
Real Estate Taxes Payable	-	4,032	-	4,032
Total Current Liabilities	<u>18,084</u>	<u>140,867</u>	<u>129,855</u>	<u>288,806</u>
DEPOSITS AND PREPAID LIABILITIES				
Tenant Security Deposits	11,800	16,582	31,951	60,333
Prepaid Rent	897	513	2,089	3,499
Total Deposits and Prepaid Liabilities	<u>12,697</u>	<u>17,095</u>	<u>34,040</u>	<u>63,832</u>
LONG-TERM LIABILITIES				
Mortgages Payable	2,038,464	1,015,975	1,325,143	4,379,582
Capital Lease Obligation	690,000	1,300,000	1,810,000	3,800,000
Accrued Interest	474,468	244,151	882,369	1,600,988
Deferred Developer Fee Payable	158,750	502,569	375,903	1,037,222
Total Long-Term Liabilities	<u>3,361,682</u>	<u>3,062,695</u>	<u>4,393,415</u>	<u>10,817,792</u>
Total Liabilities	3,392,463	3,220,657	4,557,310	11,170,430
MEMBERS' EQUITY				
Total Liabilities and Members' Equity	<u><u>\$ 6,214,465</u></u>	<u><u>\$ 8,273,077</u></u>	<u><u>\$ 11,576,789</u></u>	<u><u>\$ 26,064,331</u></u>

See accompanying Notes to Financial Statements.

WILMINGTON HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED MARCH 31, 2018

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Rental Income	\$ 2,306,118
HUD Subsidies	18,413,918
Other Government Grants	77,961
Other Income - Ground Lease	212,386
Other Income	725,596
Total Operating Revenues	<u>21,735,979</u>
OPERATING EXPENSES	
Administration	2,545,536
Tenant Services	368,592
Utilities	1,436,403
Ordinary Maintenance	2,087,481
Protective Services	284,047
General Expenses	1,992,448
Housing Assistance Payments	11,277,111
Depreciation	2,266,089
Total Operating Expenses	<u>22,257,707</u>
NET OPERATING LOSS	(521,728)
NONOPERATING REVENUE (EXPENSE)	
Investment Income	2,797
Interest Expense	(47,938)
Mortgage Interest Income	6,241
Total Nonoperating Revenue (Expense)	<u>(38,900)</u>
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(560,628)
CAPITAL GRANTS - HUD	<u>1,389,141</u>
CHANGE IN NET POSITION	828,513
Net Position - Beginning of Year	<u>40,534,450</u>
NET POSITION - END OF YEAR	<u><u>\$ 41,362,963</u></u>

See accompanying Notes to Financial Statements.

WILMINGTON HOUSING AUTHORITY
STATEMENT OF OPERATIONS AND CHANGES IN PARTNERS' CAPITAL –
DISCRETELY PRESENTED COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2017

	Taylor West, LLC	Rankin Terrace	Creekwood South, LLC	Total
REVENUE				
Rental Income	\$ 400,592	\$ 970,771	\$ 1,042,029	\$ 2,413,392
Vacancies and Concessions	-	(10,893)	(5,698)	(16,591)
Other Operating Income	7,994	30,060	82,573	120,627
Total Revenue	<u>408,586</u>	<u>989,938</u>	<u>1,118,904</u>	<u>2,517,428</u>
OPERATING EXPENSES				
Salaries and Employee Benefits	44,317	88,722	263,109	396,148
Repairs and Maintenance	65,456	127,199	212,184	404,839
Utilities	113,124	182,785	321,819	617,728
Property Management Fee	26,763	64,546	86,131	177,440
Professional Fees	5,960	-	-	5,960
Property and Fidelity Bond Insurance	36,639	85,811	96,563	219,013
Miscellaneous Operating Expenses	17,616	65,309	84,708	167,633
Total Operating Expenses	<u>309,875</u>	<u>614,372</u>	<u>1,064,514</u>	<u>1,988,761</u>
NET OPERATING INCOME	98,711	375,566	54,390	528,667
OTHER INCOME (EXPENSE)				
Investment Income	197	109	494	800
Interest Expense	(78,563)	(132,331)	(135,744)	(346,638)
Asset Management Fee	(11,593)	-	-	(11,593)
Depreciation	(193,188)	(200,706)	(301,869)	(695,763)
Amortization	(6,970)	(7,961)	(13,680)	(28,611)
Total Other Income (Expense)	<u>(290,117)</u>	<u>(340,889)</u>	<u>(450,799)</u>	<u>(1,081,805)</u>
NET INCOME (LOSS)	(191,406)	34,677	(396,409)	(553,138)
Members Equity – Beginning of Year	3,013,408	4,976,196	7,415,888	15,405,492
Contributions	-	41,547	-	41,547
MEMBERS EQUITY – END OF YEAR	<u>\$ 2,822,002</u>	<u>\$ 5,052,420</u>	<u>\$ 7,019,479</u>	<u>\$ 14,893,901</u>

See accompanying Notes to Financial Statements.

**WILMINGTON HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2018**

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from HUD	\$ 18,285,894
Cash Received from Tenants and Other	3,648,052
Cash Paid for Housing Assistance Payments	(11,277,111)
Cash Paid for Goods and Services	(6,897,737)
Cash Paid to Employees for Services	<u>(1,763,835)</u>
Net Cash Provided by Operating Activities	1,995,263
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES	
Acquisition of Capital Assets	(1,498,150)
Principal Paid on Notes Payable	(902,323)
Increase in Notes Payable	550,020
Interest Paid on Notes Payable	(47,938)
Capital Contributions	<u>1,389,141</u>
Net Cash Used by Capital and Related Activities	(509,250)
CASH FLOWS FROM INVESTING ACTIVITIES	
Collections of Notes Receivable	66,252
Interest on Notes Receivable	6,241
Interest on Investments	<u>2,797</u>
Net Cash Provided by Investing Activities	<u>75,290</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,561,303
Cash and Cash Equivalents - Beginning of Year	<u>6,970,046</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 8,531,349</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	\$ (521,728)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	2,266,089
Provision for Bad Debts	46,259
Effects of Changes in Operating Assets and Liabilities:	
Inventory	8,103
Accounts Receivable	64,464
Prepaid Expenses	9,193
Other Asset	320
Deferred Outflow of Resources - Pension	194,711
Accounts Payable and Accrued Liabilities	123,997
Unearned Revenue	88,713
Tenant Security Deposits	(1,469)
Deferred Inflow of Resources - Pension	(27,095)
Net Pension Liability	<u>(256,294)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,995,263</u></u>

See accompanying Notes to Financial Statements.

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The financial statements of Wilmington Housing Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Authority is required to follow all statements of the Governmental Accounting Standards Board (GASB). The more significant of the Authority's accounting policies are described below.

The Authority is a public body and a body corporate and politic organized under the laws of the state of North Carolina by the City of Wilmington (the City) for the purpose of providing adequate housing for qualified low-income individuals. The Authority is not a component unit of the City and the City provides no financial support to the Authority and is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget and maintains its own accounting system. Although the City appoints the governing board of the Authority, no other criteria established by GASB for inclusion of the Authority in the financial reports of the City are met. Therefore, a separate financial report is prepared for the Authority. Additionally, the Authority has entered into annual contribution contracts with the U.S. Department of Housing and Urban Development (HUD) to be the administrator of the housing and housing related programs described herein. The Authority is not subject to federal or state income taxes and is not required to file federal or state income tax returns.

Funding for the Authority is primarily from HUD and from payments received from tenants of the Authority-owned housing. Under the Low Income Housing Program, low-income tenants pay a portion of the rental cost of public housing, based upon the income and need of the tenants. HUD funds the difference between the actual costs to operate the Low Income Housing Program and the amounts paid by tenants through operating subsidies. These subsidies and debt service payments are made to or on behalf of the Authority under the terms and conditions of the annual contributions contract with HUD.

The Housing Choice Voucher Program provides rental supplements to the owners of existing private housing who rent to qualifying individuals. The Authority processes all applicants for the Housing Choice Voucher Program, places approved applicants in housing and pays the owner of the private housing a monthly rental supplement. Under the conditions of an annual contributions contract, HUD reimburses the Authority for the rental supplements and the administrative cost of managing the Program.

The Authority also operates other programs funded by both HUD and other granting agencies.

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity

The Authority's combined financial statements include the accounts of all Authority operations. The criteria for including organizations as component units with the Authority's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include the following:

- the organization is legally separate (can sue and be sued in its own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

On the basis of the application of these criteria, the Authority is a legally separate entity that is fiscally independent of other governments, and there are no other entities that are to be reported as component units of the Authority, except as noted below, nor is the Authority to be included in the City's financial reports, therefore, the Authority reports independently. The financial statements include the following blended and discretely presented component units.

Development Corporations. The Development Corporations (the Corporations) operate exclusively for nonprofit purposes and were created to assist in carrying out housing projects for persons of eligible income. Housing projects undertaken, financed, or assisted by the Corporations and their related expenditures must be approved by the Authority. The Corporations are legally separate from the Authority and are included as blended component units since the Authority can significantly influence the programs, projects, or activities of, or the level of service performed by the Authority, and their boards of directors are substantially the same as the Authority.

The following Development Corporations are included as blended component units of the Authority:

- WHA Partners I, LLC
- Glover Plaza, Inc.
- Housing Economic Opportunities, Inc.
 - Jervay House, LLC
 - HEO Partners I, II, III, IV, V, LLC
 - Supportive Housing I, LLC

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Real Estate Limited Partnerships

Creekwood South, LLC (the Company) – was formed on May 10, 2010 as a limited liability company under the laws of the state of North Carolina, for the purpose of acquiring, owning, operating and financing a rental housing project known as Creekwood South (the Project) under Section 8 of the National Housing Act as regulated by HUD. The Company's partnership interests are held by third parties unrelated to the Authority, with the exception of the managing member, WHA Partners I, LLC, who is a blended component of the Authority. The Authority oversees management functions of the Companies' operations. The Authority has certain rights and responsibilities, which enables it to impose its will on the Company. In addition, the Authority is financially accountable for the Company as the Authority is legally obligated to fund operating deficits in accordance with the terms of the partnership agreements. In accordance with GASB Statement No. 61, the Company is included as a discretely presented component unit in the March 31, 2018 financial statements.

Taylor West, LLC (the Company) – is a limited liability company organized under the laws of the state of North Carolina, for the purpose of acquiring, constructing, and operating a 48-unit apartment complex, New Brooklyn Homes at Robert R. Taylor Estates (the Project) for low and moderate income individuals pursuant to Section 42 of the Internal Revenue Code of 1986, which provides low-income housing tax credit. The Company's partnership interests are held by third parties unrelated to the Authority, with the exception of the managing member, HEO Partners III, LLC, who is a blended component of the Authority. The Authority oversees management function of the Companies' operations. The Authority has certain rights and responsibilities, which enables it to impose its will on the Company. In addition, the Authority is financially accountable for the Company as the Authority is legally obligated to fund operating deficits in accordance with the terms of the partnership agreements. In accordance with GASB Statement No. 61, the Company is included as a discretely presented component unit in the March 31, 2018 financial statements.

Rankin Terrace, LLC (the Company) was formed on May 10, 2010 as a limited liability company under the laws of the state of North Carolina for the purpose of acquiring, owning, operating and financing a rental housing project known as Rankin Terrace (the Project) under Section 8 of the National Housing Act as regulated by HUD. The Company's partnership interests are held by third parties unrelated to the Authority, with the exception of the managing member, HEO Partners IV, LLC, who is a blended component of the Authority. The Authority oversees management functions of the Companies' operations. The Authority has certain rights and responsibilities, which enables it to impose its will on the Company. In addition, the Authority is financially accountable for the Company as the Authority is legally obligated to fund operating deficits in accordance with the terms of the partnership agreements. In accordance with GASB Statement No. 61, the Company is included as a discretely presented component unit in the March 31, 2018 financial statements.

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Real Estate Limited Partnerships (Continued)

The Real Estate Limited Partnerships (the Companies) are private for-profit organizations that report under FASB standards, including Topic 958. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Companies' financial information in the Authority's financial reporting entity for these differences.

The Companies operate on a calendar year. The amounts included for each discretely presented component unit that comprise the aggregate component units column in the combined financial statements are as of and for the year ended December 31, 2017. Separate financial statements for Creekwood South, LLC, Rankin Terrace, LLC, and Taylor West, LLC can be obtained from the Authority.

Description of Funds

The Authority's accounts are maintained in accordance with the principles of enterprise fund accounting to ensure the observance of limitations and restrictions on the resources available. The Authority is required to follow all statements of the GASB.

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of its assets, liabilities, net position, revenues, and expenses. The funds maintained by the Authority allow compliance and financial accountability by separate functions and activities.

When restricted resources meet the criteria to be available for use and unrestricted resources are also available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources, as needed.

Basis of Accounting and Measurement Focus

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The Authority uses the accrual basis of accounting in all of the Authority funds. Under this method, revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Budget

The Authority is required by its HUD Annual Contributions Contracts to adopt an annual budget for the Low Income Housing Program. In addition, the Authority is required by its HUD Annual Contributions Contracts to adopt annual budgets for the Section 8 Programs. Annual budgets are not required for capital projects funds as their budgets are approved for the length of the project. Both annual and project length budgets require grantor approval.

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the financial statements and in the disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less when purchased.

Investments

Statutes authorize the Authority to invest in obligations of the U.S. Treasury, repurchase agreements, certificates of deposit and certain other investments allowed by HUD. These investments are carried at fair value.

Investments are stated at fair value. The Authority reports all money market investments having a remaining maturity at time of purchase of one year or less at amortized cost. Investment securities are normally held to mature at par value.

Accounts Receivable

Accounts receivable consist of rent payments due from tenants and other miscellaneous receivables arising from the normal course of operations. A reserve for uncollectible accounts has been established based on management's estimates.

Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Capital assets are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the useful lives of the respective assets ranging as follows: buildings, 20 – 30 years; equipment, 7 years; automobiles, 5 years; and site improvements, 10 years. The costs of assets retired or otherwise disposed of and the related accumulated depreciation have been eliminated from the respective accounts. Gains or losses resulting from such dispositions are recognized in current income.

Capitalization Policy for the Authority is individual items purchased or betterment, not repairs, in excess of \$5,000 and a useful life of one more than (1) year will be capitalized.

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

Interest cost is capitalized on capital assets. Interest is not capitalized on assets acquired or constructed with gifts and grants (contributed capital) that are restricted by the donor or grantor to acquisition of those assets to the extent that funds are available from such grants and gifts. No interest was capitalized during the audit period.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has two items that meet this criterion, contributions that were made to the plan subsequent to the measurement date and pension deferrals resulting from changes in proportion and the proportionate share of contributions. In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority has one item that meets the criterion for this category, deferrals of pension expense that result from the implementation of GASB Statement 68.

Compensation for Future Absences

It is the Authority's policy to permit employees to accumulate earned but unused personal leave and unused sick leave, which will be paid to the employees upon separation from Authority service. A maximum of 150 hours of unused vacation time may be carried forward annually by each employee. All of the vacation benefits are accrued in the period earned. As of December 31, 2017 Authority froze 25% of unused sick leave to be paid at termination. Effective January 1, 2018, the Authority will continue to accrue sick leave and will pay 25% of sick leave to employees having a 12/31/17 frozen balance at termination. However, going forward, the Authority will no longer pay unused sick leave at termination.

Operating Revenues and Expenses

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for rents.

Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position below the nonoperating revenue and expense.

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses (Continued)

These financial statements do not contain material inter-fund revenues and expenses for internal activity. The policy is to eliminate any material inter-fund revenues and expenses for these financial statements.

Unearned Revenue

The Authority recognizes revenues as earned. Amounts received in advance of the period in which it is earned is recorded as a liability under unearned revenue.

Revenue Recognition

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charged to customers for rents, HUD grants received for operations, other operating fund grants and operating miscellaneous income. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Capital grant funds are added to the Net Position below the nonoperating revenue and expense.

Net Position Classifications

Net position is displayed in three components:

Net Investment in Capital Assets: This component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: This component of net position consists of restricted assets when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: This component consists of net position that does not meet the definition of "Net Investment in Capital Assets" or "Restricted Net Position."

The Authority first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Authority's employer contributions are recognized when due and the Authority has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

New Accounting Pronouncements

In fiscal year 2018, the Authority implemented certain GASB Statements as described below:

GASB Statement No. 80 – *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The implementation of this Statement had no impact on WHA.

GASB Statement No. 82 – *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address issues (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this Statement had no impact on WHA.

NOTE 2 CASH AND CASH EQUIVALENTS

All deposits of the Authority are either insured or collateralized by using the dedicated method whereby all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in these units' names.

At March 31, 2018, the Authority's deposits had a carrying amount of \$8,531,349 and a bank balance of \$8,565,764. Of the bank balances held in various financial institutions, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the dedicated method.

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 3 RESTRICTED CASH

Restricted cash at March 31, 2018 consisted of the following:

Tenant Security Deposits	\$ 176,311
HUD Repayment	513,107
Reserve for Replacement	745,910
Family Self-Sufficiency Funds	88,197
Total	<u><u>\$ 1,523,525</u></u>

Restricted cash of the discretely presented component units at December 31, 2017 consisted of the following:

Tenant Security Deposits	\$ 60,333
Replacement Reserves	439,270
Operating Reserves	1,074,053
Affordability Reserves	244,507
Other Reserves	50,315
Total	<u><u>\$ 1,868,478</u></u>

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable at March 31, 2018 consisted of the following:

Tenant Receivables	\$ 26,072
Allowance for Doubtful Accounts, Tenants	(13,325)
Due from HUD	208,625
Other Government Receivables	8,093
Development Fees	1,149,493
Miscellaneous - Other	64,402
Total	<u><u>\$ 1,443,360</u></u>

Development fees consist of \$1,149,493 that have been earned by the Authority and HEO, Inc.

Developer Fee - Taylor Homes Project	\$ 89,161
Developer Fee - Taylor West LLC	174,942
Developer Fee - Rankin Terrace Project	509,487
Developer Fee - Creekwood South LLC	375,903
Total	<u><u>\$ 1,149,493</u></u>

The Taylor Homes projects represent two separate projects: the Taylor Senior Project and Taylor Estates projects. HEO (I) and (II), Inc. have entered into partnerships with Apollo, equity investor, to construct and sell homes and HEO (I) and (II), Inc. are operating as the developer in each of the respective partnerships. HEO (I) and (II) Inc. are single entity for profit LLC subsidiaries of HEO, Inc.

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

The Taylor West LLC represents the project, The New Brooklyn Homes at Robert R. Taylor Estates. HEO (III) Inc. will act as developer in the partnership and construct 48 units of Low Income Public Housing. HEO (III) Inc. is a single entity for profit LLC subsidiary of HEO, Inc.

The Rankin Terrace Project represents the project, Rankin Terrace. HEO Inc. acts as developer in the partnership.

Creekwood South LLC represents the project, Creekwood South. The Authority entered into a development agreement with Creekwood South LLC. The agreement provides for developer fee and overhead for services in connection with the development of the project and supervision of construction.

NOTE 5 NOTES AND MORTGAGES RECEIVABLE

Notes and mortgage notes receivable at March 31, 2018 consist of the following:

	Principal	Accrued Interest	Total
1. Turnkey III Home Sales	\$ 167,689	\$ -	\$ 167,689
2. Mortgage Notes Receivable	7,460	-	7,460
3. New Dawson LTD Partnership	5,983,671	6,512,019	12,495,690
4. Taylor West LLC	986,908	-	986,908
5. Creekwood South LLC	1,781,598	1,075,815	2,857,413
6. Jervay House	289,217	-	289,217
7. Taylor Senior Ground Lease	875,000	904,167	1,779,167
8. Taylor Point Ground Lease	625,000	645,833	1,270,833
9. Taylor West Ground Lease	690,000	349,834	1,039,834
10. Taylor West LLC - CDBG Loan	300,000	48,441	348,441
11. Rankin Terrace Acquisition Ground Lease	1,300,000	-	1,300,000
12. Pearce House	447,056	-	447,056
13. Pearce House - 2nd Loan	18,250	-	18,250
14. Jervay House - HEO Loan	61,031	-	61,031
Total	13,532,880	9,536,109	23,068,989
Less: Current Portion	(3,354)	-	(3,354)
Total Notes and Mortgages Receivable - Noncurrent	13,529,526	9,536,109	23,065,635
Less: Elimination	(526,337)	-	(526,337)
Less: Allowance for Doubtful Accounts	(1,576,125)	(6,233,735)	(7,809,860)
Total Notes and Mortgages Receivable - Noncurrent, Net	\$ 11,427,064	\$ 3,302,374	\$ 14,729,438

1. The Turnkey III notes consist of several notes receivable from home sales due in varying amounts on a monthly basis with interest rates ranging from 3.25% to 7.64%. There were no new home sales during the year. The Authority received \$39,112 in payments from borrowers during the year.

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 5 NOTES AND MORTGAGES RECEIVABLE (CONTINUED)

2. The mortgage notes receivable of \$7,460 originated from home sales of the HOPE VI properties. These notes are forgivable at 10% of the original note amount per year up to 10 years, contingent on compliance with the loan provisions. These notes are noninterest bearing.
3. This loan is a mortgage loan receivable from the New Dawson Limited Partnership at an interest rate of 4.9% per annum for 40 years compounded annually. The principal due at March 31, 2018 was \$5,983,671. This loan will be paid from net cash flow, net project proceeds and condemnation proceeds, as defined in the respective notes and loan agreements, of the developed projects supported by the loans. No payments are required until maturity on December 31, 2043, at which time the entire unpaid principal and accrued interest are due. This note is collateralized by real estate of the Partnership. The New Dawson Limited Partnership note has accrued interest of \$6,512,019 as of March 31, 2018. The Authority has recorded an allowance in the amount of \$3,209,645 against the accrued interest portion of this loan.
4. HEO entered into a loan agreement with Taylor West, LLC to provide for the construction of homes. The agreement states that HEO will advance Taylor West, LLC funds as needed for the construction of homes not to exceed \$875,155. On January 24, 2012 the loan agreement was amended to increase the borrowing amount to \$986,908. Interest on the loan is 1.31% per annum. The payment of principal and interest are dependent on available cash flow of the property. This loan is scheduled to mature November 16, 2050. The amount of the advances as of March 31, 2018 was \$986,908. The Authority recorded a full allowance against this receivable.
5. The Authority entered into an acquisition lease agreement with Creekwood South LLC for 138 units and a portion of the land at Creekwood South is undergoing rehabilitation through a tax credit award from NCHFA. The agreement states Creekwood South LLC will pay \$1,810,000 at 7.5% interest, to the Authority at maturity on June 30, 2068. The balance as of March 31, 2018 is \$1,781,598. The note has accrued interest of \$1,075,815 as of March 31, 2018. The Authority has recorded a full allowance against the accrued interest portion of this loan.
6. HEO entered into a loan agreement with Jervay House LLC to provide for the construction of 8 assisted living rental units. The agreement states that HEO will advance Jervay House funds as needed for the construction of rental units not to exceed \$289,217 at 0% interest. The loan is scheduled to mature on April 14, 2026. The amount of the advances as of March 31, 2018 was \$289,217. The Authority recorded a full allowance against this receivable.

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 5 NOTES AND MORTGAGES RECEIVABLE (CONTINUED)

7. The Authority entered into a ground lease agreement with Robert R. Taylor Senior Homes, LLC for a portion of the former Taylor Homes land where 96 units were built. The agreement states that Robert R. Taylor Senior Homes LLC will pay \$875,000 secured by a deed of trust and shall bear interest at the rate of 10% per annum. Robert R. Taylor Senior Homes, LLC shall make payments to the Authority to the extent of available net cash flow per the operating agreement. The ground lease is due in full by August 21, 2106. The note is due in full by February 22, 2039. The balance of the loan as of March 31, 2018 was \$875,000. The note has accrued interest of \$904,167 as of March 31, 2018. The Authority has recorded a full allowance against the accrued interest portion of this loan.
8. The Authority entered into a ground lease agreement with The Pointe at Taylor Estates LLC for a portion of the former Taylor Homes land where 48 units were built. The agreement states that The Pointe at Taylor Estates LLC will pay \$625,000 secured by a deed of trust and shall bear interest at the rate of 10% per annum. The Pointe at Taylor Estates, LLC shall make payments to the Authority to the extent of available net cash flow per the operating agreement. The ground lease is due in full by August 21, 2106. The note is due in full by August 22, 2039. The note has accrued interest of \$645,833 as of March 31, 2018. The Authority has recorded a full allowance against the accrued interest portion of this loan.
9. The Authority entered into a ground lease agreement with Taylor West LLC for a portion of the former Taylor Homes land where 48 units were built. The agreement states that Taylor West LLC will pay \$690,000 secured by a deed of trust and shall bear interest at the rate of 6.75% per annum. Taylor West LLC shall make payments to the Authority to the extent of available net cash flow per the operating agreement. The loan is due in full by November 16, 2050. The balance of the loan as of March 31, 2018 was \$690,000. The note has accrued interest of \$349,834 as of March 31, 2018. The Authority has recorded a full allowance against the accrued interest portion of this loan.
10. Taylor West LLC and the Authority entered into a mortgage loan agreement for \$300,000 May 16, 2012 and continuing 40 years. Payments, including interest at 2% per annum, are due to the extent of net cash flow available. The entire unpaid and outstanding principal and accrued interest is due on May 16, 2042. The balance of the loan as of March 31, 2018 was \$300,000 and accrued interest is \$48,441. The Authority recorded a full allowance against the principal and allowance against the accrued interest.
11. The Authority entered into a ground lease with Rankin Place Terrace, LLC for the site of the Rankin Terrace project on December 12, 2014. The agreement states that Rankin Place Terrace, LLC will pay \$1,300,000 secured by a deed of trust and shall bear interest at 6% per annum. Rankin Place Terrace, LLC shall make payments to the Authority to the extent of 50% of cash flow as defined in the agreement. The lease is due in full on December 31, 2054. The balance of the loan as of March 31, 2018 was \$1,300,000. The Authority is not accruing any additional interest income on this loan.

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 5 NOTES AND MORTGAGES RECEIVABLE (CONTINUED)

12. HEO entered into a loan agreement on March 10, 2016, with Supportive Housing I, LLC. for the construction of an 8 unit apartment community known as Pearce House (the project). The agreement states HEO will advance Supportive Housing I, LLC. Funds as needed for the predevelopment and construction of the project not to exceed \$447,056. The loan bears no interest during the construction term and permanent term. No payments of principal are required during the construction term. During the permanent term, payments are required to the extent that Net Cash Flow is available as defined by Supportive Housing I, LLC's Operating agreement. Any amounts outstanding are due at maturity. The loan will mature 30 years from the conversion date, which means the date the loan converts to a permanent loan but in no event later than March 10, 2018. As of March 31, 2018, the amount of advances was \$447,056. The loan receivable and loan payable under Supportive Housing I, LLC has been eliminated at the financial statement level.
13. HEO entered into a second loan agreement with Jervay House LLC in the amount of \$69,858.37 on February 22, 2013. The loan bears interest of 0%. Principal and interest in the amount of \$6,500 shall be made to the lender, to the extent of available net cash flows, starting May 1, 2013. The loan matures on February 22, 2024. The amount of the advances as of March 31, 2018 was \$61,031. The Authority recorded a full allowance against this receivable.
14. HEO entered into a second loan agreement on May 23, 2017 with Supportive Housing I, LLC. for the construction of an 8 unit apartment community known as Pearce House (the project) for \$18,250. The loan bears interest of 0%. To the extent of net cash flow is available, principal payments shall be made in accordance with the distribution priorities set forth in the second amendment to the operating agreement. The loan will mature on May 23, 2028. The amount of the advances as of March 31, 2018 was \$18,250. The Authority recorded a full allowance against this receivable.

NOTE 6 DUE TO (FROM) OTHER PROGRAMS

Due to (from) other programs at March 31, 2018 consisted of the following. The amounts are eliminated in the basic financial statements.

Central Office Cost Center	\$ 63,506
Housing Choice Voucher Program	(63,506)
Total	\$ -

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 7 CAPITAL ASSETS

A summary of the combined capital assets at March 31, 2018 were as follows:

	Beginning Balances	Increases	Decreases	CIP Capitalization	Ending Balances
Capital Assets Not Being Depreciated:					
Land	\$ 2,644,532	\$ -	\$ -	\$ -	\$ 2,644,532
Construction in Progress	1,139,041	-	-	(1,139,041)	-
Total Capital Assets Not Being Depreciated	3,783,573	-	-	(1,139,041)	2,644,532
Capital Assets Being Depreciated:					
Buildings and Improvements	62,679,067	1,427,517	-	1,106,766	65,213,350
Furniture and Equipment	2,464,312	70,633	(15,846)	32,275	2,551,374
Total Capital Assets Being Depreciated	65,143,379	1,498,150	(15,846)	1,139,041	67,764,724
Less: Accumulated Depreciation	(45,481,447)	(2,266,089)	15,846	-	(47,731,690)
Capital Assets, Net	<u>\$ 23,445,505</u>	<u>\$ (767,939)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,677,566</u>

A summary of the discretely presented component units' capital assets at December 31, 2017 were as follows:

	Beginning Balances	Increases	Decreases	CIP Capitalization	Ending Balances
Capital Assets Not Being Depreciated:					
Land	\$ 1,385,116	\$ -	\$ -	\$ -	\$ 1,385,116
Construction in Progress	-	-	-	-	-
Total Capital Assets Not Being Depreciated	1,385,116	-	-	-	1,385,116
Capital Assets Being Depreciated:					
Buildings and Improvements	24,042,339	12,314	-	-	24,054,653
Furniture and Equipment	370,813	-	(8,441)	-	362,372
Total Capital Assets Being Depreciated	24,413,152	12,314	(8,441)	-	24,417,025
Less: Accumulated Depreciation	(2,720,944)	(695,763)	1	-	(3,416,706)
Capital Assets, Net	<u>\$ 23,077,324</u>	<u>\$ (683,449)</u>	<u>\$ (8,440)</u>	<u>\$ -</u>	<u>\$ 22,385,435</u>

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 8 UNEARNED REVENUE

The Authority entered into three ground lease agreements as the lessor with several Corporations that have constructed rental home projects. The ground leases called for prepaid rent which is being amortized using the straight-line basis over 99 years, the life of the leases, which also requires additional payments of \$1 per year. The initial rents were paid in the form of a promissory note secured by a deed of trust. See note 5. A summary of the deferred revenue at March 31, 2018 is as follows:

Lessee	Issuance date	Maturity Date	Term	Total Prepaid	Balance at 3/31/2018
Robert R. Taylor Senior Homes, LLC	8/22/2007	8/22/2106	99	875,000	781,092
The Pointe at Taylor Estates, LLC	8/22/2007	8/22/2106	99	625,000	557,923
Taylor West, LLC	11/16/2010	11/16/2109	99	690,000	638,598
				<u>2,190,000</u>	<u>1,977,614</u>

NOTE 9 LONG-TERM DEBT

Long-term debt consists of the following as of March 31, 2018:

On October 25, 2006 the Authority entered into a loan with Fannie Mae for capital improvement projects within the Public Housing fund. The Department of HUD has pledged future Capital Fund Program funds for the payment of principal and interest through the 20 year term of the loan. The initial loan amount was \$1,084,467 with an interest rate of 4.85% per annum. The monthly payment is \$7,120, with the first payment made on January 1, 2008 and the final payment due on September 1, 2026.

\$ 603,614

In 2009, the Authority was funded for Phase III of the ESA contract by borrowing an additional amount from PNC Equipment Finance on March 26, 2010 in the amount of \$3,165,059 at an interest rate of 3.77%. Interest only payments of \$9,944 were made from April 26, 2010 through March 26, 2011. Monthly payments of \$39,600 started on April 26, 2011 and continue through March 26, 2018. The loan was paid in full during the fiscal year.

-

North Carolina Housing and Finance Agency entered into a loan agreement with Jervay House LLC to provide for the construction of 8 assisted living rental units. The agreement states that NCHFA will loan Jervay House funds for the construction of rental units in the amount of \$508,580 at 0% interest. The loan is scheduled to mature on May 1, 2041.

420,973

On March 10, 2016, Supportive Housing I, LLC received a construction loan in the amount of \$412,950 from the State Employees' Credit Union Foundation for the construction and/or rehabilitation of Pearce House. The loan is at 0% interest and the maturity date is 7/1/2037. The loan was paid in full during the fiscal year.

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**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 9 LONG-TERM DEBT (CONTINUED)

On June 28, 2017, Supportive Housing I, LLC received a permanent loan in the amount of \$412,950 from North Carolina Housing Finance Agency for the conversion of the construction loan for Pearce House. The loan is at 0% interest and the maturity date is 7/1/2037. The outstanding principal balance as of March 31, 2018 was \$412,950.

\$ 412,950

On March 10, 2016, Supportive Housing I, LLC received a Community Development Block Grant loan from the City of Wilmington in the amount of \$200,000 for the construction of Pearce House. The loan is at 0% interest and the maturity date is 6/28/2047. The outstanding principal balance as of March 31, 2018 was \$200,000.

200,000

Total

1,637,537

Less current portion

(74,393)

Long-term portion

\$ 1,563,144

Future maturities of long-term debt are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 74,393	\$ 27,544
2020	77,730	24,673
2021	80,743	21,659
2022	83,907	18,496
2023	87,227	15,175
2024-2028	369,174	24,514
2029-2033	84,780	-
2034-2038	497,730	-
2039-2043	81,853	-
2044-2048	200,000	-
Thereafter	-	-
Total	<u><u>\$ 1,637,537</u></u>	<u><u>\$ 132,062</u></u>

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Long-term debt for the discretely presented component units consists of the following as of March 31, 2018:

Creekwood South, LLC has an STC Loan with the North Carolina Housing Finance Agency in an amount of \$1,325,143. The loan is non-interest bearing and no payment of principal will be due before maturity. The maturity date of the loan is August 19, 2051. Outstanding principal as of December 31, 2017, was \$1,325,143. \$ 1,325,143

Taylor West, LLC has a Loan with the North Carolina Housing Finance Agency (NCHFA) in an amount of \$751,556. The loan is noninterest bearing. The NCHFA loan shall be due and payable on December 31, 2051. 751,556

Taylor West, LLC has a mortgage payable to Housing and Economic Opportunities, Inc. (HEO), an instrumentality of the the Authority. The loan in the original amount of \$875,115 increased to \$986,908 and bears interest at 1.31% per annum. Payments, including interest, are due to the extent that net cash flow is available. The entire unpaid and outstanding principal and accrued interest is due on November 16, 2050. As of December 31, 2017, accrued interest due is \$79,613. Interest expense for 2017 was \$12,928. 986,908

Taylor West, LLC has a mortgage payable to the Authority, permanent term beginning May 16, 2012 and continuing for 40 years. Payments including interest at 2% per annum are due to the extent that net cash flow is available. The entire unpaid and outstanding principal and accrued interest is due on May 16, 2042. As of December 31, 2017, accrued interest due is \$31,961. Interest expense for 2017 was \$6,000. 300,000

Rankin Place Terrace, LLC (RPT) has a mortgage payable available from First Citizens Bank & Trust Company (the bank) in the amount of \$5,768,000. The term of the loan provides for monthly payments of interest only at a rate equal to the one-month LIBOR base rate plus 2.45 percent. On December 12, 2016, the loan converted to permanent financing in the amount of \$750,000 bearing interest at 5.97% and requires monthly payments of principal and interest of \$4,483 until final maturity of December 12, 2032. The loan was evidenced by a note and is collateralized by a deed of trust on the rental property. As of December 31, 2017, no accrued interest was outstanding. The outstanding principal balance as of December 31, 2017 was \$740,571.

Debt issuance costs of \$128,515 related to the first mortgage. Amortization of debt issuance costs have been calculated using the effective interest rate of 1.16% and is included in interest expense. Amortization was \$6,157 for the year ended December 31, 2017 and accumulated amortization as of December 31, 2017 was \$17,788. 629,844

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 9 LONG-TERM DEBT (CONTINUED)

The Company has a STC Loan with the North Carolina Housing Finance Agency in an amount of \$395,356. The loan is non-interest bearing and no payment of principal will be due before maturity. The maturity date of the loan is expected to be March 1, 2046. The outstanding principal balance as of December 31, 2017 was \$395,356.

	<u>\$ 395,356</u>
Total	4,388,807
Less Current Portion	(9,225)
Long-Term Portion	<u>\$ 4,379,582</u>

Future maturities of the discretely presented component units are as follows:

Year Ending March 31,	Principal
2018	\$ 9,225
2019	10,445
2020	11,086
2021	11,766
2022	12,488
Thereafter	4,333,797
Total	<u>\$ 4,388,807</u>

NOTE 10 LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended March 31, 2018 are as follows:

	Balance, March 31, 2017	Increases	Decreases	Balance, March 31, 2018	Amount Due Within One Year
Long-Term Debt	\$ 1,989,840	\$ 550,020	\$ (902,323)	\$ 1,637,537	\$ 74,393
Other Noncurrent Liabilities:					
Public Housing - Family Self-Sufficiency	16,700	8,419	-	25,119	-
Housing Choice Voucher - Family Self-Sufficiency	68,486	-	(5,408)	63,078	-
FEMA Loan Contingent Liability	407,833	-	-	407,833	-
Deferred Ground Lease	444,598	-	(4,734)	439,864	-
Net Pension Liability	715,222	-	(256,294)	458,928	-
Accrued Compensated Absences	209,712	200,335	(154,278)	255,769	67,806
Total Long-Term Liabilities	3,852,391	758,774	(1,323,037)	3,288,128	142,199
Less: Current Portion of Long-Term Debt	489,372			74,393	
Less: Current Portion of Compensated Absences	56,548			67,806	
Long-Term Debt	<u>\$ 3,306,471</u>			<u>\$ 3,145,929</u>	

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 10 LONG-TERM LIABILITIES (CONTINUED)

The Authority received a demand letter from the North Carolina Department of Crime Control and Public Safety (NCDPS) in December 2007 for the reimbursement of funds previously spent by the Authority via a FEMA loan to rebuild damaged units. The amount of the demand is \$407,833 which the Authority disputes and believes fully that the Authority fulfilled all parts of the grant agreement. The improvements were to Willow Pond Apartments, which is not directly owned by the Authority, for damages caused by Hurricane Floyd. On August 29, 2013 NCDPS officially closed out the grant. Although the grant has been closed the Authority does not believe this relieves them of their obligation. The Authority is still working with legal counsel to clear this issue, and fully expects to be relieved of this potential; however, this amount is recorded in noncurrent liabilities in the financial statements.

The Authority entered into an acquisition lease agreement with Creekwood South LLC for a portion of the land at Creekwood South that was rehabilitated through a tax credit award from NCHFA. Creekwood South financed the acquisition fee of \$760,000 in consideration for acquiring the leasehold estate in the property. Of this amount, \$458,799 has been recognized as unearned revenue and will be amortized over the life of the lease. The balance as of March 31, 2018 is \$439,864.

NOTE 11 DEFINED BENEFIT PENSION PLAN

Plan Description

The Authority is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS' membership is comprised of general employees. Article 3 of G.S. Chapter 128 assigns the Authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the state of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided

LGERS provides retirement benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service.

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 11 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Authority employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Authority's contractually required contribution rate for the year ended March 31, 2018 was 13.12% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Authority were \$229,479 for the year ended March 31, 2018.

Refunds of Contributions

Authority employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At March 31, 2018, the Authority reported a liability of \$458,928 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Authority's proportion of the net pension asset was based on a projection of the Authority's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Authority's proportion was .03004%, which was a decrease of .00366% from its proportion measured as of June 30, 2016.

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 11 DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended March 31, 2018, the Authority recognized pension expense of \$226,042. At March 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 26,439	\$ 12,991
Change in Assumptions	65,541	-
Net Difference Between Projected and Actual Earnings on Investments	111,428	-
Changes in Proportion and Differences Between Actual Contributions and Proportionate Share of Contributions	240,013	14,874
Employer Contributions Subsequent to the Measurement Date	229,479	-
Total	<u>\$ 672,900</u>	<u>\$ 27,865</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$229,479 reported as 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 March 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended March 31</u>	<u>Amount</u>
2019	\$ 95,732
2020	213,255
2021	115,712
2022	(9,143)
2023	-
Total	<u>\$ 415,556</u>

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary Increases	3.5% to 7.75%, Including Inflation and Productivity Factor of 3.5%
Investment Rate of Return	7.20%, Net of Pension Plan Investment Expense, Including Inflation

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 11 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29%	1.4%
Global Equity	42%	5.3%
Real Estate	8%	4.3%
Alternatives	8%	8.9%
Credit	7%	6.0%
Inflation Protection	6%	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 11 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.20%, as well as what the Authority's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

	1% Decrease in Discount Rate (6.20%)	Discount Rate (7.20%)	1% Increase in Discount Rate (8.20%)
Total Plan	4,586,259,000	1,527,723,006	(1,025,189,000)
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,377,712	\$ 458,928	\$ (307,967)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the state of North Carolina.

NOTE 12 RELATED PARTIES

The Authority's Low-Income Public Housing General Fund bank account acts as a common paymaster for all the entities associated with the Authority, and periodically receives reimbursement from them. Certain other expenses are also paid by the Authority's program and are later reimbursed. At March 31, 2018, receivables and payables between these programs are outlined in Note 7.

The Authority operates Glover Plaza, Inc. and HEO, Inc., which are component units of the Authority, and the Authority has a management agreement for any and all properties owned by the Corporations. The employees of the Authority manage the day-to-day operations of the Corporations. As of March 31, 2018 there were no amounts due from Glover Plaza, Inc. or HEO, Inc.

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 13 CONDUIT DEBT OBLIGATION

Conduit (no-commitment) debt obligations are certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. Although conduit debt obligations bear the name of the governmental issuer, the issuer has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued and is therefore not reported on the balance sheet.

On October 12, 2017, the Authority entered into a financing agreement with Cypress Cove of Wilmington, LLC to issue tax-exempt bonds for the acquisition, construction and development of the Project. The bonds are collateralized by the Project and will mature on October 1, 2020.

NOTE 14 RISK MANAGEMENT

In accordance with G.S. 159-29, the Authority's finance officer is individually bonded for \$50,000. The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The Authority carries commercial insurance against all other risks of loss, including property and general liability insurance. There has been no reduction in insurance coverage in the prior year, and settled claims from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years. The Authority carries all insurance against all risks of loss, including property and general liability insurance through the North Carolina Housing Authority Risk Retention Pool.

NOTE 15 CONTINGENCIES

The Authority is involved in various legal proceedings and litigation arising in the normal course of business. Management does not believe that the settlement of any such claims or litigation will have a material adverse effect on the Authority's financial position or results of operations.

NOTE 16 ECONOMIC DEPENDENCY

Both the Authority's Low Income Public Housing Program and the Housing Choice Voucher Program are economically dependent on annual contributions and grants from HUD. Both programs operated at a loss prior to receiving the contributions and grants.

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 17 FUTURE ACCOUNTING PRONOUNCEMENTS

GASB routinely issues standards that will become effective in future years. The following is a list of standards that have been issued that management has determined may have an impact on future financial statements of the Authority. Management is currently evaluating the specific impact of these Standards.

Statement No. 83, *Certain Asset Retirement Obligations*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement is effective for the period ending March 31, 2020.

Statement No. 84, *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement is effective for the period ended March 31, 2020.

Statement No. 85, *Omnibus 2017*

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement is effective for the period ended March 31, 2019.

Statement No. 86 – *Certain Debt Extinguishment Issues*

The primary objective of this Statement is to improve the usefulness of financial statements by requiring the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources. This Statement is effective for the period ending March 31, 2019.

Statement No. 87 – *Leases*

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt using existing resources placed in a trust. This Statement is effective for the period ending March 31, 2021.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This statement is effective for the period ending March 31, 2020.

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 17 FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement is effective for the period ending March 31, 2020.

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 18 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS

Condensed combining information for blended component units and primary government is provided as follows:

	Blended Component Units						Total
	Housing Economic Opportunities, Inc.						
	HEO Inc.	Jervay House, LLC	Supportive Housing I, LLC	HEO Partners I, II, III, LLC	Glover Plaza Inc.	Primary Government	
ASSETS							
Current Assets	\$ 786,105	\$ 38,366	\$ 83,013	\$ 144,402	\$ 888,038	\$ 8,230,590	\$ 10,170,514
Capital Assets	360,000	665,407	1,180,908	-	1,026,555	19,444,696	22,677,566
Noncurrent Assets	526,337	-	-	-	-	14,214,609	14,740,946
Total Assets	<u>1,672,442</u>	<u>703,773</u>	<u>1,263,921</u>	<u>144,402</u>	<u>1,914,593</u>	<u>41,889,895</u>	<u>47,589,026</u>
DEFERRED OUTFLOW OF RESOURCES - PENSION	<u>10,017</u>	<u>1,096</u>	<u>-</u>	<u>-</u>	<u>13,443</u>	<u>648,344</u>	<u>672,900</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,682,459</u>	<u>\$ 704,869</u>	<u>\$ 1,263,921</u>	<u>\$ 144,402</u>	<u>\$ 1,928,036</u>	<u>\$ 42,538,239</u>	<u>\$ 48,261,926</u>
LIABILITIES							
Interprogram Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Current Liabilities	5,392	44,518	3,455	-	63,835	3,607,969	3,725,169
Noncurrent Liabilities	12,008	466,657	1,079,113	-	15,183	1,572,968	3,145,929
Total Liabilities	<u>17,400</u>	<u>511,175</u>	<u>1,082,568</u>	<u>-</u>	<u>79,018</u>	<u>5,180,937</u>	<u>6,871,098</u>
DEFERRED INFLOW OF RESOURCES - PENSION	415	48	-	-	557	26,845	27,865
NET POSITION							
Net Investment in Capital Assets	360,000	183,402	102,652	-	1,026,555	19,367,420	21,040,029
Restricted Net Position	-	30,965	18,165	-	696,780	513,107	1,259,017
Unrestricted Net Position	1,304,644	(20,721)	60,536	144,402	125,126	17,449,930	19,063,917
Total Net Position	<u>1,664,644</u>	<u>193,646</u>	<u>181,353</u>	<u>144,402</u>	<u>1,848,461</u>	<u>37,330,457</u>	<u>41,362,963</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,682,459</u>	<u>\$ 704,869</u>	<u>\$ 1,263,921</u>	<u>\$ 144,402</u>	<u>\$ 1,928,036</u>	<u>\$ 42,538,239</u>	<u>\$ 48,261,926</u>

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 18 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS (CONTINUED)

	Blended Component Units						Total
	Housing Economic Opportunities, Inc.						
	HEO Inc.	Jervay House, LLC	Supportive Housing I, LLC	HEO Partners I, II, III, LLC	Glover Plaza Inc.	Primary Government	
OPERATING REVENUES							
Rental Income	\$ -	\$ 61,964	\$ 66,884	\$ -	\$ 414,823	\$ 1,762,447	\$ 2,306,118
HUD Subsidies	-	-	-	-	-	18,413,918	18,413,918
Other Governmental Grants	-	-	-	-	-	77,961	77,961
Other Income	117,720	(244)	150	23,700	1,815	582,455	725,596
Total Operating Revenues	<u>117,720</u>	<u>61,720</u>	<u>67,034</u>	<u>23,700</u>	<u>416,638</u>	<u>20,836,781</u>	<u>21,523,593</u>
OPERATING EXPENSES							
Administration	127,040	34,346	23,363	-	115,826	2,244,961	2,545,536
Tenant Services	-	-	-	-	-	368,592	368,592
Utilities	-	9,883	8,052	-	33,767	1,384,701	1,436,403
Ordinary Maintenance	-	10,278	5,169	-	103,107	1,968,927	2,087,481
Protective Services	-	1,443	1,133	-	13,397	268,074	284,047
General Expenses	11,529	3,566	5,203	606	26,709	1,944,835	1,992,448
Housing Assistance Payments	-	-	-	-	-	11,277,111	11,277,111
Depreciation and Amortization	-	28,116	30,280	-	120,930	2,086,763	2,266,089
Total Operating Expenses	<u>138,569</u>	<u>87,632</u>	<u>73,200</u>	<u>606</u>	<u>413,736</u>	<u>21,543,964</u>	<u>22,257,707</u>
NET OPERATING INCOME (LOSS)	(20,849)	(25,912)	(6,166)	23,094	2,902	(707,183)	(734,114)
Total Nonoperating Revenues (Expense)	<u>85</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73</u>	<u>(39,058)</u>	<u>(38,900)</u>
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(20,764)	(25,912)	(6,166)	23,094	2,975	(746,241)	(773,014)
CAPITAL GRANTS - HUD	-	-	-	-	-	1,389,141	1,389,141
CHANGE IN NET POSITION	(20,764)	(25,912)	(6,166)	23,094	2,975	642,900	616,127
Net Position - Beginning of Year	<u>1,685,408</u>	<u>219,558</u>	<u>187,519</u>	<u>121,308</u>	<u>1,845,486</u>	<u>36,475,171</u>	<u>40,534,450</u>
NET POSITION - END OF YEAR	<u>\$ 1,664,644</u>	<u>\$ 193,646</u>	<u>\$ 181,353</u>	<u>\$ 144,402</u>	<u>\$ 1,848,461</u>	<u>\$ 37,118,071</u>	<u>\$ 41,150,577</u>

**WILMINGTON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

NOTE 18 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS (CONTINUED)

	Blended Component Units						
	Housing Economic Opportunities, Inc.						Total
	HEO Inc.	Jervay House, LLC	Supportive Housing I, LLC	HEO Partners I, II, III, LLC	Glover Plaza Inc.	Primary Government	
NET CASH PROVIDED (USED) BY							
OPERATING ACTIVITIES	\$ 109,533	\$ 18,338	\$ 29,310	\$ 23,094	\$ 148,588	\$ 1,666,400	\$ 1,995,263
Capital and Related Financing Activities	-	(16,956)	45,119	-	(7,273)	(530,140)	(509,250)
Investing Activities	(18,165)	-	-	-	73	93,382	75,290
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	91,368	1,382	74,429	23,094	141,388	1,229,642	1,561,303
Cash and Cash Equivalents - Beginning of Year	(103,474)	32,933	6,250	121,308	730,786	6,182,243	6,970,046
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ (12,106)</u>	<u>\$ 34,315</u>	<u>\$ 80,679</u>	<u>\$ 144,402</u>	<u>\$ 872,174</u>	<u>\$ 7,411,885</u>	<u>\$ 8,531,349</u>

REQUIRED SUPPLEMENTARY INFORMATION

WILMINGTON HOUSING AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY TO
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
MARCH 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's Proportion of the Net Pension Liability	0.0003004	0.000337	0.0003746
Authority's Proportion of the Net Pension Liability (\$)	458,928	715,222	168,117
Authority's Covered Employee Payroll	2,689,849	2,437,817	2,405,847
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	17.06%	29.34%	6.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.47%	91.47%	98.09%

* The Authority implemented GASB 68 during fiscal year 2016.
As such, only three years of information are available.

**WILMINGTON HOUSING AUTHORITY
SCHEDULE OF CONTRIBUTIONS TO LOCAL GOVERNMENT
EMPLOYEES' RETIREMENT SYSTEM
MARCH 31, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 229,479	\$ 208,831	\$ 227,358
Contributions in Relation to the Contractually Required Contribution	<u>229,479</u>	<u>208,831</u>	<u>227,358</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>
 The Authority's Covered-Employee Payroll	 \$ 2,689,849	 \$ 2,437,817	 \$ 2,405,847
 Contributions as a Percentage of Covered-Employee Payroll	 8.53%	 8.57%	 9.45%

* The Authority implemented GASB 68 during fiscal year 2016.
As such, only three years of information are available.

SUPPLEMENTARY INFORMATION

**WILMINGTON HOUSING AUTHORITY
ENTRY-WIDE BALANCE SHEET SUMMARY
MARCH 31, 2018**

Line Item #	Accounts Description	Project Total	Housing Choice Voucher	Revitalization of Severely Distressed Public Housing	Other Federal Programs 1	Business Activities	Mortgage Insurance for Purchase of the Refinancing of Existing Multifamily	Multifamily Housing Services Coordinator	Continuum of Care Program	Housing Opportunities for Persons with AIDS
CURRENT ASSETS										
Cash:										
111	Unrestricted	\$ 3,993,042	\$ -	\$ 31,093	\$ -	\$ 1,356,898	\$ -	\$ 7	\$ -	\$ -
112	Cash - Restricted - Modernization and Development	-	-	-	-	-	-	-	-	-
113	Other Restricted	25,119	576,185	-	-	-	-	-	-	-
114	Tenant Security Deposits	156,106	-	-	-	-	-	-	-	-
115	Cash - Restricted for Current Liabilities	-	-	-	-	-	-	-	-	-
100	Total Cash	4,174,267	576,185	31,093	-	1,356,898	-	7	-	-
Accounts and Notes Receivable:										
122	HUD Other Projects	161,710	-	-	-	-	-	-	-	-
124	Other Government	2,479	-	-	-	-	-	-	-	5,614
125	Miscellaneous	15,415	-	-	-	1,318	-	-	-	-
126	Tenants	23,867	-	-	-	-	-	-	-	-
126.1	Allowance for Doubtful Accounts - Tenants	(13,079)	-	-	-	-	-	-	-	-
127	Notes, Loans, and Mortgages Receivable - Current	-	-	-	-	3,354	-	-	-	-
129	Accrued Interest Receivable	-	-	-	-	-	-	-	-	-
120	Total Receivables, Net of Allowances for Uncollectibles	190,392	-	-	-	4,672	-	-	-	5,614
131	Investments - Unrestricted	-	-	-	-	-	-	-	-	-
132	Investments - Restricted	-	-	-	-	-	-	-	-	-
	Total Current Investments	-	-	-	-	-	-	-	-	-
142	Prepaid Expenses and Other Assets	120,720	4,848	-	-	-	-	619	-	-
143	Inventories	23,632	-	-	-	-	-	-	-	-
144	Interprogram - Due from	-	-	-	-	-	-	-	-	-
150	Total Current Assets	4,509,011	581,033	31,093	-	1,361,570	-	626	-	5,614
NONCURRENT ASSETS										
Fixed Assets:										
161	Land	2,059,985	-	-	-	-	-	-	-	-
162	Buildings	19,263,386	-	-	-	-	-	-	-	-
163	Furniture, Equipment, and Mach - Dwellings	1,882,661	-	-	-	-	-	-	-	-
164	Furniture, Equipment, and Mach - Admin.	97,079	49,616	-	-	12,140	-	-	-	-
165	Leasehold Improvements	37,842,726	-	-	-	183,298	-	-	-	-
166	Accumulated Depreciation	(43,065,618)	(49,616)	-	-	(183,122)	-	-	-	-
167	Construction in Progress	-	-	-	-	-	-	-	-	-
160	Total Fixed Assets, Net of Accumulated Depreciation	18,080,219	-	-	-	12,316	-	-	-	-
171	Notes, Loans, and Mortgages Receivable - Noncurrent	3,081,598	-	9,293,506	2,190,000	164,335	-	-	-	-
174	Other Assets	11,508	-	-	-	-	-	-	-	-
180	Total Noncurrent Assets	21,173,325	-	9,293,506	2,190,000	176,651	-	-	-	-
200	DEFERRED OUTFLOW OF RESOURCES	224,716	107,171	-	-	-	-	14,480	-	-
290	Total Assets and Deferred Outflow of Resources	\$ 25,907,052	\$ 688,204	\$ 9,324,599	\$ 2,190,000	\$ 1,538,221	\$ -	\$ 15,106	\$ -	\$ 5,614

WILMINGTON HOUSING AUTHORITY
ENTRY-WIDE BALANCE SHEET SUMMARY (CONTINUED)
MARCH 31, 2018

Line Item #	Accounts Description	Resident Opportunity and Supportive Services	Component Unit - Blended	Public Housing Family Self-Sufficiency Under ROSS	PIH Family Self-Sufficiency Program	Central Office Cost Center	Elimination	Enterprise Fund Total	Component Unit - Discretely Presented	Total
CURRENT ASSETS										
Cash:										
111	Unrestricted	\$ 10,678	\$ 353,349	\$ -	\$ -	\$ 1,262,757	\$ -	\$ 7,007,824	\$ 703,474	\$ 7,711,298
112	Cash - Restricted - Modernization and Development	-	-	-	-	-	-	-	-	-
113	Other Restricted	-	745,910	-	-	-	-	1,347,214	1,808,145	3,155,359
114	Tenant Security Deposits	-	20,205	-	-	-	-	176,311	60,333	236,644
115	Cash - Restricted for Current Liabilities	-	-	-	-	-	-	-	-	-
100	Total Cash	10,678	1,119,464	-	-	1,262,757	-	8,531,349	2,571,952	11,103,301
Accounts and Notes Receivable:										
122	HUD Other Projects	21,442	-	25,473	-	-	-	208,625	-	208,625
124	Other Government	-	-	-	-	-	-	8,093	-	8,093
125	Miscellaneous	-	797,304	-	-	423,553	(23,695)	1,213,895	22,013	1,235,908
126	Tenants	-	2,205	-	-	-	-	26,072	18,147	44,219
126.1	Allowance for Doubtful Accounts - Tenants	-	(246)	-	-	-	-	(13,325)	(12,394)	(25,719)
127	Notes, Loans, and Mortgages Receivable - Current	-	-	-	-	-	-	3,354	-	3,354
129	Accrued Interest Receivable	-	-	-	-	-	-	-	-	-
120	Total Receivables, Net of Allowances for Uncollectibles	21,442	799,263	25,473	-	423,553	(23,695)	1,446,714	27,766	1,474,480
131	Investments - Unrestricted	-	-	-	-	-	-	-	-	-
132	Investments - Restricted	-	-	-	-	-	-	-	-	-
	Total Current Investments	-	-	-	-	-	-	-	-	-
142	Prepaid Expenses and Other Assets	1,470	15,638	-	-	19,965	-	163,260	186,900	350,160
143	Inventories	-	5,559	-	-	-	-	29,191	-	29,191
144	Interprogram - Due from	-	-	-	-	63,506	(63,506)	-	-	-
150	Total Current Assets	33,590	1,939,924	25,473	-	1,769,781	(87,201)	10,170,514	2,786,618	12,957,132
NONCURRENT ASSETS										
Fixed Assets:										
161	Land	-	456,100	-	-	128,447	-	2,644,532	1,385,116	4,029,648
162	Buildings	-	3,608,714	-	-	2,300,000	-	25,172,100	24,054,653	49,226,753
163	Furniture, Equipment, and Mach - Dwellings	-	54,250	-	-	-	-	1,936,911	132,807	2,069,718
164	Furniture, Equipment, and Mach - Admin.	-	-	-	-	455,628	-	614,463	229,565	844,028
165	Leasehold Improvements	-	1,920,602	-	-	94,624	-	40,041,250	-	40,041,250
166	Accumulated Depreciation	-	(2,806,796)	-	-	(1,626,538)	-	(47,731,690)	(3,416,706)	(51,148,396)
167	Construction in Progress	-	-	-	-	-	-	-	-	-
160	Total Fixed Assets, Net of Accumulated Depreciation	-	3,232,870	-	-	1,352,161	-	22,677,566	22,385,435	45,063,001
171	Notes, Loans, and Mortgages Receivable - Noncurrent	-	526,337	-	-	-	(526,338)	14,729,438	-	14,729,438
174	Other Assets	-	-	-	-	-	-	11,508	892,278	903,786
180	Total Noncurrent Assets	-	3,759,207	-	-	1,352,161	(526,338)	37,418,512	23,277,713	60,696,225
200	Deferred Outflow of Resources	-	24,556	-	-	301,977	-	672,900	-	672,900
290	Total Assets and Deferred Outflow of Resources	\$ 33,590	\$ 5,723,687	\$ 25,473	\$ -	\$ 3,423,919	\$ (613,539)	\$ 48,261,926	\$ 26,064,331	\$ 74,326,257

WILMINGTON HOUSING AUTHORITY
ENTRY-WIDE BALANCE SHEET SUMMARY (CONTINUED)
MARCH 31, 2018

Line Item #	Accounts Description	Project Total	Housing Choice Voucher	Revitalization of Severely Distressed Public Housing	Other Federal Programs 1	Business Activities	Mortgage Insurance for the Purchase of Refinancing of Existing Multifamily	Multifamily Housing Services Coordinator	Continuum of Care Program	Housing Opportunities for Persons with AIDS
CURRENT LIABILITIES										
312	Accounts Payable < 90 Days	\$ 359,649	\$ 5,395	\$ -	\$ -	\$ 76	\$ -	\$ 28,024	\$ -	\$ -
313	Accounts Payable >90 Days Past Due	4,230	-	-	-	-	-	-	-	-
321	Accrued Wage/Payroll Taxes Payable	25,341	12,468	-	-	-	-	1,782	-	-
322	Accrued Compensated Absences - Current Portion	13,880	12,845	-	-	-	-	1,783	-	-
324	Accrued Contingency Liability	-	-	-	-	-	-	-	-	-
325	Accrued Interest Payable	2,440	-	-	-	-	-	-	-	-
331	Accounts Payable - HUD PHA Programs	238,219	-	-	-	-	-	-	-	-
333	Accounts Payable - Other Government	30,107	-	-	-	-	-	-	-	-
341	Tenant Security Deposits	156,106	-	-	-	-	-	-	-	-
342	Deferred Revenues	321,756	-	-	1,977,614	10,000	-	-	-	-
343	Current Portion of Long-Term Debt - Capital Projects / Mortgage	57,437	-	-	-	-	-	-	-	-
345	Other Current Liabilities	-	-	-	-	145,835	-	-	-	5,614
346	Accrued Liabilities - Other	-	-	-	-	-	-	-	-	-
347	Interprogram (Due to)	-	63,506	-	-	-	-	-	-	-
310	Total Current Liabilities	1,209,165	94,214	-	1,977,614	155,911	-	31,589	-	5,614
NONCURRENT LIABILITIES										
351	Capital Projects/Mortgage Revenue Bonds	546,177	-	-	-	-	-	-	-	-
353	Noncurrent Liabilities - Other	464,983	63,078	-	-	407,833	-	-	-	-
354	Accrued Compensated Absences - Noncurrent	31,821	30,250	-	-	-	-	975	-	-
357	Accrued Pension and OPEB Liabilities	153,260	73,091	-	-	-	-	9,876	-	-
350	Total Noncurrent Liabilities	1,196,241	166,419	-	-	407,833	-	10,851	-	-
300	Total Liabilities	2,405,406	260,633	-	1,977,614	563,744	-	42,440	-	5,614
400	DEFERRED INFLOW OF RESOURCES	9,309	4,439	-	-	-	-	600	-	-
NET POSITION										
508.4	Invested in Capital Assets	17,476,605	-	-	-	12,316	-	-	-	-
511.4	Restricted Net Position	-	513,107	-	-	-	-	-	-	-
512.4	Unrestricted Net Position	6,015,732	(89,975)	9,324,599	212,386	962,161	-	(27,934)	-	-
513	Total Net Position	23,492,337	423,132	9,324,599	212,386	974,477	-	(27,934)	-	-
600	Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 25,907,052	\$ 688,204	\$ 9,324,599	\$ 2,190,000	\$ 1,538,221	\$ -	\$ 15,106	\$ -	\$ 5,614

WILMINGTON HOUSING AUTHORITY
ENTRY-WIDE BALANCE SHEET SUMMARY (CONTINUED)
MARCH 31, 2018

Line Item #	Accounts Description	Resident Opportunity and Supportive Services	Component Unit - Blended	Public Housing Family Self-Sufficiency Under ROSS	PIH Family Self-Sufficiency Program	Central Office Cost Center	Elimination	Enterprise Fund Total	Component Unit - Discretely Presented	Total
CURRENT LIABILITIES										
312	Accounts Payable < 90 Days	\$ 949	\$ 69,546	\$ 21,831	\$ -	\$ 86,525	\$ (23,695)	\$ 548,300	\$ 260,175	\$ 808,475
313	Accounts Payable >90 Days Past Due	-	-	-	-	-	-	4,230	-	4,230
321	Accrued Wage/Payroll Taxes Payable	4,234	2,697	3,642	-	70,331	-	120,495	15,374	135,869
322	Accrued Compensated Absences - Current Portion	5,585	5,747	-	-	27,966	-	67,806	-	67,806
324	Accrued Contingency Liability	-	-	-	-	-	-	-	-	-
325	Accrued Interest Payable	-	-	-	-	-	-	2,440	-	2,440
331	Accounts Payable - HUD PHA Programs	-	-	-	-	-	-	238,219	-	238,219
333	Accounts Payable - Other Government	-	-	-	-	-	-	30,107	-	30,107
341	Tenant Security Deposits	-	20,205	-	-	-	-	176,311	60,333	236,644
342	Deferred Revenues	-	2,049	-	-	-	-	2,311,419	3,499	2,314,918
343	Current Portion of Long-Term Debt - Capital Projects / Mortgage	-	16,956	-	-	-	-	74,393	9,225	83,618
345	Other Current Liabilities	-	-	-	-	-	-	151,449	-	151,449
346	Accrued Liabilities - Other	-	-	-	-	-	-	-	4,032	4,032
347	Interprogram (Due to)	-	-	-	-	-	(63,506)	-	-	-
310	Total Current Liabilities	10,768	117,200	25,473	-	184,822	(87,201)	3,725,169	352,638	4,077,807
NONCURRENT LIABILITIES										
351	Capital Projects/Mortgage Revenue Bonds	-	1,543,305	-	-	-	(526,338)	1,563,144	4,379,582	5,942,726
353	Noncurrent Liabilities - Other	-	-	-	-	-	-	935,894	6,438,210	7,374,104
354	Accrued Compensated Absences - Noncurrent	22,923	12,903	-	-	89,091	-	187,963	-	187,963
357	Accrued Pension and OPEB Liabilities	-	16,753	-	-	205,948	-	458,928	-	458,928
350	Total Noncurrent Liabilities	22,923	1,572,961	-	-	295,039	(526,338)	3,145,929	10,817,792	13,963,721
300	Total Liabilities	33,691	1,690,161	25,473	-	479,861	(613,539)	6,871,098	11,170,430	18,041,528
400	DEFERRED INFLOW OF RESOURCES	-	1,020	-	-	12,497	-	27,865	-	27,865
NET POSITION										
508.4	Invested in Capital Assets	-	1,672,609	-	-	1,352,161	526,338	21,040,029	-	21,040,029
511.4	Restricted Net Position	-	745,910	-	-	-	-	1,259,017	-	1,259,017
512.4	Unrestricted Net Position	(101)	1,613,987	-	-	1,579,400	(526,338)	19,063,917	14,893,901	33,957,818
513	Total Net Position	(101)	4,032,506	-	-	2,931,561	-	41,362,963	14,893,901	56,256,864
600	Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 33,590	\$ 5,723,687	\$ 25,473	\$ -	\$ 3,423,919	\$ (613,539)	\$ 48,261,926	\$ 26,064,331	\$ 74,326,257

**WILMINGTON HOUSING AUTHORITY
ENTRY-WIDE REVENUE AND EXPENSE SUMMARY
YEAR ENDED MARCH 31, 2018**

Line Item #	Accounts Description	Project Total	Housing Choice Voucher	Revitalization of Severely Distressed Public Housing	Other Federal Programs 1	Business Activities	Mortgage Insurance for the Purchase of Refinancing of Existing Multifamily	Multifamily Housing Services Coordinator	Continuum of Care Program	Housing Opportunities for Persons with AIDS
REVENUE										
70300	Net Tenant Rental Revenue	\$ 1,763,069	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70400	Tenant Revenue - Other	228,456	-	-	-	-	-	-	-	-
70500	Total Tenant Revenue	1,991,525	-	-	-	-	-	-	-	-
70600	HUD PHA Operating Grants	5,255,815	12,412,376	-	-	-	229,078	75,539	150,180	-
70601	Capital Grants	1,389,141	-	-	-	-	-	-	-	-
70700	Total Fee Revenue	-	-	-	-	-	-	-	-	-
70800	Other Governmental Grants	-	-	-	-	-	-	-	-	77,961
71100	Investment Income - Unrestricted	1,776	213	-	-	275	-	-	-	-
71200	Mortgage Interest Income	-	-	-	-	6,241	-	-	-	-
71400	Fraud Recovery	-	3,467	-	-	-	-	-	-	-
71500	Other Revenue	34,174	12,089	-	212,386	157	-	-	-	-
71600	Gain or Loss on Sale of Fixed Assets	-	-	-	-	11,200	-	-	-	-
72000	Investment Income - Restricted	-	-	-	-	-	-	-	-	-
70000	Total Revenue	8,672,431	12,428,145	-	212,386	17,873	229,078	75,539	150,180	77,961
EXPENSES										
Administrative:										
91100	Administrative Salaries	251,922	264,720	-	-	-	-	-	-	-
91200	Auditing Fees	31,900	4,500	-	-	-	-	-	-	-
91300	Management Fee	575,150	231,540	-	-	-	-	-	-	-
913.1	Bookkeeping Fee	62,347	144,713	-	-	-	-	-	-	-
91400	Advertising and Marketing	3,019	761	-	-	-	-	-	-	-
91500	Employee Benefit Contributions - Administrative	93,716	101,256	-	-	-	-	-	-	-
91600	Office Expenses	168,069	90,921	-	-	192	-	-	-	-
91700	Legal Expense	28,622	14,256	-	-	150	-	-	-	-
91800	Travel	5,779	1,973	-	-	-	-	-	-	-
91810	Allocated Overhead	-	-	-	-	-	-	-	-	-
91900	Other	34,199	-	11,720	-	-	-	-	-	-
	Total Administrative	1,254,723	854,640	11,720	-	342	-	-	-	-
92000	Asset Management Fee	103,440	-	-	-	-	-	-	-	-
Tenant Services:										
92100	Salaries	-	-	-	-	-	-	40,357	-	-
92200	Relocation Costs	-	-	-	-	-	-	-	-	-
92300	Employee Benefit Contributions	-	-	-	-	-	-	16,360	-	-
92400	Other	17,731	-	-	-	105	-	11,443	-	-
	Total Tenant Services	17,731	-	-	-	105	-	68,160	-	-
Utilities:										
93100	Water	159,837	-	-	-	-	-	-	-	-
93200	Electricity	866,276	-	-	-	-	-	-	-	-
93300	Gas	73,678	-	-	-	-	-	-	-	-
93600	Sewer	189,712	-	-	-	-	-	-	-	-
93700	Employee Benefit Contributions - Utilities	-	-	-	-	-	-	-	-	-
93800	Other Utilities Expense	65,655	-	-	-	179	-	-	-	-
	Total Utilities	1,355,158	-	-	-	179	-	-	-	-
Ordinary Maintenance and Operations:										
94100	Labor	394,002	-	-	-	-	-	-	-	-
94200	Materials and Other	326,719	-	-	-	-	-	-	-	-
94300	Contracts	998,614	-	-	-	-	-	-	-	-
94500	Employee Benefits Contribution	138,299	-	-	-	-	-	-	-	-
	Total Ordinary Maintenance and Operations	1,857,634	-	-	-	-	-	-	-	-
Protective Services:										
95100	Labor	25,184	-	-	-	-	-	-	-	-
95200	Other Contract Costs	235,637	-	-	-	-	-	-	-	-
95300	Other	-	-	-	-	-	-	-	-	-
95500	Employee Benefit Contributions	7,253	-	-	-	-	-	-	-	-
	Total Protective Services	268,074	-	-	-	-	-	-	-	-
96100	Total Insurance Premiums	167,581	6,470	-	-	-	-	-	-	-

**WILMINGTON HOUSING AUTHORITY
ENTRY-WIDE REVENUE AND EXPENSE SUMMARY (CONTINUED)
YEAR ENDED MARCH 31, 2018**

Line Item #	Accounts Description	Resident Opportunity and Supportive Services	Component Unit - Blended	Public Housing Family Self-Sufficiency Under ROSS	PIH Family Self-Sufficiency Program	Central Office Cost Center	Elimination	Enterprise Fund Total	Component Unit - Discretely Presented	Total
REVENUE										
70300	Net Tenant Rental Revenue	\$ -	\$ 311,862	\$ -	\$ -	\$ -	\$ -	\$ 2,074,931	\$ 2,396,801	\$ 4,471,732
70400	Tenant Revenue - Other	-	2,731	-	-	-	-	231,187	90,926	322,113
70500	Total Tenant Revenue	-	314,593	-	-	-	-	2,306,118	2,487,727	4,793,845
70600	HUD PHA Operating Grants	153,870	-	137,060	-	-	-	18,413,918	-	18,413,918
706.1	Capital Grants	-	-	-	-	-	-	1,389,141	-	1,389,141
70700	Total Fee Revenue	-	-	-	-	1,367,567	(1,209,327)	158,240	-	158,240
70800	Other Governmental Grants	-	-	-	-	-	-	77,961	-	77,961
71100	Investment Income - Unrestricted	-	158	-	-	375	-	2,797	800	3,597
71200	Mortgage Interest Income	-	-	-	-	-	-	6,241	-	6,241
71400	Fraud Recovery	-	-	-	-	-	-	3,467	-	3,467
71500	Other Revenue	-	143,141	-	-	357,194	-	759,141	29,701	788,842
71600	Gain or Loss on Sale of Fixed Assets	-	-	-	-	5,934	-	17,134	-	17,134
72000	Investment Income - Restricted	-	-	-	-	-	-	-	-	-
70000	Total Revenue	153,870	457,892	137,060	-	1,731,070	(1,209,327)	23,134,158	2,518,228	25,652,386
EXPENSES										
Administrative:										
91100	Administrative Salaries	-	58,326	-	-	705,332	-	1,280,300	104,423	1,384,723
91200	Auditing Fees	-	21,000	-	-	-	-	57,400	25,472	82,872
91300	Management Fee	-	92,137	-	-	-	(898,827)	-	145,820	145,820
913.1	Bookkeeping Fee	-	-	-	-	-	(207,060)	-	12,420	12,420
91400	Advertising and Marketing	-	259	-	-	6,742	-	10,781	333	11,114
91500	Employee Benefit Contributions - Administrative	-	22,625	-	-	277,708	-	495,305	35,779	531,084
91600	Office Expenses	-	73,388	-	-	183,546	-	516,116	63,653	579,769
91700	Legal Expense	-	32,760	-	-	33,784	-	109,572	13,807	123,379
91800	Travel	-	80	-	-	19,577	-	27,409	3,553	30,962
91810	Allocated Overhead	-	-	-	-	-	-	-	-	-
91900	Other	-	-	-	-	2,734	-	48,653	88,929	137,582
	Total Administrative	-	300,575	-	-	1,229,423	(1,105,887)	2,545,536	494,189	3,039,725
92000	Asset Management Fee	-	-	-	-	-	(103,440)	-	-	-
Tenant Services:										
92100	Salaries	94,871	-	68,250	-	-	-	203,478	-	203,478
92200	Relocation Costs	-	-	-	-	-	-	-	-	-
92300	Employee Benefit Contributions	42,662	-	34,028	-	-	-	93,050	-	93,050
92400	Other	12,026	-	30,759	-	-	-	72,064	-	72,064
	Total Tenant Services	149,559	-	133,037	-	-	-	368,592	-	368,592
Utilities:										
93100	Water	-	11,628	-	-	2,096	-	173,561	78,928	252,489
93200	Electricity	-	21,533	-	-	24,661	-	912,470	462,605	1,375,075
93300	Gas	-	-	-	-	-	-	73,678	-	73,678
93600	Sewer	-	18,541	-	-	1,270	-	209,523	63,243	272,766
93700	Employee Benefit Contributions - Utilities	-	-	-	-	-	-	-	-	-
93800	Other Utilities Expense	-	-	-	-	1,337	-	67,171	12,952	80,123
	Total Utilities	-	51,702	-	-	29,364	-	1,436,403	617,728	2,054,131
Ordinary Maintenance and Operations:										
94100	Labor	-	24,006	-	-	38,047	-	456,055	176,718	632,773
94200	Materials and Other	-	24,347	-	-	10,779	-	361,845	95,067	456,912
94300	Contracts	-	61,614	-	-	47,692	-	1,107,920	267,811	1,375,731
94500	Employee Benefits Contribution	-	8,587	-	-	14,775	-	161,661	44,672	206,333
	Total Ordinary Maintenance and Operations	-	118,554	-	-	111,293	-	2,087,481	584,268	2,671,749
Protective Services:										
95100	Labor	-	2,296	-	-	-	-	27,480	7,829	35,309
95200	Other Contract Costs	-	13,677	-	-	-	-	249,314	46,389	295,703
95300	Other	-	-	-	-	-	-	-	-	-
95500	Employee Benefit Contributions	-	-	-	-	-	-	7,253	3,048	10,301
	Total Protective Services	-	15,973	-	-	-	-	284,047	57,266	341,313
96100	Total Insurance Premiums	-	20,488	-	-	24,543	-	219,082	221,274	440,356

WILMINGTON HOUSING AUTHORITY
ENTRY-WIDE REVENUE AND EXPENSE SUMMARY (CONTINUED)
YEAR ENDED MARCH 31, 2018

Line Item #	Accounts Description	Project Total	Housing Choice Voucher	Revitalization of Severely Distressed Public Housing	Other Federal Programs 1	Business Activities	Mortgage Insurance for the Purchase of Refinancing of Existing Multifamily	Multifamily Housing Services Coordinator	Continuum of Care Program	Housing Opportunities for Persons with AIDS
EXPENSES (Continued)										
General Expenses:										
96200	Other General Expenses	\$ 1,453,134	\$ 15,747	\$ 10,684	\$ -	\$ 3,200	\$ -	\$ -	\$ -	\$ -
962100	Compensated Absences	39,317	37,046	-	-	-	-	4,476	-	-
96300	Payments in Lieu of Taxes	16,270	-	-	-	-	-	-	-	-
96400	Bad Debt - Tenant Rents	46,258	-	-	-	-	-	-	-	-
96500	Bad Debt - Mortgages	-	-	-	-	-	-	-	-	-
96600	Bad Debt - Other	-	-	-	-	-	-	-	-	-
96000	Total General Expenses	1,554,979	52,793	10,684	-	3,200	-	4,476	-	-
96700	Total Interest Expense and Amortization Cost	47,938	-	-	-	-	-	-	-	-
96900	Total Operating Expenses	6,627,258	913,903	22,404	-	3,826	-	72,636	-	-
EXCESS OF OPERATING REVENUE OVER OPERATING EXPENSES										
97000		2,045,173	11,514,242	(22,404)	212,386	14,047	229,078	2,903	150,180	77,961
97200	Casualty Losses - Noncapitalized	20,742	-	-	-	-	-	-	-	-
97300	Housing Assistance Payments	-	11,048,970	-	-	-	-	-	150,180	77,961
97350	Housing Assistance Payments Portability - In	-	-	-	-	-	-	-	-	-
97400	Depreciation Expense	1,987,967	-	-	-	11,835	-	-	-	-
90000	Total Expenses	8,635,967	11,962,873	22,404	-	15,661	-	72,636	150,180	77,961
Other Financing Sources (Uses):										
10010	Operating Transfer In	200,000	-	-	-	-	-	-	-	-
10020	Operating Transfer Out	(200,000)	-	-	-	-	(229,078)	-	-	-
10030	Operating Transfers from/to Primary Government	-	-	-	-	-	-	-	-	-
10040	Operating Transfers from/to Component Unit	-	-	-	-	-	-	-	-	-
10080	Special Items (Net Gain/Loss)	-	-	-	-	-	-	-	-	-
10091	Inter Project Excess Cash Transfer In	316,089	-	-	-	-	-	-	-	-
10092	Inter Project Excess Cash Transfer Out	(316,089)	-	-	-	-	-	-	-	-
10100	Total Other Financing Sources (Uses)	-	-	-	-	-	(229,078)	-	-	-
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES										
10000		\$ 36,464	\$ 465,272	\$ (22,404)	\$ 212,386	\$ 2,212	\$ -	\$ 2,903	\$ -	\$ -
Memo Account Information										
11020	Required Annual Debt Principal Payments	\$ 54,723	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11030	Beginning Equity	23,455,873	(42,140)	9,347,003	-	972,265	-	(30,837)	-	-
11040	Prior Period Adjustments, Equity Transfers and Correction	-	-	-	-	-	-	-	-	-
11170	Administrative Fee Equity	-	(89,975)	-	-	-	-	-	-	-
11180	Housing Assistance Payments Equity	-	513,107	-	-	-	-	-	-	-
11190	Unit Months Available	7,968	23,970	-	-	-	-	-	192	174
11210	Unit Months Leased	7,621	19,295	-	-	-	-	-	192	174
11270	Excess Cash	2,619,129	-	-	-	-	-	-	-	-
11610	Land Purchases	-	-	-	-	-	-	-	-	-
11620	Building Purchases	-	-	-	-	-	-	-	-	-
11630	Furniture and Equipment - Dwelling Purchases	-	-	-	-	-	-	-	-	-
11640	Furniture and Equipment - Administrative Purchases	-	-	-	-	-	-	-	-	-
11650	Leasehold Improvements Purchases	1,334,418	-	-	-	-	-	-	-	-
11660	Infrastructure Purchases	-	-	-	-	-	-	-	-	-
13510	CFFP Debt Service Payments	54,723	-	-	-	-	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-	-	-	-	-

WILMINGTON HOUSING AUTHORITY
ENTRY-WIDE REVENUE AND EXPENSE SUMMARY (CONTINUED)
YEAR ENDED MARCH 31, 2018

Line Item #	Accounts Description	Resident Opportunity and Supportive Services	Component Unit - Blended	Public Housing Family Self-Sufficiency Under ROSS	PIH Family Self-Sufficiency Program	Central Office Cost Center	Elimination	Enterprise Fund Total	Component Unit - Discretely Presented	Total
EXPENSES (Continued)										
General Expenses:										
96200	Other General Expenses	\$ -	\$ 2,613	\$ -	\$ -	\$ 4,382	\$ -	\$ 1,489,760	\$ 715	\$ 1,490,475
962.1	Compensated Absences	4,412	24,511	4,023	-	86,550	-	200,335	16,738	217,073
96300	Payments in Lieu of Taxes	-	-	-	-	-	-	16,270	-	16,270
96400	Bad Debt - Tenant Rents	-	1	-	-	-	-	46,259	8,176	54,435
96500	Bad Debt - Mortgages	-	-	-	-	-	-	-	-	-
96600	Bad Debt - Other	-	-	-	-	-	-	-	-	-
96000	Total General Expenses	4,412	27,125	4,023	-	90,932	-	1,752,624	25,629	1,778,253
96700	Total Interest Expense and Amortization Cost	-	-	-	-	-	-	47,938	375,249	423,187
96900	Total Operating Expenses	153,971	534,417	137,060	-	1,485,555	(1,209,327)	8,741,703	2,375,603	11,117,306
97000	EXCESS OF OPERATING REVENUE OVER OPERATING EXPENSES	(101)	(76,525)	-	-	245,515	-	14,392,455	142,625	14,535,080
97200	Casualty Losses - Noncapitalized	-	-	-	-	-	-	20,742	-	20,742
97300	Housing Assistance Payments	-	-	-	-	-	-	11,277,111	-	11,277,111
97350	Housing Assistance Payments Portability - In	-	-	-	-	-	-	-	-	-
97400	Depreciation Expense	-	179,326	-	-	86,961	-	2,266,089	695,763	2,961,852
90000	Total Expenses	153,971	713,743	137,060	-	1,572,516	(1,209,327)	22,305,645	3,071,366	25,377,011
Other Financing Sources (Uses):										
10010	Operating Transfer In	-	229,078	-	-	-	(429,078)	-	-	-
10020	Operating Transfer Out	-	-	-	-	-	429,078	-	-	-
10030	Operating Transfers from/to Primary Government	-	-	-	-	-	-	-	-	-
10040	Operating Transfers from/to Component Unit	-	-	-	-	-	-	-	-	-
10080	Special Items (Net Gain/Loss)	-	-	-	-	-	-	-	-	-
10091	Inter Project Excess Cash Transfer In	-	-	-	-	-	(316,089)	-	-	-
10092	Inter Project Excess Cash Transfer Out	-	-	-	-	-	316,089	-	-	-
10100	Total Other Financing Sources (Uses)	-	229,078	-	-	-	-	-	-	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ (101)	\$ (26,773)	\$ -	\$ -	\$ 158,554	\$ -	\$ 828,513	\$ (553,138)	\$ 275,375
Memo Account Information										
11020	Required Annual Debt Principal Payments	\$ -	\$ 16,956	\$ -	\$ -	\$ -	\$ -	\$ 71,679	\$ 9,225	\$ 80,904
11030	Beginning Equity	-	4,059,279	-	-	2,773,007	-	40,534,450	15,203,371	55,737,821
11040	Prior Period Adjustments, Equity Transfers and Correction	-	-	-	-	-	-	-	243,668	243,668
11170	Administrative Fee Equity	-	-	-	-	-	-	(89,975)	-	(89,975)
11180	Housing Assistance Payments Equity	-	-	-	-	-	-	513,107	-	513,107
11190	Unit Months Available	-	1,092	-	-	-	-	33,396	3,156	36,552
11210	Unit Months Leased	-	1,062	-	-	-	-	28,344	3,063	31,407
11270	Excess Cash	-	-	-	-	-	-	2,619,129	-	2,619,129
11610	Land Purchases	-	-	-	-	-	-	-	-	-
11620	Building Purchases	-	-	-	-	-	-	-	-	-
11630	Furniture and Equipment - Dwelling Purchases	-	-	-	-	-	-	-	-	-
11640	Furniture and Equipment - Administrative Purchases	-	-	-	-	-	-	-	-	-
11650	Leasehold Improvements Purchases	-	-	-	-	-	-	1,334,418	-	1,334,418
11660	Infrastructure Purchases	-	-	-	-	-	-	-	-	-
13510	CFFP Debt Service Payments	-	-	-	-	-	-	54,723	-	54,723
13901	Replacement Housing Factor Funds	-	-	-	-	-	-	-	-	-

**WILMINGTON HOUSING AUTHORITY
PROJECT BALANCE SHEET SUMMARY
MARCH 31, 2018**

Line Item #	Accounts Description	AMP 004	AMP 005	AMP 007	AMP 015	AMP 017	AMP 018	AMP 019	AMP 020	AMP 021	AMP 022	AMP 080	AMP 081	Totals
CURRENT ASSETS														
Cash:														
111	Unrestricted	\$ 737,605	\$ 1,436,395	\$ 474,970	\$ -	\$ -	\$ 31,334	\$ -	\$ 168,230	\$ -	\$ 1,643	\$ 530,808	\$ 612,057	\$ 3,993,042
112	Cash - Restricted - Modernization and Development	-	-	-	-	-	-	-	-	-	-	-	-	-
113	Other Restricted	1,786	12,249	830	-	-	-	-	-	-	-	8,361	1,893	25,119
114	Tenant Security Deposits	32,112	56,087	32,351	-	-	1,599	-	6,262	-	250	12,633	14,812	156,106
100	Total Cash	771,503	1,504,731	508,151	-	-	32,933	-	174,492	-	1,893	551,802	628,762	4,174,267
Accounts and Notes Receivable:														
122	HUD Other Projects	-	9,372	152,338	-	-	-	-	-	-	-	-	-	161,710
124	Other Government	1,144	-	-	-	-	-	-	-	-	-	-	1,335	2,479
125	Miscellaneous	-	15,379	-	-	-	-	-	-	-	36	-	-	15,415
126	Tenants	5,789	11,434	1,885	-	-	191	-	1,242	-	4	2,320	1,002	23,867
126.1	Allowance for Doubtful Accounts - Tenants	(3,546)	(7,609)	-	-	-	(1)	-	-	-	(1)	(1,314)	(609)	(13,079)
127	Notes, Loans, and Mortgages - Current	-	-	-	-	-	-	-	-	-	-	-	-	-
120	Total Receivables, Net of Allowances for Uncollectibles	3,387	28,576	154,223	-	-	191	-	1,242	-	39	1,006	1,728	190,392
131	Investments - Unrestricted	-	-	-	-	-	-	-	-	-	-	-	-	-
132	Investments - Restricted	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total Current Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
142	Prepaid Expenses and Other Assets	24,867	32,890	31,171	-	-	1,440	-	4,328	-	114	12,793	13,117	120,720
143	Inventories	5,777	9,420	2,690	-	-	258	-	3,154	-	37	457	1,839	23,632
144	Interprogram - Due from	-	-	-	-	-	-	-	-	-	-	-	-	-
150	Total Current Assets	805,534	1,575,617	696,235	-	-	34,822	-	183,216	-	2,083	566,058	645,446	4,509,011
NONCURRENT ASSETS														
Fixed Assets:														
161	Land	48,794	33,269	89,905	-	-	151,730	-	441,000	-	14,900	202,120	1,078,267	2,059,985
162	Buildings	6,485,217	1,048,526	5,530,568	-	-	1,076,563	-	934,619	-	47,859	2,059,873	2,080,161	19,263,386
163	Furniture, Equipment, and Machinery - Dwellings	385,456	231,011	941,582	-	-	67	-	1,154	-	-	258,056	65,335	1,882,661
164	Furniture, Equipment, and Machinery - Administration	-	-	54,469	-	-	-	-	28,187	-	-	-	14,423	97,079
165	Leasehold Improvements	6,578,038	11,970,499	7,261,107	-	-	-	-	2,011,048	-	-	6,047,250	3,974,784	37,842,726
166	Accumulated Depreciation	(10,109,722)	(11,256,387)	(10,173,896)	-	-	(256,911)	-	(646,431)	-	(4,121)	(5,783,339)	(4,834,811)	(43,065,618)
167	Construction in Progress	-	-	-	-	-	-	-	-	-	-	-	-	-
160	Total Fixed Assets, Net of Accumulated Depreciation	3,387,783	2,026,918	3,703,735	-	-	971,449	-	2,769,577	-	58,638	2,783,960	2,378,159	18,080,219
171	Notes, Loans, and Mortgages Receivable - Noncurrent	-	-	-	-	-	-	-	-	-	-	1,781,598	1,300,000	3,081,598
174	Other Assets	-	-	-	-	-	-	-	-	-	-	-	11,508	11,508
180	Total Noncurrent Assets	3,387,783	2,026,918	3,703,735	-	-	971,449	-	2,769,577	-	58,638	4,565,558	3,689,667	21,173,325
200	DEFERRED OUTFLOW OF RESOURCES	47,289	93,913	46,567	-	-	2,049	-	8,244	-	207	10,458	15,989	224,716
290	Total Assets and Deferred Outflow of Resources	\$ 4,240,606	\$ 3,696,448	\$ 4,446,537	\$ -	\$ -	\$ 1,008,320	\$ -	\$ 2,961,037	\$ -	\$ 60,928	\$ 5,142,074	\$ 4,351,102	\$ 25,907,052

**WILMINGTON HOUSING AUTHORITY
PROJECT BALANCE SHEET SUMMARY (CONTINUED)
MARCH 31, 2018**

Line Item #	Accounts Description	AMP 004	AMP 005	AMP 007	AMP 015	AMP 017	AMP 018	AMP 019	AMP 020	AMP 021	AMP 022	AMP 080	AMP 081	Totals
CURRENT LIABILITIES														
311	Bank Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts Payable < 90 Days	86,012	143,154	53,833	-	-	2,816	-	10,590	-	445	39,711	23,088	359,649
313	Accounts Payable > 90 Days Past Due	-	-	4,230	-	-	-	-	-	-	-	-	-	4,230
321	Accrued Wage/Payroll Taxes Payable	1,715	9,721	3,826	-	-	1,009	-	971	-	394	4,948	2,757	25,341
322	Accrued Compensated Absences - Current Portion	1,287	6,474	-	-	-	741	-	881	-	288	2,330	1,879	13,880
324	Accrued Contingency Liability	-	-	-	-	-	-	-	-	-	-	-	-	-
325	Accrued Interest Payable	-	-	-	-	-	-	-	-	-	-	-	2,440	2,440
331	Accounts Payable - HUD PHA Programs	-	-	-	-	-	-	-	-	-	-	-	238,219	238,219
333	Accounts Payable - Other Gov.	-	13,837	11,090	-	-	661	-	2,976	-	-	653	890	30,107
341	Tenant Security Deposits	32,112	56,087	32,351	-	-	1,599	-	6,262	-	250	12,633	14,812	156,106
342	Deferred Revenues	2,537	312,399	3,317	-	-	350	-	1,346	-	-	931	876	321,756
343	Current Portion of Long-Term Debt - Capital Projects / Mortgage	-	-	-	-	-	-	-	-	-	-	-	57,437	57,437
345	Other Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
346	Accrued Liabilities - Other	-	-	-	-	-	-	-	-	-	-	-	-	-
310	Total Current Liabilities	123,663	541,672	108,647	-	-	7,176	-	23,026	-	1,377	61,206	342,398	1,209,165
NONCURRENT LIABILITIES														
351	Capital Projects / Mortgage Revenue Bonds	-	-	-	-	-	-	-	-	-	-	-	546,177	546,177
353	Noncurrent Liabilities - Other	1,786	12,249	830	-	-	-	-	-	-	-	448,225	1,893	464,983
354	Accrued Compensated Absences - Noncurrent	4,360	7,953	11,697	-	-	1,849	-	1,076	-	708	1,213	2,965	31,821
357	Accrued Pension and OPEB Liabilities	31,107	62,469	32,095	-	-	1,408	-	5,945	-	136	8,385	11,715	153,260
350	Total Noncurrent Liabilities	37,253	82,671	44,622	-	-	3,257	-	7,021	-	844	457,823	562,750	1,196,241
300	Total Liabilities	160,916	624,343	153,269	-	-	10,433	-	30,047	-	2,221	519,029	905,148	2,405,406
400	DEFERRED INFLOW OF RESOURCES	1,958	3,531	1,928	-	-	84	-	702	-	9	433	664	9,309
EQUITY														
508.4	Invested in Capital Assets	3,387,783	2,026,918	3,703,735	-	-	971,449	-	2,769,577	-	58,638	2,783,960	1,774,545	17,476,605
511.4	Restricted Net Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
512.4	Unrestricted Net Assets	689,949	1,041,656	587,605	-	-	26,354	-	160,711	-	60	1,838,652	1,670,745	6,015,732
513	Total Equity/Net Assets	4,077,732	3,068,574	4,291,340	-	-	997,803	-	2,930,288	-	58,698	4,622,612	3,445,290	23,492,337
600	Total Liabilities and Equity/Net Assets	\$ 4,240,606	\$ 3,696,448	\$ 4,446,537	\$ -	\$ -	\$ 1,008,320	\$ -	\$ 2,961,037	\$ -	\$ 60,928	\$ 5,142,074	\$ 4,351,102	\$ 25,907,052

**WILMINGTON HOUSING AUTHORITY
PROJECT REVENUE AND EXPENSE SUMMARY
YEAR ENDED MARCH 31, 2018**

Line Item #	Accounts Description	AMP 004	AMP 005	AMP 007	AMP 015	AMP 017	AMP 018	AMP 019	AMP 020	AMP 021	AMP 022	AMP 080	AMP 081	Totals
REVENUE														
70300	Net Tenant Rental Revenue	\$ 268,068	\$ 675,351	\$ 406,796	\$ -	\$ -	\$ 28,653	\$ -	\$ 119,085	\$ -	\$ 1,285	\$ 159,473	\$ 104,358	\$ 1,763,069
70400	Tenant Revenue - Other	88,999	75,251	7,683	-	-	1,736	-	11,857	-	334	26,764	15,832	228,456
70500	Total Tenant Revenue	357,067	750,602	414,479	-	-	30,389	-	130,942	-	1,619	186,237	120,190	1,991,525
70600	HUD PHA Operating Grants	1,083,014	1,348,762	449,088	328,182	264,979	36,464	787,639	85,375	432	5,755	435,897	430,228	5,255,815
706.1	Capital Grants	1,037,179	67,774	130,539	-	-	1,594	29,701	7,287	-	-	45,087	69,980	1,389,141
71100	Investment Income - Unrestricted	307	521	358	-	-	15	-	77	-	2	247	249	1,776
71200	Mortgage Income - Unrestricted	-	-	-	-	-	-	-	-	-	-	-	-	-
71500	Other Revenue	4,279	17,270	7,093	-	-	146	-	-	-	45	1,865	3,476	34,174
71600	Gain or Loss on Sale of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
72000	Investment Income - Unrestricted	-	-	-	-	-	-	-	-	-	-	-	-	-
70000	Total Revenue	2,481,846	2,184,929	1,001,557	328,182	264,979	68,608	817,340	223,681	432	7,421	669,333	624,123	8,672,431
EXPENSES														
Administrative:														
91100	Administrative Salaries	39,371	92,009	69,668	-	-	1,891	-	4,057	-	151	23,441	21,334	251,922
91200	Auditing Fees	6,609	11,280	6,653	-	-	308	-	1,410	-	44	2,644	2,952	31,900
91300	Management Fee	90,972	289,573	90,866	-	-	4,469	-	20,003	-	638	36,814	41,815	575,150
913.1	Bookkeeping Fee	12,825	22,087	12,810	-	-	630	-	2,820	-	90	5,190	5,895	62,347
91400	Advertising and Marketing	555	1,268	622	-	-	24	-	111	-	-	207	232	3,019
91500	Employee Benefit Contributions - Administrative	13,186	36,070	24,701	-	-	776	-	1,080	-	61	9,640	8,202	93,716
91600	Office Expenses	47,485	40,128	29,674	-	-	378	-	11,590	-	-	29,377	9,437	168,069
91700	Legal Expense	3,812	7,960	4,829	-	-	1,877	-	1,877	-	13	2,583	5,671	28,622
91800	Travel	1,159	1,818	1,165	-	-	44	-	199	-	-	977	417	5,779
91900	Other	3,603	6,025	5,947	-	-	1,611	-	2,363	-	-	9,065	5,585	34,199
	Total Administrative	219,577	508,218	246,935	-	-	12,008	-	45,510	-	997	119,938	101,540	1,254,723
92000	Asset Management Fee	18,000	30,720	18,120	-	-	840	16,560	3,840	-	120	7,200	8,040	103,440
Tenant Services:														
92100	Salaries	-	-	-	-	-	-	-	-	-	-	-	-	-
92200	Relocation Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
92300	Employee Benefit Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
92400	Other	3,188	5,544	3,238	-	-	-	-	-	-	-	3,350	2,411	17,731
	Total Tenant Services	3,188	5,544	3,238	-	-	-	-	-	-	-	3,350	2,411	17,731
Utilities:														
93100	Water	42,315	40,431	32,845	-	-	2,895	-	11,960	-	291	16,043	13,057	159,837
93200	Electricity	194,809	335,466	75,565	-	-	9,537	-	40,134	-	1,437	120,968	88,360	866,276
93300	Gas	55,601	5,039	13,038	-	-	-	-	-	-	-	-	-	73,678
93600	Sewer	50,212	45,449	38,269	-	-	3,352	-	13,470	-	332	20,392	18,236	189,712
93800	Other Utilities Expense	7,319	19,918	25,281	-	-	672	-	1,913	-	96	4,023	6,433	65,655
	Total Utilities	350,256	446,303	184,998	-	-	16,456	-	67,477	-	2,156	161,426	126,086	1,355,158
Ordinary Maintenance and Operations:														
94100	Labor	46,311	174,200	21,000	-	-	14,334	-	18,284	-	5,391	69,293	45,189	394,002
94200	Materials and Other	98,862	109,916	31,759	-	-	459	-	7,570	-	3	59,151	18,999	326,719
94300	Contracts	194,505	421,040	156,198	-	-	9,956	-	19,399	-	789	113,620	83,107	998,614
94500	Employee Benefits Contribution	10,906	67,206	8,106	-	-	5,455	-	5,917	-	2,082	23,526	15,101	138,299
	Total Ordinary Maintenance and Operations	350,584	772,362	217,063	-	-	30,204	-	51,170	-	8,265	265,590	162,396	1,857,634
Protective Services:														
95100	Labor	5,220	8,886	5,248	-	-	264	-	1,082	-	27	2,059	2,398	25,184
95200	Other Contract Costs	32,242	54,991	113,050	-	-	1,076	-	6,868	-	154	12,877	14,379	235,637
95500	Employee Benefit Contributions	1,834	1,239	1,874	-	-	108	-	378	-	11	818	991	7,253
	Total Protective Services	39,296	65,116	120,172	-	-	1,448	-	8,328	-	192	15,754	17,768	268,074
96100	Total Insurance Premiums	34,625	45,774	46,424	-	-	2,007	-	5,455	-	158	14,862	18,276	167,581

**WILMINGTON HOUSING AUTHORITY
PROJECT REVENUE AND EXPENSE SUMMARY (CONTINUED)
YEAR ENDED MARCH 31, 2018**

Line Item #	Accounts Description	AMP 004	AMP 005	AMP 007	AMP 015	AMP 017	AMP 018	AMP 019	AMP 020	AMP 021	AMP 022	AMP 080	AMP 081	Totals
	General Expenses:													
96200	Other General Expenses	\$ -	\$ 54,110	\$ 3,223	\$ 328,182	\$ 264,979	\$ 21	\$ 800,780	\$ 100	\$ 432	\$ -	\$ 273	\$ 1,034	\$ 1,453,134
96210	Compensated Absences	1,794	15,470	10,808	-	-	2,400	-	3,845	-	1,064	-	3,936	39,317
96300	Payments in Lieu of Taxes	-	-	11,090	-	-	661	-	2,976	-	-	653	890	16,270
96400	Bad Debt - Tenant Rents	10,251	29,718	2,272	-	-	-	-	1,005	-	3	3,009	-	46,258
96600	Bad Debt - Other	-	-	-	-	-	-	-	-	-	-	-	-	-
96000	Total General Expenses	12,045	99,298	27,393	328,182	264,979	3,082	800,780	7,926	432	1,067	3,935	5,860	1,554,979
96700	Total Interest Expense and Amortization Cost	150	-	7,604	-	-	-	-	-	-	-	3,054	37,130	47,938
96900	Total Operating Expenses	1,027,721	1,973,335	871,947	328,182	264,979	66,045	817,340	189,706	432	12,955	595,109	479,507	6,627,258
97000	Excess of Operating Revenue over Operating Expenses	1,454,125	211,594	129,610	-	-	2,563	-	33,975	-	(5,534)	74,224	144,616	2,045,173
97200	Casualty Losses - Noncapitalized	-	-	20,742	-	-	-	-	-	-	-	-	-	20,742
97400	Depreciation Expense	414,409	336,966	483,202	-	-	37,027	-	104,689	-	1,595	361,744	248,335	1,987,967
90000	Total Expenses	1,442,130	2,310,301	1,375,891	328,182	264,979	103,072	817,340	294,395	432	14,550	956,853	727,842	8,635,967
	Other Financing Sources (Uses):													
10010	Operating Transfer In	32,284	55,098	32,499	14,475	-	1,507	29,701	6,887	-	215	12,914	14,420	200,000
10020	Operating Transfer Out	(32,284)	(55,098)	(32,499)	(14,475)	-	(1,507)	(29,701)	(6,887)	-	(215)	(12,914)	(14,420)	(200,000)
10030	Operating Transfers from/to Primary Government	-	-	-	-	-	-	-	-	-	-	-	-	-
10040	Operating Transfers from/to Component Unit	-	-	-	-	-	-	-	-	-	-	-	-	-
10091	Inter Project Excess Cash Transfer In	-	-	316,089	-	-	-	-	-	-	-	-	-	316,089
10092	Inter Project Excess Cash Transfer Out	(142,966)	(97,753)	-	-	-	-	-	-	-	-	(74,893)	(477)	(316,089)
10100	Total Other Financing Sources (Uses)	(142,966)	(97,753)	316,089	-	-	-	-	-	-	-	(74,893)	(477)	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	896,750	(223,125)	(58,245)	-	-	(34,464)	-	(70,714)	-	(7,129)	(362,413)	(104,196)	36,464
	Memo Account Information													
11020	Required Annual Debt Principal Payments	-	-	-	-	-	-	-	-	-	-	-	54,723	54,723
11030	Beginning Equity	3,180,982	3,291,699	4,349,585	-	-	1,032,267	-	3,001,002	-	65,827	4,985,025	3,549,486	23,455,873
11040	Prior Period Adjustments, Equity Transfers and Correction	-	-	-	-	-	-	-	-	-	-	-	-	-
11190	Unit Months Available	1,800	3,072	1,812	-	-	84	-	384	-	12	-	804	7,968
11270	Excess Cash	563,798	826,017	480,235	-	(22,081)	20,445	(68,111)	136,900	-	(524)	433,649	248,801	2,619,129
11210	Unit Months Leased	1,710	2,945	1,708	-	-	84	-	376	-	12	-	786	7,621
11630	Furniture and Equipment - Dwelling Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-
11640	Furniture and Equipment - Administrative Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-
11650	Leasehold Improvements Purchases	1,037,179	67,774	130,539	-	-	1,594	29,701	7,287	-	-	45,087	15,257	1,334,418
13510	CFFP Debt Service Payments	-	-	-	-	-	-	-	-	-	-	-	54,723	54,723
13901	Replacement Housing Factor Funds	-	-	-	-	-	-	-	-	-	-	-	-	-

**WILMINGTON HOUSING AUTHORITY
LOW INCOME PUBLIC HOUSING PROGRAM
SCHEDULE OF REVENUE AND EXPENDITURES – BUDGET TO ACTUAL
YEAR ENDED MARCH 31, 2018**

Account Description	Budget	Actual	Over/(Under) Budget
OPERATING REVENUE			
Tenant Rent	\$ 2,054,970	\$ 1,991,525	\$ (63,445)
Operating Grants	4,545,317	5,255,815	710,498
Other Revenue	110,538	34,174	(76,364)
Total Operating Revenue	<u>6,710,825</u>	<u>7,281,514</u>	<u>570,689</u>
OPERATING EXPENSES			
Administration	1,381,169	1,358,163	(23,006)
Tenant Services	17,700	17,731	31
Utilities	1,309,232	1,355,158	45,926
Maintenance	1,773,989	1,857,634	83,645
Protective Services	251,876	268,074	16,198
General Expense	1,502,811	1,770,498	267,687
Total Operating Expenses	<u>6,236,777</u>	<u>6,627,258</u>	<u>390,481</u>
OPERATING INCOME	474,048	654,256	180,208
NONOPERATING REVENUES (EXPENSES)			
Investment Income	868	1,776	908
Gain / Loss from Sale of Fixed Assets	-	-	-
Total Nonoperating Revenues/(Expenses)	<u>868</u>	<u>1,776</u>	<u>908</u>
Net Income (Loss) Excluding Depreciation and Capital Contributions	<u>\$ 474,916</u>	<u>\$ 656,032</u>	<u>\$ 181,116</u>

**WILMINGTON HOUSING AUTHORITY
HOUSING CHOICE VOUCHER PROGRAM
SCHEDULE OF REVENUE AND EXPENDITURES – BUDGET TO ACTUAL
YEAR ENDED MARCH 31, 2018**

<u>Account Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Over/(Under) Budget</u>
OPERATING REVENUE			
Operating Grants	\$ 12,336,435	\$ 12,412,376	\$ 75,941
Other Revenue	108,800	15,556	(93,244)
Total Operating Revenue	<u>12,445,235</u>	<u>12,427,932</u>	<u>(17,303)</u>
OPERATING EXPENSES			
Administration	962,160	854,640	(107,520)
Tenant Services	-	-	-
Utilities	-	-	-
Maintenance	2,500	-	(2,500)
Housing Choice Voucher	11,493,702	11,048,970	(444,732)
General Expense	9,792	59,263	49,471
Total Operating Expenses	<u>12,468,154</u>	<u>11,962,873</u>	<u>(505,281)</u>
OPERATING INCOME	(22,919)	465,059	487,978
NONOPERATING REVENUES (EXPENSES)			
Investment Income	<u>200</u>	<u>213</u>	<u>13</u>
Depreciation	-	-	-
Casualty Losses	-	-	-
Total Nonoperating Revenues/(Expenses)	<u>200</u>	<u>213</u>	<u>13</u>
Net Income (Loss) Excluding Depreciation and Capital Contributions	<u>\$ (22,719)</u>	<u>\$ 465,272</u>	<u>\$ 487,991</u>

SINGLE AUDIT REPORT



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

Board of Commissioners
Wilmington Housing Authority
Wilmington, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the enterprise fund and the aggregate discretely presented component units of the Wilmington Housing Authority (the Authority), as of and for the year ended March 31, 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 November 14, 2018. Our report includes a reference to other auditors who audited the financial statements of all of the discretely presented component units, as described in our report on the Authority's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The audits of Creekwood South, LLC, Taylor West, LLC, and Rankin Terrace, LLC were not performed in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority’s financial statements are free 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items 2018-001 through 2018-005.

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 result 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.



CliftonLarsonAllen LLP

Baltimore, Maryland
November 14, 2018



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH UNIFORM GRANT GUIDANCE

Board of Commissioners
Wilmington Housing Authority
Wilmington, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Wilmington Housing Authority's (the Authority) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended March 31, 2018. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the entity'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 qualified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Basis for Qualified Opinion on Public and Indian Housing Program

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding CFDA 14.850 Public and Indian Housing 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.

Basis for Qualified Opinion on Housing Choice Voucher Program

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding CFDA 14.871 Housing Choice Voucher Program as described in findings 2018-002, 2018-004 and 2018-005 for eligibility and special test. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Qualified Opinion on Public and Indian Housing 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 the Public and Indian Housing Program for the year ended March 31, 2018.

Qualified Opinion on Housing Choice Voucher 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 the Housing Choice Voucher Program for the year ended March 31, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-003. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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 did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, 2018-004, and 2018-005 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-003 to be a significant deficiency.

The Authority's responses to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Authority as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated November 14, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected

Board of Commissioners
Wilmington Housing Authority

to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
November 14, 2018

**WILMINGTON HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 2018**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development (HUD)				
Multifamily HUD Insured - Rental Assistance	14.155	N/A	N/A	\$ 229,078
Multifamily Housing Service Coordinators	14.191	N/A	N/A	72,636
Continuum of Care Program	14.267	N/A	N/A	150,180
Housing Opportunities for Persons with Aids	14.241	N/A	N/A	77,961
Public and Indian Housing	14.850	N/A	N/A	4,873,038
Resident Opportunity and Supportive Services	14.870	N/A	N/A	196,371
Housing Choice Vouchers	14.871	N/A	N/A	11,962,873
Public Housing Capital Fund Program	14.872	N/A	N/A	1,771,918
Public Housing Family Self-Sufficiency under ROSS	14.877	N/A	N/A	137,060
City of Wilmington - CDBG Loan	14.218	Unknown	N/A	<u>177,345</u>
Total Expenditure of Federal Awards				<u>\$ 19,648,460</u>

**WILMINGTON HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
MARCH 31, 2018**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity for the Wilmington Housing Authority (the Authority) under programs of the federal government for the year ended March 31, 2018. The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through, entity identifying numbers are presented where available. The Authority has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2 SUB-RECIPIENTS

The Authority provided no Federal awards to sub-recipients during the fiscal year ending March 31, 2018.

NOTE 3 DISCLOSURE OF OTHER FORMS OF ASSISTANCE

The Authority received no Federal awards of nonmonetary assistance that are required to be disclosed for the fiscal year ended March 31, 2018.

NOTE 4 LOANS OUTSTANDING

The Authority had the following loan balances outstanding at March 31, 2018. No new loans were disbursed during the year ended March 31, 2018.

	Federal CFDA Number	Amount Outstanding
Community Development Block Grant	14.218	\$ 200,000
Total		\$ 200,000

**WILMINGTON HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
MARCH 31, 2018**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? x yes _____ no
 - Significant deficiency(ies) identified? x yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Qualified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
14.850	Public and Indian Housing
14.871	Housing Choice Voucher Program

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000
- Auditee qualified as low-risk auditee? _____ yes x no

**WILMINGTON HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
MARCH 31, 2018**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

2018-001

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Public and Indian Housing
CFDA: 14.850
Award Period: 4/1/17 – 3/31/18
Type of Finding: Material Weakness in Internal Control over Compliance

Criteria or specific requirement: 24 CFR section 960.259 states that for both family income examinations and reexaminations, the PHA must obtain and document in the family file third-party verification of: (1) reported family annual income; (2) the value of assets; (3) expenses related to deductions from annual income; and (4) other factors that affect the determination of adjusted income or income-based rent. 24 CFR section 960.257 states for families who pay an income based rent, the PHA must conduct a reexamination of the family income and composition at least annually.

Condition: During our testing, we noted the Authority did not follow their internal controls designed to ensure compliance with tenant Eligibility requirements.

Questioned Costs: Unable to determine.

Context: Testing of 40 Public Housing tenant files identified exceptions in 27 files, which included the following:

- 4 files were missing the Declaration of 214
- 14 files noted errors in the calculation of rent and/or lacked support for income, assets and expenses included in the calculation
- 15 residents did not have recertifications performed timely
- 6 rent payments per the rent roll could not be agreed back to 50058's located in tenant file

Cause: The Authority failed to perform recertifications in accordance with their stated policies and procedures and HUD regulations and control procedures were not in place to detect.

Effect: The Authority is not in compliance with federal regulations regarding eligibility. The amount of tenant rent could be incorrect based on missing or inaccurate information.

Repeat Finding: Yes

Recommendation: The Auditors recommend that management review their recertification process and increase the amount of quality control reviews until they can ensure a majority of the files meet HUD's eligibility requirements. We also recommend that management identify the specialists responsible for the files and investigate whether findings represent a systemic problem or are limited to a few specialists. Additional training for housing specialists would also improve accuracy.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

WILMINGTON HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
MARCH 31, 2018

2018-002

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Housing Choice Voucher Program
CFDA: 14.871
Award Period: 4/1/17 – 3/31/18
Type of Finding: Material Weakness in Internal Control over Compliance

Criteria or specific requirement: For both family income examinations and reexaminations, obtain and document in the family file third-party verification of (1) reported family annual income; (2) the value of assets; (3) expenses related to deductions from annual income; and (4) other factors that affect the determination of adjusted income or income-based rent (24 CFR sections 982.516). 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 et seq) (24 CFR sections 982.201, 982.515, and 982.516). Reexamine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payments as necessary using the documentation from third-party verification (24 CFR section 982.516).

Condition: During our testing, we noted the Authority did not follow their internal controls designed to ensure compliance with tenant Eligibility requirements.

Questioned Costs: Unable to determine.

Context: Testing of 40 Housing Choice Voucher Program tenant files identified exceptions in 6 files, which included the following:

- 5 files noted errors in the calculation of rent and/or lacked support for income, assets and expenses included in the calculation
- 1 resident did not have recertifications performed timely
- 1 file did not contain a signed release form (HUD-9886)
- 1 50058 was not submitted to PIC
- 5 50058s were submitted to PIC per Visual Homes, but could not be found in PIC

Cause: The Authority failed to perform recertifications in accordance with their stated policies and procedures and HUD regulations and control procedures were not in place to detect.

Effect: The Authority is not in compliance with federal regulations regarding eligibility. The amount of HAP and tenant rent could be incorrect based on missing or inaccurate information.

Repeat Finding: No

Recommendation: The Auditors recommend that management review their recertification process and increase the amount of quality control reviews until they can ensure a majority of the files meet HUD's eligibility requirements. We also recommend that management identify the specialists responsible for the files and investigate whether findings represent a systemic problem or are limited to a few specialists. Additional training for housing specialists would also improve accuracy.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding

**WILMINGTON HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
MARCH 31, 2018**

2018-003

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Housing Choice Voucher Program
CFDA: 14.871
Award Period: 4/1/17 – 3/31/18
Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: 24 CFR section 982.204 states, “The PHA must maintain information that permits the PHA to select participants from the waiting list in accordance with the PHA admission policies.”

Condition: During our testing, we noted the Authority did not follow their internal controls designed to ensure compliance with waitlist selection requirements.

Questioned Costs: N/A

Context: Out of 19 files tested, there was a single instance where the Authority received notification from the applicant notifying them of an address change, but the letter notifying the applicant that their name has reached the top of the waiting list was sent to the old address. Applicant was removed from list for failure to reply.

Cause: The Authority failed to update their waitlist with the applicant’s new address.

Effect: The Authority is not in compliance with federal regulations regarding waitlist selection.

Repeat Finding: No

Recommendation: The Auditors recommend that management review their process for waitlist maintenance to ensure they are in compliance and all applicants have an opportunity to enter the program in accordance with their stated policies.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

WILMINGTON HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
MARCH 31, 2018

2018-004

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Housing Choice Voucher Program
CFDA: 14.871
Award Period: 4/1/17 – 3/31/18
Type of Finding: Material Weakness in Internal Control over Compliance

Criteria or specific requirement: The PHA must determine that the rent to owner is reasonable at the time of initial leasing. Also, the PHA must determine reasonable rent during the term of the contract: (a) before any increase in the rent to owner, and (b) at the HAP contract anniversary if there is a five percent decrease in the published fair market rent in effect 60 days before the HAP contract anniversary. The PHA must maintain records to document the basis for the determination that rent to owner is a reasonable rent (initially and during the term of the HAP contract) (24 CFR sections 982.4, 982.54 (d)(15), 982.158(f)(7), and (982.507).

Condition: During our testing, we noted the Authority did not follow their internal controls designed to ensure compliance with reasonable rent requirements.

Questioned Costs: \$18,105

Context:

Testing of 8 Housing Choice Voucher Program files selected for reasonable rent – new tenants, noted exceptions in 6 files.

- 6 files had rent comparison forms that were completed after the effective date
- 3 files did not have an executed HAP contract in place

Testing of 25 Housing Choice Voucher Program files selected for reasonable rent – contract rent change, noted exceptions in 4 files.

- 4 contract rent changes occurred without a reasonable rent comparison performed

Cause: The PHA did not follow established procedures as documented in its Administrative Plan to ensure that documentation of rent reasonableness is kept in tenant files and they are in compliance.

Effect: The PHA is not in compliance with HUD requirements and some units may have charged unreasonable rent.

Repeat Finding: No

Recommendation: We recommend that Management review their process for rent reasonableness determination to ensure that it is performed and properly documented in the tenant files.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

WILMINGTON HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
MARCH 31, 2018

2018-005

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Housing Choice Voucher Program
CFDA: 14.871
Award Period: 4/1/17 – 3/31/18
Type of Finding: Material Weakness in Internal Control over Compliance

Criteria or specific requirement: The PHA must inspect the unit leased to a family at least annually to determine if the unit meets Housing Quality Standards (HQS) and the PHA must conduct quality control re-inspections. The PHA must prepare a unit inspection report (24 CFR sections 982.158 (d) and 982.405 (b)). For units under HAP contract that fail to meet HQS, the PHA must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspections. If the owner does not correct the cited HQS deficiencies within the specified correction period, the PHA must stop (abate) HAPs beginning no later than the first of the month following the specified correction period or must terminate the HAP Contract (24 CFR sections 982.158 (d) and 982.404).

Condition: During our testing, we noted instances where the Authority did not follow their internal controls designed to ensure compliance with Housing Quality Standards (HQS) requirements.

Questioned Costs: \$4,500

Context:

Testing of 40 Housing Choice Voucher Program files selected for annual HQS testing noted exceptions in 5 files.

- 5 instances where more than 1 year passed between annual inspections

Testing of 25 Housing Choice Voucher Program files selected for failed HQS testing noted exceptions in 1 file.

- 1 instance in which the unit never passed inspection and was not abated

Testing of 8 Housing Choice Voucher Program files selected for quality control HQS testing noted exceptions in 3 files.

- 2 files could not be tested due to missing QC inspection reports
- 1 QC inspection was completed by the same inspector who completed the annual inspection

Cause: The Authority did not follow the established procedures in its Housing Choice Voucher Administrative Plan.

Effect: The PHA is not in compliance with HUD requirements.

Repeat Finding: No

Recommendation: We recommend that the Authority review their annual inspection, failed inspection and QC inspection processes to ensure that inspections are performed timely, all inspections are kept in the tenant file, and to ensure follow up inspections are performed timely in accordance with the Administration Plan.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

**WILMINGTON HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED MARCH 31, 2018**

U.S. Department of Housing and Urban Development

Wilmington Housing Authority respectfully submits the following summary schedule of prior audit findings for the year ended March 31, 2018.

Audit period: 4/1/2017 – 3/31/2018

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

There were no financial statement findings in the prior year.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2017 – 001 Material Weakness in Internal Control over Compliance – Eligibility

Condition: During our testing, we noted the Authority did not follow their internal controls designed to ensure compliance with tenant Eligibility requirements.

Status: See current year finding 2018-001

Reason for finding's recurrence: In April 2018 the Property Management went through a major reorganization, effectively placing qualified staff in the Property Management Positions and increasing the number of Assistant Property Managers under each Property Manager which will facilitate the timely and complete processing of recertification's.

Corrective Action: WHA is currently implementing a new data system that will provide status reports that management can utilize to monitor WHA tenant processing activities.



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U.S. Department of Housing and Urban Development

Wilmington Housing Authority respectfully submits the following corrective action plan for the year ended March 31, 2018.

Audit period: April 1, 2017 through March 31, 2018

The finding from the schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

Our audit did not disclose any matters required to be reported in accordance with Government Auditing Standards.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

U.S. Department of Housing and Urban Development

2018-001 Low Rent Public Housing – CFDA No. 14.850

Recommendation: The Auditors recommend that management review their recertification process and increase the amount of quality control reviews until they can ensure a majority of the files meet HUD’s eligibility requirements. They also recommend that management identify the specialists responsible for the files and investigate whether findings represent a systemic problem or are limited to a few specialists. Additional training for housing specialists would also improve accuracy.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding. The Wilmington Housing Authority concurs with this finding.

Reason for finding’s recurrence: In April 2018 the Property Management went through a major reorganization, effectively placing qualified staff in the Property Management Positions and increasing the number of Assistant Property Managers under each Property Manager which will facilitate the timely and complete processing of recertification’s.

WHA is currently implementing a new data system that will provide status reports that increase administrative oversight of WHA tenant processing activities.



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Property Management staff receives ongoing training in file processing and the new modules in the data system that will assist in tenant processing.

The Admissions and Occupancy Policy has been updated to include all technical references required to facilitate a timely and complete recertification process.

Due to the significant backlog of recertifications Temporary staff have been brought on to bring all outstanding recertifications current.

Action taken in response to finding: WHA is currently implementing a new data system that will provide status reports that management can utilize to monitor WHA tenant processing activities.

Name(s) of the contact person(s) responsible for corrective action: Mr. Michael Williams, Chief Operations Officer

Planned completion date for corrective action plan: 3/2019

2018-002 Housing Choice Voucher Program – CFDA No. 14.871

Recommendation: The Auditors recommend that management review their recertification process and increase the amount of quality control reviews until they can ensure a majority of the files meet HUD’s eligibility requirements. We also recommend that management identify the specialists responsible for the files and investigate whether findings represent a systemic problem or are limited to a few specialists. Additional training for housing specialists would also improve accuracy.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding. The Wilmington Housing Authority concurs with this finding.

Action taken in response to finding:

Eligibility File: The HCVP Department will be proposing developing new policies and procedures whereby the Director of the Housing Choice Voucher Programs or designs performs routine internal audits on each processed file staff completes within the month prior to closeout to ensure that the correct forms, documents, and processing has been completed as required.



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PIC Uploads: The Inspections Coordinator has to keep a log of what files have to be pulled/touched each month and email the log to the Director prior to closeout. If the file in the Director's office does not match what the Inspections Coordinator has on the log, the Director will see the inconsistency's and meet with the Inspection Coordinator. With the new software system, the staff will not be able to delete anything already sent to MTCS by the Director once the system security is in place.

Name(s) of the contact person(s) responsible for corrective action: Mr. Michael Williams, Chief Operations Officer

Planned completion date for corrective action plan: 03/2019

2018-003 Housing Choice Voucher Program – CFDA No. 14.871

Recommendation: The Auditors recommend that management review their process for waitlist maintenance to ensure they are in compliance and all applicants have an opportunity to enter the program in accordance with their stated policies.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding. The Wilmington Housing Authority concurs with this finding.

Action taken in response to finding: Currently management is reviewing all operational and administrative aspects of the HCV program. With the opening of the HCV waiting list in July 2018 specific measure such as electronic date stamping was implemented. The current system for placement and selection from the Waiting list is "first in/first out" as opposed to the Lottery System.

WHA is currently implementing a new data system that will provide status reports that management can utilize to monitor HCV tenant processing activities from placement on waiting list to voucher issuance and continued participation on the HCV Program.

Staff is being trained on the new systems.

Name(s) of the contact person(s) responsible for corrective action: Mr. Michael Williams, Chief Operations Officer

Planned completion date for corrective action plan: 2/28/2019



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2018-004 Housing Choice Voucher Program – CFDA No. 14.871

Recommendation: The Auditors recommend that Management review their process for rent reasonableness determination to ensure that it is performed and properly documented in the tenant files.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding. The Wilmington Housing Authority concurs with this finding.

Action taken in response to finding: Currently management is reviewing all operational and administrative aspects of the HCV program. With the opening of the HCV waiting list in July 2018 specific measure such as electronic date stamping was implemented. The current system for placement and selection from the Waiting list is “first in/first out” as opposed to the Lottery System.

WHA is currently implementing a new data system that will provide status reports that management can utilize to monitor HCV tenant processing activities from placement on waiting list to voucher issuance and continued participation on the HCV Program.

Staff is being trained on the new systems.

Training will be provided to HCV staff on rent reasonableness determinations as well the proper procedure for documenting files.

Name(s) of the contact person(s) responsible for corrective action: Mr. Michael Williams, Chief Operations Officer

Planned completion date for corrective action plan: 2/28/2019

2018-005 Housing Choice Voucher Program – CFDA No. 14.871

Recommendation: The Auditors recommend that the Authority review their annual inspection, failed inspection and QC inspection processes to ensure that inspections are performed timely, all inspections are kept in the tenant file, and to ensure follow up inspections are performed timely in accordance with the Administration Plan.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding. The Wilmington Housing Authority concurs with this finding.



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Action taken in response to finding: Currently management is reviewing all operational and administrative aspects of the HCV program.

WHA is currently implementing a new data system that will provide status reports that management can utilize to monitor HCV tenant processing activities from placement on waiting list to voucher issuance and continued participation on the HCV Program.

Staff is being trained on the new systems. Staff receives ongoing training in the new system. HCV Staff will receive training related to Inspections and file processing.

Name(s) of the contact person(s) responsible for corrective action: Mr. Michael Williams, Chief Operations Officer

Planned completion date for corrective action plan: 1/31/2019

If the U.S. Department of Housing and Urban Development has questions regarding this plan, please call (910) 341-7700, Extension 264.