



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**

**Housing Authority of the City of
Everett**

Snohomish County

For the period July 1, 2016 through June 30, 2017

Published March 29, 2018

Report No. 1021068





Office of the Washington State Auditor

Pat McCarthy

March 29, 2018

Board of Commissioners
Housing Authority of the City of Everett
Everett, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

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

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Housing Authority of the City of Everett Snohomish County July 1, 2016 through June 30, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Housing Authority of the City of Everett are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the business-type activities and the aggregate discretely presented component units in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs:

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

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

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$962,334.

The Housing Authority did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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

**Housing Authority of the City of Everett
Snohomish County
July 1, 2016 through June 30, 2017**

Board of Commissioners
Housing Authority of the City of Everett
Everett, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of Everett, Snohomish County, Washington, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated March 23, 2018.

Our report includes a reference to other auditors who audited the financial statements of the Housing Authority of the City of Everett – Broadway Plaza Limited Liability Limited Partnership, Pivotal Point Limited Liability Limited Partnership, Twelve Pines Limited Partnerships, Bakerview/Grandview Affordable Housing Limited Liability Limited Partnership, and Everett Affordable Housing Portfolio Limited Liability Limited Partnership, as described in our report on the Housing Authority's financial statements. This report includes our considerations of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Broadway Plaza Limited Liability Limited Partnership, Pivotal Point Limited Liability Limited Partnership, Twelve Pines Limited Partnerships, Bakerview/Grandview Affordable Housing Limited Liability Limited Partnership, and Everett Affordable Housing Portfolio Limited Liability Limited Partnership were not audited in accordance with Government Auditing Standards and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy

State Auditor

Olympia, WA

March 23, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**Housing Authority of the City of Everett
Snohomish County
July 1, 2016 through June 30, 2017**

Board of Commissioners
Housing Authority of the City of Everett
Everett, Washington

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

We have audited the compliance of the Housing Authority of the City of Everett, Snohomish County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended June 30, 2017. The Housing Authority's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance

requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy

State Auditor

Olympia, WA

March 23, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Housing Authority of the City of Everett Snohomish County July 1, 2016 through June 30, 2017

Board of Commissioners
Housing Authority of the City of Everett
Everett, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of Everett, Snohomish County, Washington, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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.

We did not audit the financial statements of the Broadway Plaza Limited Liability Limited Partnership, Pivotal Point Limited Liability Limited Partnership, Twelve Pines Limited

Partnerships, Bakerview/Grandview Affordable Housing Limited Liability Limited Partnership, and Everett Affordable Housing Portfolio Limited Liability Limited Partnership which combined represent 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Broadway Plaza Limited Liability Limited Partnership, Pivotal Point Limited Liability Limited Partnership, Twelve Pines Limited Partnerships, Bakerview/Grandview Affordable Housing Limited Liability Limited Partnership, and Everett Affordable Housing Portfolio Limited Liability Limited Partnership is based solely on the report of the other auditors. The financial statements of the Broadway Plaza Limited Liability Limited Partnership, Pivotal Point Limited Liability Limited Partnership, Twelve Pines Limited Partnerships, Bakerview/Grandview Affordable Housing Limited Liability Limited Partnership, and Everett Affordable Housing Portfolio Limited Liability Limited Partnership were not audited in accordance with Government Auditing Standards and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance.

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

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of Everett, as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The accompanying Financial Data Schedule form is supplementary information required by HUD. These schedules are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2018 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

March 23, 2018

FINANCIAL SECTION

Housing Authority of the City of Everett Snohomish County July 1, 2016 through June 30, 2017

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2017

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2017

Statement of Revenues, Expenses and Changes in Net Position – 2017

Statement of Cash Flows – 2017

Notes to Financial Statements – 2017

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1 and PERS 2/3 – 2017

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

Notes to the Required Supplementary Information – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2017

Notes to the Schedule of Expenditures of Federal Awards – 2017

Financial Data Schedule – 2017

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Management's Discussion and Analysis

June 30, 2017

The Housing Authority of the City of Everett ("EHA" or the "Authority") is pleased to present its basic financial statements for the year ended June 30, 2017, which have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). GAAP requires the inclusion of 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. In addition, GAAP requires the inclusion of this Management's Discussion and Analysis (MD&A) section as required supplementary information.

This MD&A is intended to assist the reader in identifying what the management team feels are significant financial issues, provide an overview of the financial activity for the year, and identify and offer a discussion about changes in EHA's financial position. It is designed to focus on the financial activity for the fiscal year ended June 30, 2017, resulting changes and currently known facts. Please read it in conjunction with the financial statements found following this report.

As provided for under GAAP, EHA uses the accrual basis of accounting to prepare its basic financial statements. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses, including depreciation, are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of EHA are included in the statement of net position.

Financial Highlights

- Total net position increased by \$5,778,821 (6.5%) from the prior year. This increase is primarily due to revenues from development fees earned and to the interest earned on seller financing notes associated with our tax credit partnerships. The Authority is the general partner in six tax credit partnerships reported as discretely presented component units.
- The assets and deferred outflows of resources of EHA exceeded liabilities and deferred inflows of resources at June 30, 2017 by \$95,017,921. Of this amount, \$84,807,144 (unrestricted net position) may be used to meet ongoing obligations, \$9,904,648 is invested in capital assets, net of related debt, and \$306,129 is restricted to meet defined obligations.
- Overall, capital assets increased by \$495,650 due primarily to an increase in construction in progress. As of June 30, 2017 EHA had incurred pre-development, legal, and other costs for projects in conjunction with the re-syndication of our Twelve Pines project and the re-development of a portion of our Baker Heights project as well as smaller capital repairs in other developments.
- Total liabilities decreased by \$21,601,901 (31.5%) from the prior year. This decrease was primarily due to EHA using equity funding received from our investment partners to pay

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Management's Discussion and Analysis

June 30, 2017

down temporary construction bond debt to permanent debt levels that were issued by EHA for the purchase and renovation of several buildings in two tax credit partnerships.

- Operating expenses increased by \$1,055,717 (2.9%) from the prior year primarily due to an increase in housing assistant payments of \$2,045,473. This increase primarily occurred because rents in Everett continue to rise and also because we raised our payment standards for this program in October, 2016.
- Operating revenues decreased by \$1,140,775 (2.7%) from the prior year primarily because the Authority earned \$3,686,208 in development fees in 2017 compared to \$6,165,000 earned in the prior year. In addition rental and other income were also lower primarily because 200 units of our rental housing were sold into a tax credit partnership in 2017. The decrease in operating revenue was partially offset by an increase in HUD operating grants of \$2,319,631.

Overview of the Basic Financial Statements

EHA's basic financial statements are comprised of two components: 1) the basic financial statements and 2) notes to the basic financial statements that provide additional information and more detailed data.

The ***Statement of Net Position*** presents information on EHA's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position of the Authority at the end of the fiscal year. Assets and liabilities are presented in the order of liquidity and are classified as "current" (convertible to cash within one year) and "noncurrent". The purpose of this statement is to provide readers with a snapshot of the fiscal condition of the Authority as of a certain point in time. Over time, increases or decreases in net position may serve as useful indicators as to whether EHA's financial health is improving or deteriorating.

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

The ***Statement of Cash Flows*** reports how EHA's cash was used in and provided by its operating, noncapital financing, capital and related financing, and investing activities during the year. The net of these activities is added to the beginning year cash balance to reconcile to the cash balance at June 30, 2017. EHA uses the direct method of presenting cash flows, which includes a reconciliation of operating activities to operating income. This statement provides answers to such questions as where did cash come from, how was cash used, and what was the change in the cash balance during the year.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Management's Discussion and Analysis

June 30, 2017

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

Financial Analysis

Net Position

Net position is summarized in the table below:

	June 30	
	2017	2016
Assets:		
Current assets	\$ 30,100,621	\$ 51,101,177
Capital assets, net	12,488,160	11,992,510
Other non-current assets	98,264,239	94,570,966
Total assets	140,853,020	157,664,653
Deferred outflows of resources related to pensions	1,243,342	753,026
Total assets and deferred outflows of resources	142,096,362	158,417,679
Liabilities:		
Current liabilities	12,515,675	30,188,146
Non-current liabilities	34,517,908	38,447,338
Total liabilities	47,033,583	68,635,484
Deferred inflows of resources related to pensions	44,858	543,095
Total liabilities and deferred inflows of resources	47,078,441	69,178,579
Net position:		
Net investment in capital assets	9,904,648	9,358,877
Restricted	306,129	29,816
Unrestricted	84,807,144	79,850,407
Total net position	\$ 95,017,921	\$ 89,239,100

Total assets of the Authority at June 30, 2017 and 2016 amounted to \$140,853,020 and \$157,664,653, respectively. Current assets are comprised of cash, investments, receivables, current portion of notes and interest receivable from partnerships, inventories, prepaid items, and restricted assets. Current assets are approximately 41% lower at June 30, 2017 than June 30, 2016, due to a decrease in unrestricted cash and cash equivalents of approximately \$2.8 million and a decrease in notes receivable from partnerships of approximately \$18.6 million. The decrease in cash was primarily due to sponsor loans of \$6.3 million made by EHA to two of the tax credit partnerships. The decrease in notes receivable was a result of paying off temporary construction bond debt which had been issued by the Authority and loaned to two of the tax credit partnerships. EHA received approximately \$2.4 million in cash development fees and repayment of approximately \$1 million in advances to the tax credit partnerships offsetting a portion of our cash outflows.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Management's Discussion and Analysis

June 30, 2017

Total liabilities of the Authority, which are segregated between current and noncurrent portions, amounted to \$47,033,583 and \$68,635,484 at June 30, 2017 and 2016, respectively. Current liabilities include accounts payable, accrued expenses, unearned revenue, tenant security deposits and the current portions of notes and bonds payable. A liability is considered to be current if it is due within one year. Current liabilities decreased 59% from 2016 to 2017 primarily due to paying off two construction bonds used to finance construction activities in two of our tax credit partnerships. Noncurrent liabilities decreased 10% in 2017 primarily as a result of the paying off bonds issued by the authority in conjunction with the activities of our tax credit partnerships.

EHA's current ratio reflects the relationship between current assets and current liabilities and is a measure of EHA's ability to liquidate its current obligations. EHA's current ratio increased from 1.69:1 in 2016 to 2.41:1 in 2017.

Net position represents the equity of EHA after total liabilities and deferred inflows of resources are subtracted from total assets and deferred outflows of resources. Net position is divided into three major categories. The first category, *net investment in capital assets*, shows EHA's equity in land, buildings and improvements, construction in progress, and equipment, reduced by accumulated depreciation and related outstanding debt. The second category, *restricted net position*, has external limitations on the way in which these assets can be used. The last category, *unrestricted net position*, is available to be used by the Authority for any lawful and prudent purpose in pursuit of EHA's mission.

The Authority's total net position increased by \$5,778,821 during the year primarily because the authority realized a net operating gain of approximately \$2.8 million which in part was due to development fees earned of approximately \$3.6 million. In addition, EHA earned non-operating income of approximately \$2.5 million of which approximately \$1.7 million resulted from deferred interest earned on accrued seller and sponsor loan financing.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Management's Discussion and Analysis
June 30, 2017

While operating results are a significant measure of the Authority's activities, the analysis of the changes in unrestricted net position may provide a clearer picture of financial well-being.

Changes in Unrestricted Net Position

Changes in unrestricted net position are summarized in the following table:

Unrestricted net position, June 30, 2016	\$ 79,850,407
Total change in net position	5,778,821
Adjustments:	
Depreciation (1)	<u>567,006</u>
Adjusted change in net position	<u>6,345,827</u>
Additions to capital asset long-term debt borrowings	-
Payments on capital asset long-term debt borrowings	(50,120)
Capital asset reductions	(1,062,657)
Increase in restricted assets	<u>(276,313)</u>
Unrestricted net position, June 30, 2017	<u><u>\$ 84,807,144</u></u>

(1) Depreciation is treated as an expense and reduces the amount invested in capital assets, net of related capital debt, but does not have an impact on unrestricted net assets.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Management's Discussion and Analysis

June 30, 2017

Financial Analysis

Revenues, Expenses and Changes in Net Position

Changes in net position is summarized in the table below:

	Year Ended June 30	
	2017	2016
Operating revenues:		
Operating grants and subsidies (2)	\$ 31,763,695	\$ 29,414,264
Tenant revenues	1,896,934	2,632,799
Development fee earned	3,686,208	6,165,000
Other revenue	3,009,108	3,284,657
Total operating revenues	40,355,945	41,496,720
Operating expenses:		
Housing assistance payments	28,163,085	26,117,612
Administrative	5,208,660	5,712,872
Maintenance and operation	1,764,593	2,036,882
Tenant services	997,827	994,264
Depreciation	567,006	565,431
General	371,502	509,313
Utilities	293,390	377,739
Subsidy to component units	129,347	125,580
Total operating expenses	37,495,410	36,439,693
Operating income	2,860,535	5,057,027
Nonoperating revenues (expenses)		
Interest income	2,619,315	1,267,840
Interest & amortization expense	(73,652)	(256,257)
Gains on capital asset disposition	2,620	7,945,458
Total nonoperating revenues (expenses)	2,548,283	8,957,041
Capital contributions - HUD	370,003	69,884
Change in net position	5,778,821	14,083,952
Net position, beginning of year	89,239,100	75,155,148
Net position, end of year	\$ 95,017,921	\$ 89,239,100

(2) HUD operating grants and subsidies are considered to be operating revenues (rather than non-operating revenues) based on guidance received from HUD, the primary user of the financial statements.

The Authority had operating income of \$2,860,535 in 2017 and \$5,057,027 in 2016. Operating revenues were 43% lower in 2017 than 2016 primarily due to a decrease of approximately \$2.4 million in development fees earned. The Authority received 9.09% more in Housing Choice

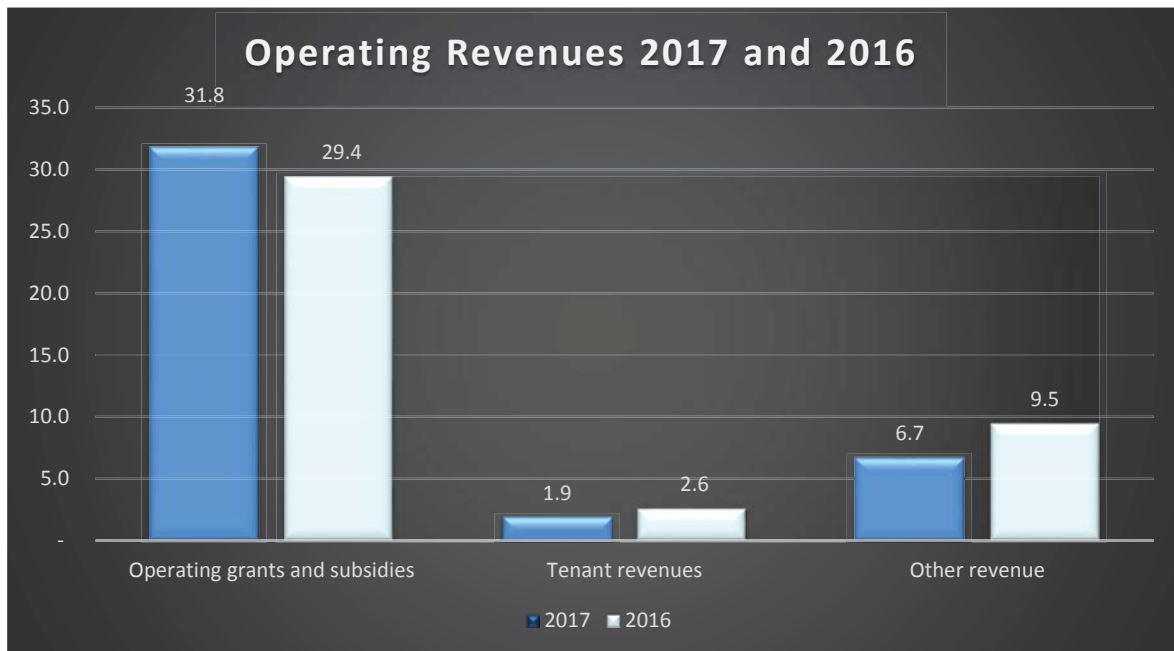
HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Management's Discussion and Analysis

June 30, 2017

Voucher HAP subsidy and 2.66% in Housing Choice Voucher Administrative Fee revenue. Operating expenses were 2.9% higher in 2017 than 2016 primarily because our Housing Assistance Payments increased by \$2,045,473. The Public Housing program had a net gain before depreciation and capital contributions of \$187,474 in 2017. Public Housing operating grant revenues decreased slightly and capital grants increased due to capital expenditures incurred during the year. Tenant rents, administrative expenses, and maintenance & operations expenses decreased slightly primarily as a result of the ownership change of four buildings from EHA to a tax credit partnership that occurred in April, 2016. This caused corresponding revenues and expenses previously reported by the primary government to now be reported by our discretely presented component units.

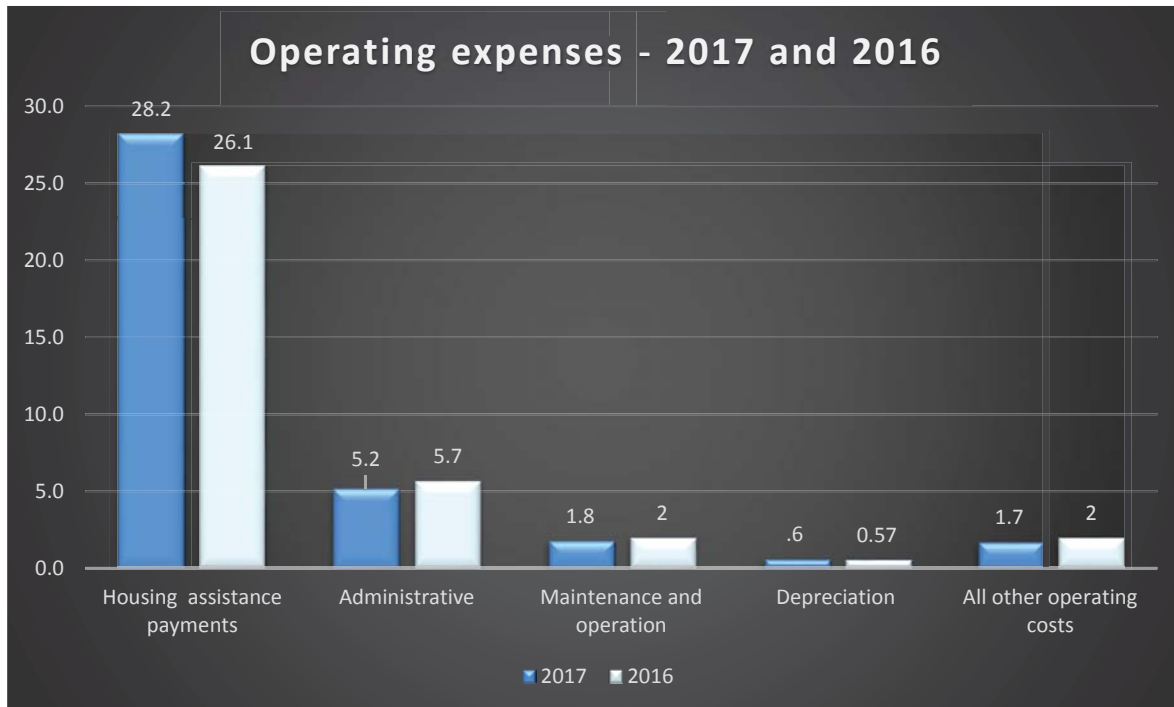
Operating revenues are shown in detail in the chart below:



Dollars (in millions)

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
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June 30, 2017

Operating expenses are shown in detail in the chart below:



Dollars (in millions)

Capital Assets and Debt Administration

The EHA's capital assets are summarized in the table below:

	June 30	
	2017	2016
Land and site improvements	\$ 3,403,164	\$ 3,403,164
Building and building improvements	23,068,717	22,707,644
Equipment	1,531,024	1,535,461
Construction in progress	844,470	204,857
Total capital assets	28,847,375	27,851,127
Less accumulated depreciation	(16,359,215)	(15,858,617)
Net capital assets	<u>\$ 12,488,160</u>	<u>\$ 11,992,510</u>

The net investment in capital assets increased by approximately 4.1% during the year. This increase was primarily a result of an increase in construction in progress due to pre-development and redevelopment activities of EHA. Note 6 of the Authority's basic financial statements provides additional detail regarding the changes in capital assets during the year.

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EHA's outstanding notes and bonds payable is summarized in the table below:

	June 30	
	2017	2016
Current portion of notes and bonds payable	\$ 11,366,653	\$ 28,994,665
Bonds payable - long term	24,533,874	29,642,931
Notes payable - long term	4,219,769	4,241,536
Total notes and bonds payable	<u>\$ 40,120,296</u>	<u>\$ 62,879,132</u>

All debt service payments were made in 2017 as scheduled. Please refer to Note 8 of the Notes to the Financial Statements for more information on long-term debt.

In September of 2014 in concurrence with a rental assistance demonstration conversion, two of our component units began the largest renovation project in the history of the Authority. Construction financing was provided with bonds issued by the Authority. The project renovations were completed in December, 2015 and a majority of the bonds were paid off in July and August of 2016 which significantly reduced both current and long-term bonds payable. The portion of bond debt that was not paid off was converted to permanent bond debt to be paid off over several years. In February of 2016, corresponding with the sale of four of our affordable housing properties to EHA Senior Housing I LLLP, a tax credit partnership, additional bonds were issued to finance renovation costs. The renovation of these properties was completed in December, 2016. The majority of these bonds will be paid off and the balance will convert to permanent debt in early 2018. The majority of our current portion of notes and bonds payable consists of this construction bond debt. The majority of long-term bonds payable is permanent bond debt associated with our six tax credit partnerships. The corresponding notes receivable from the partnerships offset that debt. Operating income from the tax credit partnerships is expected to meet the annual debt obligations of these bonds.

Economic Factors Affecting the Housing Authority

The majority of EHA's funding is from the Housing and Urban Development (HUD) agency of the federal government in the form of operating subsidies, capital fund grants, Section 8 housing assistance payments and administrative fees, and other smaller grants. Therefore the Authority is heavily reliant on the federal government and subject to legislation that governs that funding. In 2016 H.R. 3700, the Housing Opportunity Through Modernization Act was passed and signed into law. Among other things, this law provides some flexibility to housing authorities in administering their programs and we hope to experience some financial benefits as we implement the provisions of this legislation. While housing authorities have been underfunded for most of the past decade, the following funding impacts from such actions were experienced in 2017 and are expected for 2018:

- In the fiscal year 2017, funding for the Public Housing operating subsidy was 85% of eligibility and is expected to be funded at about the same rate in 2018.

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- The administrative cost portion of the Section 8 Housing Choice Voucher program was funded at varying rates of between 78% and 84% of eligibility during 2017 and is expected to be funded at similar rates during 2018. Housing Assistance Payments were funded at 97% of eligibility during 2017 with an inflation renewal factor of 1.026%. Eligibility is based primarily on prior year expenditures and prorated according to HUD's budgetary constraints. In 2017, rents in our area continued to rise. Because of rising rents and HUD's current eligibility formula, our current and future budget authority may not meet the needs of our program. We plan to continue to lease vouchers in order to fully utilize our allocation and HUD has made funding provisions to ensure families do not get terminated from this program. We applied for and received \$139,262 in set-aside shortfall funding from HUD near the end of 2016 and have applied for and received notification of approval for \$1.6 million in set-aside shortfall funding for the last six months of the calendar year, 2017. In addition, we plan to spend a portion of our unrestricted reserves to continue serving clients who were promised assistance through the end of 2017. We believe that we have sufficient unrestricted cash to operate prudently and continue to carefully manage this program accordingly. However, there is no guarantee that funding will continue at a sufficient level and as always the viability of this program is heavily reliant on HUD.
- For more than 10 years, Capital Fund grants provided by HUD have been insufficient to meet the capital renewal and replacement needs of housing authorities and no increase in funding levels are expected in the coming years. Because three of our public housing projects have converted to tax credit partnerships, they no longer rely on Capital Fund grants. In addition, we have received approval through HUD's Section 18 program to dispose of our largest 244 unit Public Housing project, Baker Heights and are seeking the same approval for our one remaining 44 unit Public Housing property. EHA intends to replace these units and is currently exploring the funding options for both acquisition and development of replacement low income housing. However, the rising cost of housing and construction in the Everett area continues to create challenges for EHA.

Congress and the federal government continue to cut federal subsidies due to federal budget priorities. The trend in reduced funding continues to have an impact on EHA's economic position because federal housing dollars make up the largest source of revenue for the Authority. EHA expects that the Section 8 Housing Choice Voucher program will continue to be our major program going forward and we will operate under the expectation that funding will be provided at adequate levels to sustain this program in the coming year. However, EHA must pursue opportunities outside the Public Housing program because funding in this program continues to decrease. During 2017, EHA received \$1,105,881 in federal funds for its Public Housing Operating and Capital programs and \$30.7 million in federal funds to operate the Section 8 Housing Choice Voucher program. EHA continues to develop an aggressive strategy to increase our housing portfolio through acquisition and development primarily utilizing the Low Income Housing Tax Credit program. In addition, EHA has assumed the sponsorship and management of eleven affordable senior housing complexes in Snohomish County. These complexes operate as non-profit corporations and have been included in EHA's financial statements as discretely presented component units along with our tax credit partnerships.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Management's Discussion and Analysis

June 30, 2017

Additional significant economic factors affecting the Authority are as follows:

- Local labor supply and demand, which affect salary and wage rates of the Authority.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, supplies and other costs, which affects the costs of the programs.
- Employee health insurance and other benefit costs continue to rise, though at a decreasing pace.

Requests for Information

This financial report is designed to provide the reader with a general overview of EHA's finances and to demonstrate EHA's financial accountability over its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Executive Director, Housing Authority of the City of Everett, 3107 Colby Ave., Everett, WA 98201. (EHA Web site is at: www.evha.org)

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Statement of Net Position
June 30, 2017

	<u>Primary Government</u>	<u>Component Unit Discretely Presented</u>
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 12,599,500	\$ 1,247,714
Cash and cash equivalents - restricted	563,283	5,881,249
Investments - Restricted	-	176,500
Accounts receivable - net	423,456	67,770
Accrued interest receivable	231,786	-
Inventories	58,959	-
Prepaid expenses and other current assets	8,868	260,107
Advances to partnerships	1,389,410	-
Notes receivable - partnerships - current portion	14,825,359	-
Total current assets	<u>30,100,621</u>	<u>7,633,340</u>
Non-current assets:		
Capital assets:		
Land	3,403,164	12,071,868
Property and equipment, net	8,240,526	148,484,027
Construction in progress	844,470	1,750
Total capital assets	<u>12,488,160</u>	<u>160,557,645</u>
Notes receivable - partnerships	85,461,275	-
Interest receivable	6,621,988	-
Development fee notes and other assets	6,180,976	739,815
Total non-current assets	<u>110,752,399</u>	<u>161,297,460</u>
Total assets	<u>140,853,020</u>	<u>168,930,800</u>
Deferred outflows of resources related to pensions	<u>1,243,342</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>142,096,362</u>	<u>168,930,800</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable	179,886	1,644,203
Accrued expenses	412,470	56,622
Unearned revenue	2,640	11,571
Tenant security deposits	88,690	380,531
Other credits and current liabilities	148,482	859,869
Money held in escrow (FSS escrow)	80,605	-
Notes and bonds payable - current portion	11,366,653	13,501,297
Accrued interest payable - current portion	236,249	289,758
Total current liabilities	<u>12,515,675</u>	<u>16,743,851</u>
Non-current liabilities:		
Bonds and notes payable, less current portion	28,753,643	104,559,633
Accrued interest payable, less current portion	700,193	5,597,419
Accrued compensated absences, less current portion	268,938	131,769
Money held in escrow (FSS escrow)	87,859	-
Net pension liability	4,707,275	-
Total non-current liabilities	<u>34,517,908</u>	<u>110,288,821</u>
Total liabilities	<u>47,033,583</u>	<u>127,032,672</u>
Deferred inflows of resources related to pensions	<u>44,858</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>47,078,441</u>	<u>127,032,672</u>
Net position:		
Net investment in capital assets	9,904,648	24,052,208
Restricted	306,129	22,835,824
Unrestricted (deficit)	84,807,144	(4,989,904)
Total Net Position	<u>\$ 95,017,921</u>	<u>\$ 41,898,128</u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2017

	Primary Government	Component Unit Discretely Presented
Operating revenues:		
Tenant rents	\$ 1,831,056	\$ 10,987,237
HUD operating grants and subsidies	31,473,172	-
Other operating grants	290,523	129,347
Other tenant charges	65,878	119,941
Management fees	682,634	-
Port In HAP and administrative fees	251,089	-
Development fee earned	3,686,208	-
Other revenue	2,075,385	163,399
	<hr/>	<hr/>
Total operating revenues	40,355,945	11,399,924
	<hr/>	<hr/>
Operating expenses:		
Administrative	5,208,660	2,823,331
Tenant services	997,827	657,339
Utilities	293,390	1,098,411
Maintenance & operations	1,764,593	2,425,985
General	371,502	484,050
Housing assistance payments	28,163,085	-
Subsidy to component units	129,347	-
Depreciation	567,006	4,615,276
	<hr/>	<hr/>
Total operating expenses	37,495,410	12,104,392
	<hr/>	<hr/>
Operating income (loss)	2,860,535	(704,468)
	<hr/>	<hr/>
Nonoperating revenues (expenses):		
Interest income	2,619,315	12,247
Interest expense and amortization cost	(73,652)	(3,851,723)
Gains (losses) on capital asset disposition	2,620	(141,406)
	<hr/>	<hr/>
Total nonoperating revenues (expenses)	2,548,283	(3,980,882)
	<hr/>	<hr/>
Income (loss) before contributions	5,408,818	(4,685,350)
	<hr/>	<hr/>
Contributions:		
Capital contributions - HUD	370,003	-
Capital contributions - partnership	-	19,720,454
Syndication costs - contra-capital	-	(113,689)
Total contributions	<hr/>	<hr/>
	370,003	19,606,765
	<hr/>	<hr/>
Change in net position	5,778,821	14,921,415
	<hr/>	<hr/>
Net position - beginning of year	89,239,100	26,976,713
	<hr/>	<hr/>
Net position - end of year	<u>\$ 95,017,921</u>	<u>\$ 41,898,128</u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Statement of Cash Flows
Year Ended June 30, 2017

	<u>Primary Government</u>
Cash flows from operating activities:	
Receipts from HUD grants	\$ 31,564,804
Receipts from other grants	250,020
Receipts from tenants	1,864,323
Receipts from others	2,875,059
Payments to employees and on behalf of employees	(6,226,996)
Payments to suppliers for goods and services	(2,267,527)
Payments to landlords for housing assistance	(28,076,059)
Payments to component units	<u>(129,347)</u>
Net cash used for operating activities	<u>(145,723)</u>
Cash flows from noncapital financing activities:	
Advances to partnerships	<u>(79,837)</u>
Net cash used for noncapital financing activities	(79,837)
Cash flows from capital and related financing activities:	
Proceeds from issuance of bonds	9,580,963
Principal paid on capital debt	(32,339,801)
Interest paid on capital debt	(54,595)
Capital contributions - HUD capital grant	456,867
Property and equipment additions	<u>(1,048,360)</u>
Net cash used for capital and related financing activities	<u>(23,404,926)</u>
Cash flows from investing activities:	
Issuance of notes/bonds receivable - partnerships	(15,963,725)
Payments received on notes/bonds receivable - partnerships	32,407,472
Development fees received - partnerships	4,692,493
Investment in partnerships	-
Interest received	<u>77,597</u>
Net cash provided by investing activities	<u>21,213,837</u>
Net decrease in cash and cash equivalents	(2,416,649)
Cash and cash equivalents - beginning of year	<u>15,579,432</u>
Cash and cash equivalents - end of year	<u>\$ 13,162,783</u>

The accompanying notes are an integral part of these financial statements.

Continued

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Statement of Cash Flows
Year Ended June 30, 2017

	<u>Primary Government</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 2,860,535
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	567,006
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable tenants	(27,316)
Accounts receivable - HUD operating grants	84,676
Accounts receivable - other grants	(40,503)
Accounts receivable - other	(3,821,843)
Inventories	2,500
Prepaid expenses and other assets	77,947
Increase (decrease) in liabilities:	
Accounts payable - vendors	(58,895)
Accounts payable - HUD	8,178
Accounts payable - other governments	(1,222)
Accrued expenses	36,879
Unearned revenue	(5,920)
FSS escrow	87,026
Security deposits	625
Accrued compensated absences	24,731
Net pension liability	58,287
Other credits	1,586
Net cash used for operating activities	<u><u>\$ (145,723)</u></u>

The accompanying notes are an integral part of these financial statements.

Concluded

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2017

The following notes are an integral part of the accompanying financial statements.

1. Summary of Significant Accounting Policies

The Housing Authority of the City of Everett (EHA or the Authority) was created in 1942 as a public body corporate and politic to provide safe, decent, and sanitary housing for low-and moderate-income residents of the City of Everett. The Authority derives its power from Washington State Law, RCW 35.82. The Authority operates programs that are administered through the U.S. Department of Housing and Urban Development (HUD) under provisions of the U.S., Housing Act of 1937, as amended.

The basic financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. The Authority applies all relevant GASB pronouncements. Following is a summary of the more significant accounting policies of the Authority.

a. Reporting Entity –

The Authority is governed by a six-member Board of Commissioners appointed by the Mayor of the City of Everett for five year terms, subject to approval by the City Council. The Board of Commissioners' terms are staggered so that generally one term expires each year on October 6, the Authority's anniversary. The Board sets policy of the Authority and hires the Executive Director who directs the daily operation of the Authority.

The Authority is a legally separate entity and is not considered a component unit of the City of Everett. However, the Authority cooperates closely with the City in carrying out housing programs within the Everett area. The City of Everett does not have the ability to affect the operations of the Authority, nor does the Authority provide a financial benefit to or impose a financial burden on the City.

In determining how to define the reporting entity, management has considered all potential component units. The determination to include a component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting and Financial Reporting Standards and GASB Statements No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14, and No. 34*, and the recently issued GASB Statement No. 80 which amends Statement No. 14. These criteria include: financial accountability; appointment of a voting majority; imposition of will; financial benefit to or burden on a primary organization; financial accountability as a result of fiscal dependency; potential for dual inclusion; and organizations included in the reporting entity although the primary organization is not financially accountable.

Component units are reported as part of the reporting entity under either the blended or discrete method of presentation. The discrete method presents the financial statements of the component unit outside of the basic financial statement totals of the primary government. The Authority has identified seventeen legally separate organizations that are reported as discretely presented component units in the basic financial statements. There are no blended component units.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2017

Discretely Presented Component Units – Tax Credit Limited Partnerships

The Authority is the general partner in six Tax Credit Limited Partnerships (Component Units). All of these partnerships were formed for the purpose of developing, operating, managing and leasing housing units in a manner that qualifies them for low-income housing credits under Section 42 of Internal Revenue Code of 1986, as amended.

The Authority is responsible for the management of these partnerships and may impose its will on the limited partnerships through direct influence over their policies, budgets, and operations. In addition, the Authority is contractually obligated to fund operating deficits through loans and advances to the partnerships and has primary responsibility for the debt issued on behalf of each partnership. The limited partnerships provide housing to low-income citizens of Everett and do not serve the primary government exclusively, or almost exclusively. Therefore, the partnerships' financial statements are discretely presented in a single column in the accompanying financial statements in accordance with GASB Statement 14 (as amended by GASB Statements No. 61 and No. 80). These entities are as follows:

EHA-Twelve Pines Limited Partnership: In 2002, the Authority entered into a limited partnership with Columbia Housing/PNC to form EHA-Twelve Pines Limited Partnership (12-P), a separate legal entity. The Authority is the 0.01% owner and the general partner responsible to manage this 80-unit rental property. There is a 15-year regulatory compliance period monitored by the Washington State Housing Finance Commission which ends in 2017 at which time the investing partner may exit the partnership according the provisions of the partnership agreement.

Broadway Plaza Limited Liability Limited Partnership: In 2011, the Authority entered into a limited liability limited partnership with Boston Capital Corporation to form Broadway Plaza LLLP (BP). EHA is the 0.01% owner and the general partner responsible to manage this 190-unit rental property. There is a 15-year regulatory compliance period monitored by the Washington State Housing Finance Commission which ends in 2026 at which time the investing partner may exit the partnership according the provisions of the partnership agreement.

Pivotal Point Limited Liability Limited Partnership: In 2013, the Authority entered into a limited liability limited partnership with PNC Real Estate Tax Credit Capital to form Pivotal Point LLLP (PP), a separate legal entity. The Authority is the 0.01% owner and the general partner responsible to manage this 20-unit rental property. There is a 15-year regulatory compliance period monitored by the Washington State Housing Finance Commission which ends in 2028 at which time the investing partner may exit the partnership according the provisions of the partnership agreement.

Bakerview/Grandview Affordable Housing Limited Liability Limited Partnership: In 2014, the Authority entered into a limited liability limited partnership with the Royal Bank of Canada (RBC) to form Bakerview/Grandview Affordable Housing LLLP (BV/GV), a separate legal entity. The Authority is the 0.01% owner and the general partner responsible to manage this 299-unit rental property. There is a 15-year regulatory compliance period monitored by the Washington State Housing Finance Commission which ends in 2029 at which time the investing partner may exit the partnership according the provisions of the partnership agreement.

Everett Affordable Housing Portfolio Limited Liability Limited Partnership: In 2014, the Authority entered into a limited liability limited partnership with RBC to form Everett Affordable

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2017

Housing Portfolio LLLP (EAHP), a separate legal entity. The Authority is the 0.01% owner and the general partner responsible to manage this 159-unit rental property. There is a 15-year regulatory compliance period monitored by the Washington State Housing Finance Commission which ends in 2029 at which time the investing partner may exit the partnership according to the provisions of the partnership agreement.

EHA Senior Housing I Limited Liability Limited Partnership: In 2016, the Authority entered into a limited liability limited partnership with Boston Capital to form EHA Senior Housing I LLLP, a separate legal entity. The Authority is the .01% owner and the general partner responsible for managing this 203 unit 4 building property. There is a 15-year regulatory compliance period monitored by the Washington State Housing Finance Commission which ends in 2031 at which time the investing partner may exit the partnership according to the provisions of the partnership agreement.

Financial statements for the 12-P, BP, PP, BV/GV, EAHP and EHA Senior Housing I limited partnerships have a December 31st year-end. The financial statements for the six component units are presented as of December 31, 2016. Individual financial statements for each limited partnership may be obtained from the Authority's administrative offices. Component unit budgets are prepared annually and are subject to the approval of the Limited Partner.

Discretely Presented Component Units – Nonprofit Entities

In 2016, management of eleven 501(c)(3) organizations was transferred to the Authority from Senior Services of Snohomish County (SSSC). The Articles of Incorporation were amended and new directors were appointed to the nonprofit Boards by the Authority's Board of Commissioners. Each of these entities was organized to acquire real property located in Everett, Monroe, Lake Stevens, or Lynnwood, Washington, and to construct and operate thereon low-income housing units. Revenue is earned primarily from tenant rents and rental assistance from the U.S. Department of Housing and Urban Development (HUD). The projects are regulated by HUD with respect to rental charges and operating methods.

The Authority is responsible for the management of these nonprofits and may impose its will on them through direct influence over their policies, budgets, and operations. The nonprofits provide housing to low-income citizens of Everett, Monroe, Lake Stevens, and Lynnwood and do not serve the primary government exclusively, or almost exclusively. The board of directors of the nonprofits is not substantively the same as the Authority's Board of Commissioners and the primary government is not the sole corporate member of the nonprofits. Therefore, the partnerships' financial statements are discretely presented in a single column in the accompanying financial statements in accordance with GASB Statement 14 (as amended by GASB Statements No. 61 and No. 80). The entities are as follows:

Lynn Woods Senior Housing Association of Snohomish County (the Association): The Association is a Washington nonprofit corporation formed November 24, 1986. It was organized to acquire real property located in Lynnwood, Washington, and to construct and operate thereon a 38-unit apartment complex, Lynn Woods Senior Apartments - HUD Project No. 127-11135 (the Project), under Section 202 of the National Housing Act. The use restriction is in effect through January 31, 2048. The Association entered into a Section 8 Housing Assistance Payments (HAP) agreement with HUD on April 28, 1989 and receives rent subsidy on 37 of the units.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2017

Silver Lake Senior Housing Association of Snohomish County (the Association): The Association is a Washington nonprofit corporation formed May 21, 1987. It was organized to acquire real property located in Everett, Washington, and to construct and operate thereon a 38-unit apartment complex, Silver Woods Senior Apartments - HUD Project No. 127-11136 (the Project), under Section 202 of the National Housing Act. The use restriction is in effect through 2048. The Association entered into a Section 8 Housing Assistance Payments (HAP) agreement with HUD on January 11, 1990 and receives rent subsidy on 37 of the units.

Lake Woods Senior Housing Association of Snohomish County (the Association): The Association is a Washington nonprofit corporation formed January 10, 1991. It was organized to acquire real property located in Everett, Washington, and to construct and operate thereon a 60-unit apartment complex, Lake Woods Senior Apartments - HUD Project No. 127-EH145 (the Project), under Section 202 of the National Housing Act. The use restriction is in effect from September 1, 1992 through September 1, 2032. The Association entered into a Project Rental Assistance Contract (PRAC) with HUD and receives rent subsidies on 59 of the units.

Lynn Crest Senior Housing Association of Snohomish County (the Association): The Association is a Washington nonprofit corporation formed December 7, 1992. It was organized to acquire real property located in Lynnwood, Washington, and to construct and operate thereon a 40-unit apartment complex, Lynn Crest Senior Apartments - HUD Project No. 127-EE006 (the Project), under Section 202 of the National Housing Act. The use restriction is in effect from April 1, 1994 through April 1, 2034. The Association entered into a Project Rental Assistance Contract (PRAC) with HUD and receives rent subsidies on 39 of the units.

Silver View Senior Housing Association (the Association): The Association is a Washington nonprofit corporation formed July 28, 1994. It was organized to acquire real property located in Everett, Washington, and to construct and operate thereon a 40-unit apartment complex, Silver View Senior Apartments - HUD Project No. 127-EE011 (the Project), under Section 202 of the National Housing Act. The use restriction is in effect from August 31, 1996, through August 31, 2036 for HUD and through 2035 for Snohomish County. The Association entered into a Project Rental Assistance Contract (PRAC) with HUD and receives rent subsidies on 39 of the units.

Evergreen Court Senior Housing Association (the Association): The Association is a Washington nonprofit corporation formed January 16, 1996. It was organized to acquire real property located in Everett, Washington, and to construct and operate thereon a 39-unit apartment complex, Evergreen Court Senior Apartments - HUD Project No. 127-EE013 (the Project), under Section 202 of the National Housing Act. The use restriction is in effect from April 24, 1998, through April 24, 2038. The Association entered into a Project Rental Assistance Contract (PRAC) with HUD and receives rent subsidies on 38 of the units.

Village East Senior Housing Association (the Association): The Association is a Washington nonprofit corporation formed January 16, 1996. It was organized to acquire real property located in Monroe, Washington, and to construct and operate thereon a 39-unit apartment complex, Village East Senior Apartments - HUD Project No. 127-EE018 (the Project), under Section 202 of the National Housing Act. The use restriction is in effect from April 24, 1998 through April 24, 2038. The Association entered into a Project Rental Assistance Contract (PRAC) with HUD and receives rent subsidies on 38 of the units.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2017

Meadow Park Senior Housing Association (the Association): The Association is a Washington nonprofit corporation formed November 19, 1997. It was organized to acquire real property located in Everett, Washington, and to construct and operate thereon a 40-unit apartment complex, Meadow Park Senior Apartments - HUD Project No. 127-EE021 (the Project), under Section 202 of the National Housing Act. The use restriction is in effect from 2000 through June 1, 2040 for HUD and through 2050 for Snohomish County. The Association entered into a Project Rental Assistance Contract (PRAC) with HUD and receives rent subsidies on 39 of the units.

Scriber Pointe Senior Housing Association (the Association): The Association is a Washington nonprofit corporation formed January 13, 1999. It was organized to acquire real property located in Lynnwood, Washington, and to construct and operate thereon a 40-unit apartment complex, Scriber Pointe Senior Apartments - HUD Project No. 127-EE022 (the Project), under Section 202 of the National Housing Act. The use restriction is in effect from July 1, 2002, through July 1, 2042 for HUD and 2052 for Snohomish County. The Association entered into a Project Rental Assistance Contract (PRAC) with HUD and receives rent subsidies on 39 of the units.

Evergreen Village Senior Housing Association (the Association): The Association is a Washington nonprofit corporation formed June 30, 2000. It was organized to acquire real property located in Everett, Washington, and to construct and operate thereon a 40-unit apartment complex, Evergreen Village Senior Apartments - HUD Project No. 127-EE024 (the Project), under Section 202 of the National Housing Act. The use restriction is in effect from July 1, 2003 through July 1, 2043 for HUD and 2053 for Snohomish County. The Association entered into a Project Rental Assistance Contract (PRAC) with HUD and receives rent subsidies on 39 of the units.

Hawkins House, HUD Project No. 127-EE059, (the Project): The Project is a Washington nonprofit corporation formed June 21, 2007. It was organized to acquire real property located in Lake Stevens, Washington, and to construct and operate thereon a 40-unit apartment complex under Section 202 of the National Housing Act. The use restriction is in effect through 2049. The Project entered into a Project Rental Assistance Contract (PRAC) with HUD and receives rent subsidies on 39 of the units.

Financial statements for these eleven nonprofits have a December 31st year-end. The financial statements for the eleven component units are presented as of December 31, 2016. Individual financial statements for each nonprofit may be obtained from the Authority's administrative offices.

Programs Administered by the Everett Housing Authority

The Authority administers Annual Contributions Contracts to provide low-income housing with primary financial support from HUD and develops and manages affordable properties. Major programs administered by EHA are as follows:

Public Housing—EHA owns and operates two housing projects consisting of 288 units of Public Housing. The properties were acquired through bonds and notes guaranteed by HUD and through grants from HUD. Revenues consist primarily of rents and other fees collected from tenants and an operating subsidy from HUD. Typically, residents pay 30% of their adjusted household income in rents. The Authority's subsidy is received under an Annual Contributions Contract to

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offset the cost of operating the units. Grants from the Capital Fund Program provided by HUD are used to maintain and improve this Public Housing portfolio. Substantially all additions to land and structures of Public Housing are accomplished through these capital grant funds.

Housing Choice Vouchers—Section 8 of the U.S. Housing and Community Development Act of 1974 provides housing assistance payments on behalf of lower-income families to participating private rental housing owners. EHA receives funding from HUD under the Housing Choice Voucher program and the Moderate Rehabilitation program. For approved housing, HUD contracts with the Authority to enter into contracts with owners to make assistance payments for the difference between the approved contract rent and the actual rent paid by the lower-income families, which equals 30% of adjusted household gross income. Housing Assistance Payments made to owners and some participants are funded through Annual Contributions Contracts. The associated units are owned and maintained by private landlords. EHA received an allocation of 2,872 vouchers from HUD which equates to 34,464 voucher unit months per calendar year. EHA actively monitors and plans activities related to the management of our voucher counts in order to comply with HUD's leasing provisions on a calendar year basis.

Affordable Housing—EHA owns and/or operates an Affordable Housing portfolio consisting of twenty-one low-income projects representing 1,459 units of housing. Of these units, 443 are sponsored and operated for eleven nonprofit entities and 951 units are owned through six tax credit partnerships. The tax credit properties are financed primarily through tax exempt revenue bond issues, investing partners' equity, and seller financing. The Authority manages and operates these affordable housing properties.

b. Basis of Accounting –

The Authority maintains its accounting records as an enterprise fund. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the Authority are included in the Statement of Net Position.

The Authority's Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses are derived from providing services in connection with EHA's ongoing operations. Operating revenues generally include rental income, operating subsidies, operating grant revenue and development fee income. The Authority classifies operating grants and subsidies as operating revenues (rather than as non-operating revenues) based on guidance from HUD, the primary user of the financial statements. Operating expenses generally include housing assistance payments, maintenance & operations, tenant services, administrative expenses, general expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are classified as non-operating revenues and expenses, primarily interest income and interest expense. Gains and losses on the sale of capital assets could also occur in certain years and are classified as non-operating.

c. Cash and Cash Equivalents –

For the purpose of the Statement of Net Position and the Statement of Cash Flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three

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months or less when purchased, or available on demand, to be cash equivalents. All of the Authority's investments are reported at fair value. Fair value is determined based on quoted market prices or amortized cost.

d. Restricted Assets –

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Authority had restricted assets for the Housing Choice Voucher Program Housing Assistance Grants, Family Self-Sufficiency (FSS) escrow deposits, tenant security deposits and replacement reserves.

e. Accounts and Grants Receivable –

Grants receivable consist of amounts due from HUD for reimbursement for costs incurred by the Authority as of year-end under the Capital Fund, ROSS grant, and Housing Choice Voucher programs. Accounts receivable consist largely of amounts owed for tenant rent and subsidy, Section 8 portability (from other housing authorities), fraud recovery, and management fees receivable. Annually, tenant receivables are analyzed and the allowance for doubtful accounts is adjusted. Unpaid tenant account balances are written off at the time a tenant vacates. No allowances existed at June 30, 2017 other than the allowance for tenant and client accounts receivable.

f. Inventories and Prepaid Items –

Inventories are stated at lower of average cost or market and consist of expendable materials and supplies. Inventory items are expensed when consumed, using a moving weighted-average cost method. Prepaid items are for payments made by the Authority in the current year for services or goods received in a subsequent fiscal year. There is no allowance for obsolete inventory. Obsolete inventory is periodically retired and sold as surplus in accordance with Authority policy.

g. Capital Assets and Depreciation –

All land, structures and equipment are stated at historical cost. Assets acquired through contribution are recorded at acquisition value as of the date of receipt. Capital assets with an initial value greater than \$5,000 and a life expectancy of three years or more are capitalized. Depreciation is calculated using the straight-line method over estimated useful lives as follows:

Buildings and improvements	15 to 35 years
Furnishings and equipment	10 to 12 years
Computer equipment	5 years
Vehicles	7 years

Major outlays for capital assets and improvements are capitalized as projects are built. Costs associated with the acquisition, development, improvement, or construction of a real estate project, including indirect costs and interest, are capitalized as a cost of the project. The cost of normal maintenance and repairs that does not add to the effectiveness, efficiency, or value of the asset are expensed when incurred.

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Upon retirement or other disposal of property and equipment, the cost and related accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in non-operating revenues and expenses.

h. Impairment of Capital Assets –

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. EHA is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. No such events or circumstances were encountered as of June 30, 2017.

i. Deferred Outflows/Inflows of Resources –

Deferred Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, 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 recorded \$1,243,342 in deferred outflows of resources as of June 30, 2017 resulting from five items related to the implementation of GASB Statement 68. The first item is the Authority's contributions made to the pension plan subsequent to the measurement date of June 30, 2016 which was used to calculate the Authority's June 30, 2017 pension related liabilities, expenses, deferred outflows of resources and deferred inflows of resources. The second item is derived from calculating the Authority's proportion of the change in net pension liability resulting from calculating the difference between expected and actual experience of the pension plan. The third item is the Authority's proportionate share of the net difference between projected and actual investment earnings on pension plan investments. The fourth item is the Authority's proportionate share of the change in net pension liability derived from changes of assumptions made by the actuaries of the pension plan. The fifth item is the change in the Authority's proportionate share of net pension liability resulting from the annual changes in proportion due to changes specifically related to the Authority's portion of the net pension liability and the differences between EHA's contributions and proportionate share of contributions. For further details, see Note 12.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has recorded \$44,858 in deferred inflows of resources as of June 30, 2017 resulting from two items that qualify for reporting in this category, both related to pension obligations. One item is derived from calculating the Authority's proportion of the change in net pension liability resulting from calculating the difference between expected and actual experience of the pension plan. The other deferred inflow of resources is the change in the Authority's proportionate share of net pension liability resulting from the annual changes in proportion due to changes specifically related to the

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Authority's portion of the net pension liability and the differences between EHA's contributions and proportionate share of contributions. For further details, see Note 12.

j. Unearned Revenue –

Unearned revenue consists primarily of rents paid before they were due as of the end of the year.

k. Revenue Recognition –

Operating subsidies received from HUD and other grantors are generally recognized during the periods to which they relate and all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted. Receipts from the Public Housing Capital Fund Program and other reimbursement based grants are recognized when the related expenses are incurred. Tenant rental revenues are recognized during the period of occupancy.

l. Compensated Absences –

All regular full-time and part-time employees who are regularly scheduled to work at least 20 hours per week are eligible to receive compensation for vacations, holidays, illness, and certain other qualifying absences. The number of days compensated in the various categories of absence is based generally on position or length of service. Compensated absences, which have been earned but not paid, have been accrued in the accompanying basic financial statements.

Vacation hours may be accumulated up to a maximum of 30 days and amounts earned are payable upon termination at the employee's final pay rate. Sick leave may be accumulated up to 900 hours and in the event of employee separation in good standing, twenty-five percent of the balance will be paid at his or her final pay rate.

m. Pension Plans –

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

n. Income Taxes –

The Everett Housing Authority is exempt from federal income tax under Section 115 of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for income tax is reflected in the financial statements.

o. Payments in Lieu of Taxes –

As a governmental entity, EHA is exempt from state and local property taxes. Instead, EHA makes voluntary payments to the City of Everett called Payments in Lieu of Taxes (PILOT) on

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Public Housing rental properties owned by EHA. Under an agreement with the City of Everett, the Authority makes annual payments equal to 10% of the shelter rent charged tenants residing in public housing properties. Shelter rent is the total of all charges to tenants for dwelling rents less the cost of utilities. Total PILOT for the year ended June 30, 2017 was \$98,712.

p. Use of Estimates –

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

q. Public Support Funding –

The Housing Authority receives a substantial amount of its funding from HUD. In the event that HUD would discontinue its support because of budget cuts, the Housing Authority could experience a significant loss of funding.

r. Budget Accounting and Control –

Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. Capital Fund Program budgets are adopted on a “project length” basis covering up to four years. The Authority's annual budgets are prepared on the accrual basis of accounting and approved by the Board of Commissioners. Budgets are not, however, legally adopted nor required for financial statement presentation.

The Authority maintains budgetary control by not permitting total operating expenses and expenditures for individual programs to exceed their respective budget amounts without appropriate approvals. All budget amounts lapse at year-end. Encumbrance accounting is not used as an extension of formal budget control.

s. New Accounting Standards Adopted –

The following new statements issued by the GASB were effective or adopted this year:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is effective for the year ending June 30, 2017. This standard expands the disclosure requirements for certain postemployment benefit plans, making OPEB accounting and financial reporting consistent with pension standards implemented in GASB 67 and 68. There was no impact to the Authority's financial statements as a result of this statement.

GASB Statement No. 77, *Tax Abatement Disclosures*, is effective for the year ending June 30, 2017. It requires state and local governments to disclose information about property and other tax abatement agreements. There was no impact to the Authority's financial statements as a result of this statement.

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GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, is effective for the year ending June 30, 2017. It amends the scope and applicability of Statement 68 to exclude pensions provided through certain multiple-employer defined benefit pension plans. There was no impact to the Authority's financial statements as a result of this statement.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, is effective for the year ending June 30, 2017. It establishes criteria for an external investment pool to qualify for making the election to measure all its investments at amortized cost for financial reporting purposes. The Authority participates in the Washington State Local Government Investment Pool (LGIP). See Note 2 for further details.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, is effective for the year ending June 30, 2017. This statement amends the blending requirements established in paragraph 53 of *Statement No. 14, The Financial Reporting Entity, as amended* for all state and local governments. The additional criterion requires blending of component units incorporated as a nonprofit corporation in which the primary government is the sole corporate member. This statement provided further guidance in determining that the eleven nonprofit entities controlled and managed by the Authority should be discretely presented component units because the Authority is not the sole corporate member of these corporations.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, is effective for the year ending June 30, 2017 except for certain instances described in paragraph 7 which allow adoption in the year ending June 30, 2018. This statement changes the presentation of covered payroll. There was no impact to the Authority's financial statements because of implementing this statement.

t. Future Accounting Standards –

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for the year ending June 30, 2018 and requires employers to recognize a liability for obligations incurred under postemployment benefit plans, making OPEB accounting and financial reporting consistent with pension standards implemented in GASB 67 and 68.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, is effective for the year ending June 30, 2018. This statement's objective is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, is effective for reporting periods beginning after June 15, 2018. This statement standardizes requirements for the recognition and measurement of asset retirement obligations, other than landfills, to reduce inconsistency in financial reporting and enhance comparability. 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.

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GASB Statement No. 84, *Fiduciary Activities*, is effective for reporting periods beginning after December 15, 2018. This statement defines criteria for identifying activities that state and local governments should report as fiduciary activities and how they should be reported.

GASB Statement No. 85, *Omnibus 2017*, is effective for reporting periods beginning after June 15, 2017 and includes amendments to certain existing literature to address issues in multiple pronouncements that individually would not justify a separate statement. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and applications, and postemployment benefits.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, is effective for reporting periods beginning after June 15, 2017. It establishes guidance for certain issues related to debt extinguishments, primarily in-substance defeasance of debt.

GASB Statement No. 87, *Leases*, is effective for reporting periods beginning after December 15, 2019. Its objective is to improve accounting and financial reporting for leases by governments by establishing a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset. It requires recognition of certain lease assets and liabilities that were previously classified as operating.

The Authority has not yet adopted these standards and is evaluating the impact they may have on its financial statements.

2. Cash and Investments

a. Deposits

Deposits, including those in restricted assets, are defined as cash on deposit with financial institutions. At June 30, 2017, the carrying amount of Authority's demand deposits was \$599,558 and the bank balance was \$215,531. The carrying balance for the demand deposits of the component unit was \$7,246,708 at December 31, 2016, and the bank balance was \$6,538,036. Bank deposits are held with financial institutions and are fully insured or collateralized by the Federal Deposit Insurance Corporation (FDIC) and the Washington Public Deposit Protection Commission. The Washington Public Deposit Protection Act, as created in 1969 and subsequently amended, requires all participating banks in the State of Washington to collectively assure that no loss of funds will be suffered by any public treasurer or custodian of public funds, within certain guidelines as stipulated by amendments to the original Act. The Act therefore allows all custodians of public funds in the State of Washington to maintain deposits in excess of the financial institution's FDIC limit. Deposits in the BNY Mellon trustee account are held by the trustee in the Authority's name for the Broadway Plaza component unit's bond issue.

All demand deposit accounts are maintained at depositories approved by the Board of Commissioners and are held in the name of the Authority.

b. Investments

The Authority's cash management and investment policy requires that all available cash funds are to be managed to preserve the value of the cash resources and to earn the maximum return on funds until they are disbursed. Safety and preservation of capital through prudent stewardship of

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the Authority's cash funds is a primary objective of the policy. The investment policy does not permit the Authority to invest in any securities that would be considered as speculative or leveraged investments. Washington State Law (RCW 35.82.070(6)) limits investments by housing authorities to those investments that are legal for savings banks. In general, permitted investments include: bonds or other obligations issued or guaranteed by the United States; bonds or other obligations issued by any state, county, city, town, special district, or other municipal corporation; time, money market, or savings deposits in qualified public depositories; or loans secured by real property.

The Authority invests a portion of its funds with the Washington State Local Government Investment Pool (LGIP) managed by the State Treasurer's office. Investments in this pool are comprised of repurchase agreements, government securities, interest bearing bank deposits and certificates of deposit. The LGIP operates in a manner consistent with the Security and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. As such, the LGIP uses amortized cost to report net assets and share prices since that amount approximates fair value. Currently, the Authority has no funds classified as "Investments" other than what is invested in the LGIP.

The Authority restricts its participation in money market mutual funds to those investing only in U.S. Treasury securities. However, any indirect exposure by the Authority to any risks arising from derivative instruments utilized by such funds is unknown.

Custodial Risk:

For an investment, the custodial credit risk is that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Authority will not be able to recover the value of its investments that are in the possession of another party. The Authority's custodial credit risk policy is to require all securities purchased to be made in such a manner so that the securities are at all times insured, registered in the Authority's name, or in the possession of the Authority.

At June 30, 2017, all investments of the Housing Authority (as well as those of the component units as of December 31, 2016) were insured or registered and held by the Authority or its agent in the Authority's name, or uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name, or held in investment pools that are not classified since the investments are not evidenced by securities that exist in physical or book entry form. Therefore, the investments are not exposed to custodial risk.

Investments in the LGIP are classified as cash because the investments are not evidenced by securities that exist in physical or book entry form. Investments in the First American Treasury Obligations Fund are investments held by the trustee in the Authority's name for the Twelve Pines component unit's bond issue.

Concentration of Credit Risk and Interest Rate Risk:

Concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer. Investments issued or guaranteed by the U.S. Government, investments in a mutual fund or external investment pools are excluded. At June 30, 2017, the Authority's investments were limited to investments that were guaranteed by the U.S. Government or to investments in external investment pools.

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Credit risk of investments is the risk that the issuer or other counterparty will not meet its obligations. This credit risk is measured by the credit quality rating of investments in debt securities as described by a national statistical rating organization, such as Standard and Poor's (S&P). To limit credit risk, the Authority's investment policy does not allow for the investment in corporate bonds or other fixed income securities that are not guaranteed or insured by the U.S. Government, or have not been issued by a state or local government.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's policy limits investments to securities maturing in periods of up to one year, or up to three years for the investment of operating reserves. None of the investments of the Authority or the component units exceeded one year at their respective year ends.

Cash and Cash Equivalents:

Cash and investments are classified in the accompanying financial statements as follows:

	Primary Government	Component Units
Cash and cash equivalents - unrestricted	\$ 12,599,500	\$ 1,247,714
Cash and cash equivalents - restricted	563,283	5,881,249
Investments - restricted	-	176,500
Total cash and cash equivalents	<u>\$ 13,162,783</u>	<u>\$ 7,305,463</u>

Cash and investments are further categorized as follows:

	Primary Government	Component Units
Change and petty cash funds	\$ 295	\$ 35
Deposits with financial institutions	599,558	6,860,358
Deposits with state investment pool (LGIP)	12,562,930	58,720
Deposits with BNY Mellon Trustee	-	209,850
First American Treasury Obligation Fund	-	176,500
Total cash and investments	<u>\$ 13,162,783</u>	<u>\$ 7,305,463</u>

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3. Restricted Assets

Only cash, investments, and receivables that have been legally or externally restricted are classified in the Statement of Net Position as restricted assets.

These restrictions are summarized in the following table:

	Cash and Cash Equivalents	Investments
Primary Government:		
Replacement reserves	\$ 7,002	\$ -
Tenant security deposits	88,690	-
HAP reserves	299,127	-
FSS escrow deposits	168,464	-
	<u>\$ 563,283</u>	<u>\$ -</u>
Component Units:		
Replacement reserves	\$ 2,597,092	\$ -
Operating reserves	1,564,516	-
Residual receipts reserves	178,853	-
Tenant security deposits	382,552	-
Funds held by Trustee	209,850	176,500
Construction retention	709,338	-
Other	239,048	-
	<u>\$ 5,881,249</u>	<u>\$ 176,500</u>

4. Accounts Receivable

Accounts receivable consisted of the following amounts due to the Primary Government and the Component Units:

	Primary Government	Component Unit
Public Housing capital grant - HUD	\$ 26,583	\$ -
Other Governments	104,911	-
Other HUD programs	22,161	8,621
Tenants accounts receivable - net	43,865	52,842
Fraud recovery - net	51,782	-
Other accounts receivable	174,154	6,307
	<u>\$ 423,456</u>	<u>\$ 67,770</u>

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5. Notes Receivable – Partnerships

Notes receivable due from partnerships include amounts due for obligations incurred by the Authority to acquire, construct and remodel buildings for housing and other related purposes and for development fees earned by the Authority as developer for each partnership.

At June 30, 2017, Notes Receivable-Partnerships are summarized in the following table:

	Interest Rate	Final Maturity Date	Notes and Accrued Interest
EHA- Twelve Pines Limited Partnership			
Bond mortgage note	4.7% - 6.5%	2029	\$ 1,520,000
Loan obligation - City of Everett	3.00%	2024	950,000
			<u>2,470,000</u>
Accrued interest due			
Current interest			45,988
Deferred interest			517,705
			<u>563,693</u>
Total notes and accrued interest			3,033,693
Less: Current portion of note principal and interest			<u>1,565,988</u>
Total notes and accrued interest - long-term			<u>1,467,705</u>
Broadway Plaza LLLP			
Bond mortgage note	1.99% - 5.865%	2029	6,645,000
Development fee note	0%	2022	72,861
Seller financing note	4.05%	2061	9,875,000
			<u>16,592,861</u>
Accrued interest due			
Current interest			156,944
Deferred interest			2,609,434
			<u>2,766,378</u>
Total notes and accrued interest			19,359,239
Less: Current portion of note principal and interest			<u>256,944</u>
Total notes and accrued interest - long-term			<u>19,102,295</u>
Pivotal Point LLLP			
State of Washington HTF note	0% - 1%	2055	865,000
EHA promisory note	7%	2055	59,928
Total notes and accrued interest - long-term			<u>924,928</u>

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Notes Receivable – Partnership (continued)

	Interest Rate	Final Maturity Date	Notes and Accrued Interest
Bakerview/Grandview LLLP			
Seller financing note	3.45%	2066	22,950,000
EHA sponsor note	3.45%	2066	5,000,000
Development fee note	0.00%	2024	3,643,382
Revenue bond	5.49%	2033	6,250,000
			<u>37,843,382</u>
Accrued interest due on notes			
Current interest			-
Deferred interest			2,143,670
Total notes and accrued interest			39,987,052
Less: Current portion of note principal and interest			241,864
Total notes and accrued interest - long-term			<u>39,745,188</u>
Everett Affordable Housing Portfolio, LLLP			
Seller financing note	3.45%	2066	9,694,066
EHA sponsor note	3.45%	2066	2,000,000
Development fee note	0.00%	2024	2,289,126
Revenue bond	5.49%	2033	5,337,285
			<u>19,320,477</u>
Accrued interest due on notes			
Current interest			24,418
Deferred interest			926,951
Total notes and accrued interest			20,271,846
Less: Current portion of note principal and interest			396,982
Total notes and accrued interest - long-term			<u>19,874,864</u>
EHA Senior Housing I, LLLP			
Seller financing note	3.10%	2056	8,375,000
EHA sponsor note	3.10%	2056	1,284,756
Development fee note	0.00%	2029	3,686,208
Construction bond	2.50%	2018	15,969,500
			<u>29,315,464</u>
Accrued interest due on notes			
Current interest			4,435
Deferred interest			424,228
Total notes and accrued interest			29,744,127
Less: Current portion of note principal and interest			12,595,367
Total notes and accrued interest - long-term			<u>17,148,760</u>
Combined Total Notes and Accrued Interest			
Current portion			15,057,145
Long-term			98,263,739
Total notes and accrued interest			<u>\$ 113,320,884</u>

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Notes to Basic Financial Statements

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Changes in notes and accrued interest due from partnerships during the year ended June 30, 2017 are summarized below:

	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
EHA-Twelve Pines Limited Partnership					
Bond mortgage note	\$ 1,595,000	\$ -	\$ 75,000	\$ 1,520,000	\$ 1,520,000
Loan obligation -					
City of Everett	950,000	-	-	950,000	-
Third trust deed note -					
development fees	93,042	-	93,042	-	-
Accrued interest due					
Current interest	44,456	45,988	44,456	45,988	45,988
Deferred interest	488,811	28,894	-	517,705	-
	<u>3,171,309</u>	<u>74,882</u>	<u>212,498</u>	<u>3,033,693</u>	<u>1,565,988</u>
Broadway Plaza LLLP					
Bond mortgage note	6,745,000	-	100,000	6,645,000	100,000
Development fee note	422,861	-	350,000	72,861	-
Seller financing note	9,875,000	-	-	9,875,000	-
Accrued interest due					
Current interest	158,094	156,944	158,094	156,944	156,944
Deferred interest	2,123,495	485,939	-	2,609,434	-
	<u>19,324,450</u>	<u>642,883</u>	<u>608,094</u>	<u>19,359,239</u>	<u>256,944</u>
Pivotal Point LLLP					
EHA note	84,678	-	24,750	59,928	-
State of WA HTF note	865,000	-	-	865,000	-
	<u>949,678</u>	<u>-</u>	<u>24,750</u>	<u>924,928</u>	<u>-</u>
Bakerview/Grandview LLLP					
Revenue bond	26,750,000	-	20,500,000	6,250,000	60,657
Seller financing note	22,950,000	-	-	22,950,000	-
EHA sponsor note	550,000	4,450,000	-	5,000,000	-
Development fee note	7,000,000	-	3,356,618	3,643,382	181,207
Accrued interest due					
Current interest	69,274	-	69,274	-	-
Deferred interest	810,858	1,332,812	-	2,143,670	-
	<u>58,130,132</u>	<u>5,782,812</u>	<u>23,925,892</u>	<u>39,987,052</u>	<u>241,864</u>
Everett Affordable Housing LLLP					
Citibank constr. Loan	13,620,061	-	13,620,061	-	-
Revenue bond	-	5,350,000	12,715	5,337,285	52,639
Seller financing note	9,694,066	-	-	9,694,066	-
EHA sponsor note	-	2,000,000	-	2,000,000	-
Development fee note	3,275,000	-	985,874	2,289,126	319,925
Accrued interest due					
Current interest	35,319	24,418	35,319	24,418	24,418
Deferred interest	502,932	424,019	-	926,951	-
	<u>27,127,378</u>	<u>7,798,437</u>	<u>14,653,969</u>	<u>20,271,846</u>	<u>396,982</u>

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Notes to Basic Financial Statements
June 30, 2017

Changes in notes and accrued interest due from partnerships during the year ended June 30, 2017
(continued)

	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
EHA Senior Housing I LLLP					
Construction bond	9,720,439	6,249,061	-	15,969,500	9,580,964
Seller financing note	8,375,000	-	-	8,375,000	-
EHA sponsor note	1,284,756	-	-	1,284,756	-
Development fee note	-	3,686,208	-	3,686,208	3,009,968
Current interest	-	4,435	-	4,435	4,435
Deferred interest	123,883	300,345	-	424,228	-
	<u>19,504,078</u>	<u>10,240,049</u>	<u>-</u>	<u>29,744,127</u>	<u>12,595,367</u>
 Total notes and accrued interest	 <u>\$ 128,207,025</u>	 <u>\$ 24,539,063</u>	 <u>\$ 39,425,204</u>	 <u>\$ 113,320,884</u>	 <u>\$ 15,057,145</u>

EHA-Twelve Pines Limited Partnership Notes Receivable

a. Note Receivable - Bond Mortgage Note

On August 1, 1999, the Authority executed a note with EHA-Twelve Pines Limited Partnership in the original amount of \$2,300,000, concurrent with the sale of tax exempt revenue bonds (Housing Revenue Bonds, 1999 (Twelve Pines Apartments Project)) in the principal amount of \$2,300,000. The revenue bonds were issued to finance the acquisition of an 80-unit multifamily apartment property located in Everett, Washington. Under terms of the partnership agreement, EHA-Twelve Pines is obligated to make payments on the promissory note to the Authority, the General Partner of the Partnership, sufficient to make required debt service payments on the bonds. Interest in the amount of \$45,988 had accrued as of June 30, 2017. The unpaid principal balance of the note is \$1,520,000 as of June 30, 2017.

b. Loan Obligation – City of Everett Loan

On August 1, 1999, the Authority executed a note with EHA-Twelve Pines Limited Partnership in the amount of \$950,000, concurrent with the issuance of a second deed of trust note in favor of the City of Everett for \$950,000. The City of Everett promissory note was issued to pay part of the cost of acquiring the 80-unit apartment project, Twelve Pines Apartments. Deferred interest in the amount of \$517,705 had accrued as of June 30, 2017. The note principal, including simple interest at 3.0% per annum is due on August 1, 2024.

Broadway Plaza LLLP Notes Receivable

a. Note Receivable - Bond Mortgage Note

On June 29, 2011, the Authority executed a note with Broadway Plaza LLLP in the original amount of \$7,000,000, concurrent with the sale of tax exempt revenue bonds (Housing Revenue Bonds, 2011

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Notes to Basic Financial Statements

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(Broadway Plaza Project)) in the principal amount of \$7,000,000. The revenue bonds were issued to finance the acquisition of a 190-unit multifamily apartment property located in Everett, Washington. Under terms of the partnership agreement, Broadway Plaza LLLP is obligated to make payments to the Authority, the General Partner of the Partnership, sufficient to make required debt service payments on the revenue bonds. At June 30, 2017, the unpaid balance of the note was \$6,645,000 and interest in the amount of \$156,944 had accrued.

b. Promissory Note – Seller Financing Note

A promissory note in the original amount of \$9,375,000 dated June 29, 2011 was issued in connection with the acquisition of the leasehold estate in the 190-unit apartment complex by Broadway Plaza LLLP. In November of 2013, the Authority loaned an additional \$500,000 to Broadway Plaza LLLP in accordance with the original promissory note agreement increasing the promissory note to \$9,875,000. No annual payments are required on the principle or the interest which accrues at the compounding rate of 4.05% per annum. Interest in the amount of \$2,609,434 had accrued as of June 30, 2017. The note is classified as non-current since repayment is subject to available cash flow of the Broadway Plaza LLLP. The note matures on June 29, 2061.

c. Deferred Development Fee

A development agreement was executed on June 29, 2011 between Broadway Plaza, LLLP and the Authority. The agreement stipulated that the developer of the project, EHA, would receive a fee in the amount of \$2,100,000. Some of this amount would be paid from equity installment payments from the limited partner and some would be paid from operations over time at the end of each year, subject to availability of cash. Any installment of the development amount not paid when otherwise due is deferred with interest at the rate of 0% per annum and paid in the priority described in the partnership agreement. All amounts are payable by the end of the ten-year tax credit benefit period. As of June 30, 2017, \$72,861 remained payable and was classified as non-current since repayment is subject to available cash flow of the partnership.

Pivotal Point LLLP Notes Receivable

a. Loan Obligation – Washington State Department of Commerce Housing Trust Fund Loan

On September 24, 2013, the Authority executed a note with the Washington State Department of Commerce in the amount of \$865,000 concurrent with an Assignment, Assumption and Consent Agreement between the Department of Commerce, the Authority, and Pivotal Point LLLP. The purpose of this loan was to provide funding for new construction of two apartment buildings totaling twenty units of low income housing. Quarterly simple interest of 1% shall accrue beginning on January 1, 2016 and ending December 31, 2030. Interest in the amount of 1% shall be compounded quarterly beginning January 1, 2031 and ending December 31, 2055. Beginning March 31, 2016 quarterly payments of interest in the amount of \$2,162.50 shall be payable. Beginning March 31, 2031 payments of principal and interest in the amount of \$9,800 shall be due quarterly and a final payment of \$8,305.22 shall be due on or before December 31, 2055.

b. Promissory Note – Everett Housing Authority

On January 1, 2015, the Authority loaned to Pivotal Point, LLLP the amount of \$122,298 in conjunction with a promissory note dated September 1, 2013. The purpose of this note was to provide

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funding for construction of the police substation space which was part of this twenty-unit apartment complex. Interest in the amount of 7% per annum accrues on the unpaid principal balance and is payable annually from net cash flow and net cash proceeds (as defined in the Partnership Agreement). All outstanding principal and interest shall be payable at maturity on December 31, 2055. This note may be prepaid in whole or in part at any time. On June 30, 2017, the balance of the loan was \$59,928. The note is classified as non-current since repayment is subject to available cash flow.

Bakerview/Grandview LLLP Notes Receivable

a. Promissory Note – Seller Financing Note

A promissory note totaling \$22,950,000 dated September 29, 2014 was issued in connection with the acquisition of the leasehold estate in two apartment complexes with a total of 299 units for Bakerview/Grandview Affordable Housing LLLP. No annual payments are required on the principle or the interest which accrues at the compounding rate of 3.45% per annum. Interest in the amount of \$1,976,569 had accrued as of June 30, 2017. The note is classified as non-current since repayment is subject to available cash flow of the partnership. The note matures on September 1, 2066.

b. Sponsor Note

A sponsor note in the amount of \$550,000 was executed on September 29, 2014 in connection with the acquisition and development of Bakerview/Grandview Affordable Housing. This note was increased to \$5,000,000 in 2016. No annual payments are required on the principle or the interest which accrues at the compounding rate of 3.45% per annum. Interest in the amount of \$167,101 had accrued as of June 30, 2017. The note is classified as non-current since repayment is subject to available cash flow of the partnership. The note matures on September 1, 2066.

c. Development Fee Note

A development fee note in the amount of \$7,000,000 was executed on September 29, 2014 in connection with the acquisition and development of Bakerview/Grandview Affordable Housing LLLP. Some of the development fee was to be paid from equity installment payments from the limited partner and some will be paid from operations at the end of each year, subject to availability of cash. Any installment of the development amount not paid when otherwise due is deferred with interest at the rate of 0% per annum and paid in the priority described in the partnership agreement. All amounts are payable by the end of the ten-year tax credit benefit period. As of June 30, 2017, the balance of the loan was \$3,643,382 and \$181,207 was classified as current.

d. Permanent Loan Obligation – Berkadia Revenue Bond

On September 29, 2014, the Authority signed a note with Citibank that provided a construction loan to fund the renovation of the Bakerview/Grandview apartments. The loan was not to exceed \$26,750,000. Variable rate interest only payments were made at rates set forth in the Funding Loan Agreement. The note was a pass-through obligation relating to a construction and permanent loan under an agreement dated September 1, 2014. As of June 30, 2017, the loan had converted to permanent financing with Berkadia. The balance of the loan was \$6,250,000 and there was no accrued interest.

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Notes to Basic Financial Statements

June 30, 2017

Everett Affordable Housing Portfolio LLLP Notes Receivable

a. Promissory Note – Seller Financing Note

A promissory note in the amount of \$9,694,066 was issued on September 29, 2014 in connection with the acquisition of the leasehold estate in eight apartment complexes with 159 units by Everett Affordable Housing Portfolio LLLP. No annual payments are required on the principle or the interest which accrues at the compounding rate of 3.45% per annum. Interest in the amount of \$861,765 had accrued as of June 30, 2017. The note is classified as non-current since repayment is subject to available cash flow of the partnership. The note matures on September 1, 2066.

b. Sponsor Note

A sponsor note in an amount not to exceed \$2,000,000 was executed on September 30, 2014 relating to the acquisition and development of Everett Affordable Housing Portfolio LLLP. The initial loan amount was \$8,511 and an additional \$1,991,489 was loaned in July of 2016. No annual payments are required on the principle or the interest which accrues at the compounding rate of 3.45% per annum. Interest in the amount of \$65,157 had accrued as of June 30, 2017. The note is classified as non-current since repayment is subject to available cash flow of the partnership. The note matures on September 29, 2066.

c. Development Fee Note

A development fee note in the amount of \$3,275,000 was executed on September 29, 2014 in connection with the acquisition and development of Everett Affordable Housing Portfolio, LLLP. Some of the development fee was to be paid from equity installment payments from the limited partner and some will be paid from operations over time at the end of each year, subject to availability of cash. Any installment of the development amount not paid when otherwise due is deferred with interest at the rate of 0% per annum and paid in the priority described in the partnership agreement. All amounts are payable by the end of the ten-year tax credit benefit period. As of June 30, 2017, the balance of the note was \$2,289,126 of which \$319,925 was classified as current.

d. Permanent Loan Obligation – Berkadia Revenue Bond

On September 29, 2014, the Authority signed a note with Citibank that provided a construction loan to fund the renovation of the Everett Affordable Housing Portfolio properties. The loan was not to exceed \$13,990,000. Variable rate interest only payments were made at rates set forth in the Funding Loan Agreement. At June 30, 2017, the loan had converted to permanent debt with Berkadia in the amount of \$5,337,285. Of that, \$52,639 was classified as current. Accrued interest was \$24,418.

EHA Senior Housing I LLLP Notes Receivable

a. Promissory Note – Seller Financing Note

A promissory note in the amount of \$8,375,000 dated February 5, 2016 was issued for the acquisition of the leasehold estate in four apartment complexes with 203 units by EHA Senior Housing I LLLP. No annual payments are required on the principle or the interest which accrues at the compounding rate of 3.1% per annum. Interest in the amount of \$367,806 had accrued as of June 30, 2017. The note is classified as non-current since repayment is subject to available cash flow of the partnership. The note matures on February 1, 2056.

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Notes to Basic Financial Statements

June 30, 2017

b. Sponsor Note

A sponsor note in an amount not to exceed \$2,000,000 was executed on February 5, 2016 in connection with the acquisition and development of EHA Senior Housing I. No annual payments are required on the principle or the interest which accrues at the compounding rate of 3.1% per annum. As of June 30, 2017, the principal balance was \$1,284,756 and interest of \$56,423 had accrued. The note is classified as non-current since repayment is subject to available cash flow of the partnership. The note matures on February 1, 2056.

c. Construction Loan

On February 5, 2016, the Authority signed a note with Banner Bank for a temporary construction loan for the renovation of the EHA Senior Housing I properties. The loan is not to exceed \$15,970,000 and bears interest at a fixed rate of 2.5% per annum. Interest only payments will be made on the first day of each month beginning March 1, 2016 until the loan converts to permanent financing. As of June 30, 2017, the balance of the loan was \$15,969,500 of which \$9,580,964 was classified as current. A portion of the loan is expected to convert to permanent financing in late 2017 or early 2018.

c. Development Fee Note

A development agreement was executed on February 5, 2016 relating to the acquisition and development of EHA Senior Housing I LLLP. The expected amount of the development fee to be paid is \$3,686,208. On June 30, 2017, \$3,009,968 was classified as current and is intended to be paid from the third equity installment payment. Any development amount not paid when otherwise due will be deferred with interest at the rate of 0% per annum and paid in the priority described in the partnership agreement. All amounts are payable by the end of the ten-year tax credit benefit period.

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Notes to Basic Financial Statements

June 30, 2017

6. Capital Assets

Primary Government:

The following is a summary of the changes (at cost) in capital assets (land, structures and equipment) used by the Authority in its enterprise fund operations:

	Balance July 1, 2016	Additions and Transfers	Reductions and Transfers	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 3,403,164	\$ -	\$ -	\$ 3,403,164
Construction in progress	204,857	1,000,875	361,262	844,470
Total capital assets, not being depreciated	3,608,021	1,000,875	361,262	4,247,634
Capital assets, being depreciated:				
Building and building improvements	22,707,644	361,073	-	23,068,717
Furniture, equipment and machinery	1,535,462	61,970	66,408	1,531,024
Total capital assets, being depreciated	24,243,106	423,043	66,408	24,599,741
Less accumulated depreciation for:				
Building and building improvements	14,632,478	463,236	-	15,095,714
Furniture, equipment and machinery	1,226,139	103,770	66,408	1,263,501
Total accumulated depreciation	15,858,618	567,006	66,408	16,359,215
Total capital assets being depreciated, net	8,384,488	(143,963)	-	8,240,526
Total capital assets, net	\$ 11,992,510	\$ 856,912	\$ 361,262	\$ 12,488,160

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2017

Component Units:

The following is a summary of the changes (at cost) in capital assets (land, structures and equipment) held by the component units on December 31, 2016:

	Balance January 1, 2016	Additions and Transfers	Reductions and Transfers	Balance December 31, 2016
Capital assets, not being depreciated:				
Land	\$ 3,876,251	\$ 4,322,756	\$ -	8,199,007
Leasehold improvements	46,020	-	-	46,020
Construction in progress	10,200	1,750	10,200	1,750
Total capital assets, not being depreciated	3,932,471	4,324,506	10,200	8,246,777
Capital assets, being depreciated:				
Site improvements	1,732,034	2,140,827	-	3,872,861
Building and building improvements	112,496,572	57,358,671	-	169,855,243
Furniture, equipment and machinery	1,406,258	2,224,284	-	3,630,543
Total capital assets, being depreciated	115,634,864	61,723,783	-	177,358,647
Less accumulated depreciation for:				
Site improvements	102,127	1,563,861	-	1,665,988
Building and building improvements	5,785,289	15,493,619	-	21,278,908
Furniture, equipment and machinery	704,029	1,501,330	102,476	2,102,884
Total accumulated depreciation*	6,591,444	18,558,811	102,476	25,047,779
Total capital assets being depreciated, net	109,043,420	43,164,972	(102,476)	152,310,868
Total capital assets, net	\$ 112,975,891	\$ 47,489,479	\$ (92,276)	\$ 160,557,644

* Additions and transfers to accumulated depreciation includes the beginning balance of the accumulated depreciation allowance for the nonprofit entities.

Accumulated depreciation, January 1, 2016 \$ 6,591,444

Additions and Transfers

2016 depreciation expense 4,615,276

Nonprofit entities accumulated depreciation,
balance January 1, 2016 13,943,535

Total additions and transfers 18,558,811

Tax credits reductions and transfers (102,476)

Accumulated depreciation, December 31, 2016 \$ 25,047,779

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2017

7. Construction in Progress

Primary Government:

Capital improvements made to EHA's Low Rent Public Housing units are financed primarily with grant funds provided by HUD through the Capital Fund program. Capital grants are awarded annually based on a 5-year comprehensive modernization plan submitted to HUD. When modernization projects are completed, HUD issues a modernization cost certificate for each grant, at which time construction in progress for that grant is placed in service and transferred to the buildings or improvement categories. Capital grants are required to be expended within four years of award. Construction in progress represents expenditures for modernization and remodeling work at two Low Rent Public Housing Projects, pre-development costs related to future development of affordable housing projects, pre-development costs related to a clubhouse/office space at one of our properties, and a capital improvement project at one of our projects. These expenditures were paid with funds received through the capital grant program, administrative fees, and other funds available to the Authority.

The following schedule shows the significant components of construction in progress at June 30, 2017:

	Project Authorization	Expended through 6/30/2017	Committed
Baker Heights redevelopment	\$ 106,749	\$ 106,749	\$ -
Wiggums Park Place LLLP predevelopment	431,350	431,350	-
Lakeview Terrace Apartments - fire alarm system	97,518	97,518	-
Grandview Clubhouse/Unit renovation	142,527	142,527	-
Scattered Sites redevelopment	66,326	66,326	-
	<u>\$ 844,470</u>	<u>\$ 844,470</u>	<u>\$ -</u>

Component Units:

Construction in progress represents expenditures for predevelopment costs associated with the re-syndication of the Twelve Pines Limited Partnership.

The following schedule shows the significant components of construction in progress at December 31, 2016:

	Project Authorization	Expended through 12/31/2016	Committed
Twelve Pines LP development costs	\$ 1,750	\$ 1,750	\$ -
	<u>\$ 1,750</u>	<u>\$ 1,750</u>	<u>\$ -</u>

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Notes to Basic Financial Statements

June 30, 2017

8. Non-Current Liabilities

Primary Government:

This schedule lists the outstanding bonds of the Primary Government as of June 30, 2017:

Revenue Bonds	Issuance Date	Maturity Date	Interest Rate	Bond Issuance	Balance June 30	Service Payments
<i>Tax Credit Partnerships</i>						
Revenue Bond 1999 - Twelve Pines Apartments	08/01/99	08/01/29	4.70%- 6.50%	\$2,300,000	\$ 1,520,000	\$ 1,520,000
Revenue Bond 2011 - Broadway Plaza Apartments	06/29/11	07/01/29	1.99%- 5.865%	7,000,000	6,645,000	100,000
Revenue Bond 2014 - Bakerview/Grandview	09/29/14	10/01/33	Variable 3.66% as of June 30th	26,750,000	6,250,000	60,657
Revenue Bond 2014 - Everett Affordable Housing Portfolio	09/29/14	10/01/33	5.49%	13,990,000	5,337,285	52,638
EHA Senior Housing I Revenue Bonds	02/01/16	02/01/18	2.50%	9,720,439	15,969,500	9,580,963*
<i>Total Tax Credit Partnership Bonds</i>					35,721,785	
<i>Affordable Housing</i>						
Revenue Bond 2006 - Gibson Road Townhomes Project (Pacific Square Apartments)	12/28/06	01/01/22	5.25%	400,000	157,494	31,146
<i>Total Affordable Housing Bonds</i>					157,494	
<i>Total Revenue Bonds</i>					<u>\$ 35,879,279</u>	

*Amount relates to a one-time payoff of a construction loan for conversion to permanent debt.

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Notes to Basic Financial Statements
June 30, 2017

The following schedule lists the outstanding notes of the Primary Government as of June 30, 2017:

Promissory Notes	Issuance Date	Maturity Date	Interest Rate	Note Issuance	Outstanding Balance June 30	Annual Principle Debt Service Payments
<i>Tax Credit Partnerships</i>						
Promissory Note - Twelve Pines Apartments	08/01/99	08/05/24	3.00%	\$ 950,000	\$ 950,000	\$ -
Promissory Note - Pivotal Point Apartments	09/24/13	12/31/55	0-1%	865,000	865,000	-
<i>Total Tax Credit Partnership Notes</i>					<u>\$ 1,815,000</u>	
<i>Affordable Housing</i>						
Everett (HOME Loan) - Gibson Road Townhomes Project (Pacific Square)	12/06/06	12/06/31	3.00%	65,633	65,633	-
Everett (Housing Trust Fund) - Gibson Road Townhomes Project	12/06/06	12/06/31	3.00%	232,544	232,544	-
Everett (Housing Trust Fund) - Lakeview Terrace Apartments Project	07/31/07	07/31/32	3.00%	90,036	90,036	-
WA State (Housing Trust Fund) - Evergreen Cottages	06/03/09	01/31/59	1.00%	525,000	462,551	8,974
Snohomish County (Home Loan) - Evergreen Cottages	08/15/08	08/14/48	0.00%	647,150	647,150	-
Everett (Housing Trust Fund) - Evergreen Cottages	07/22/08	07/21/33	3.00%	200,000	200,000	-
Banner Bank - Evergreen Cottages	06/24/15	07/01/25	4.95%	750,000	728,104	12,274
<i>Total Affordable Housing Notes</i>					<u>2,426,018</u>	
<i>Total Notes</i>					<u><u>\$ 4,241,018</u></u>	

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2017

Changes in long-term liabilities for the Primary Government during the year ended June 30, 2017 are summarized below:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Revenue bonds	\$ 58,617,547	\$ 11,599,061	\$ 34,337,329	\$ 35,879,279	\$ 11,345,404
Promissory notes	4,261,585	-	20,567	4,241,018	21,248
	<u>62,879,132</u>	<u>11,599,061</u>	<u>34,357,896</u>	<u>40,120,297</u>	<u>11,366,652</u>
Compensated absences	333,853	24,731	-	358,584	89,646
Accrued interest	962,455	55,509	81,521	936,443	236,249
Pension liability	3,660,435	1,046,840	-	4,707,275	-
	<u>4,956,743</u>	<u>1,127,080</u>	<u>81,521</u>	<u>6,002,302</u>	<u>325,895</u>
Total	<u>\$ 67,835,875</u>	<u>\$ 12,726,141</u>	<u>\$ 34,439,417</u>	<u>\$ 46,122,599</u>	<u>\$ 11,692,547</u>

The annual debt service requirements of the Primary Government for revenue bonds and notes at June 30, 2017 are as follows:

Year Ended June 30	Principal Due		Interest Due	Total
	Bonds	Notes		
2018	\$ 11,345,404	\$ 21,248	\$ 1,548,692	\$ 12,915,344
2019	368,693	21,960	1,316,552	1,707,205
2020	382,107	22,704	1,298,230	1,703,041
2021	396,204	23,482	1,278,890	1,698,576
2022	449,733	24,295	1,258,716	1,732,744
2023-2027	2,238,465	975,146	6,541,905	9,755,516
2028-2032	7,441,393	460,362	4,751,716	12,653,471
2033-2037	13,257,280	385,763	714,735	14,357,778
2038-2042	-	787,275	35,439	822,714
2043-2047	-	185,291	24,275	209,566
2048-2052	-	194,374	15,192	209,566
2053-2057	-	143,233	6,038	149,271
2058-2062	-	10,137	3,449	13,586
2063-2067	-	10,218	3,348	13,566
2068-2072	-	975,530	48,066	1,023,596
	<u>\$ 35,879,279</u>	<u>\$ 4,241,018</u>	<u>\$ 18,845,243</u>	<u>\$ 58,965,540</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

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Component Units: The following is a schedule of outstanding notes of the Component Units as of December 31, 2016:

Description of Note	Issuance Date	Maturity Date	Interest Rate	Note Issuance	Outstanding December 31
EHA - Twelve Pines Limited Partnership					
Promissory note - housing revenue bonds 1999, Twelve Pines Apartments	08/01/99	08/01/29	4.7% - 6.5%	\$ 2,300,000	\$ 1,520,000
City of Everett HOME loan	08/01/99	08/05/24	3.0%	950,000	950,000
Promissory note - Everett Housing Authority - third mortgage loan	08/30/02	03/15/18	3.0%	580,481	47,209
					<u>2,517,209</u>
Broadway Plaza LLLP					
Promissory note - housing revenue bonds 2011, Broadway Plaza	06/29/11	07/01/29	1.99% - 5.865%	7,000,000	6,645,000
Seller financing note	06/29/11	06/29/61	4.05%	9,875,000	9,875,000
					<u>16,520,000</u>
Pivotal Point LLLP					
Housing Trust Fund loan	09/24/13	12/31/55	0% - 1%	865,000	865,000
EHA promissory note	09/01/13	12/31/55	7.0%	122,298	84,678
					<u>949,678</u>
Bakerview/Grandview LLLP					
Revenue bond	09/29/14	10/01/33	Variable 3.47% as of Dec 31st	26,750,000	12,098,910
EHA sponsor note	09/29/14	09/01/66	3.45%	5,000,000	5,000,000
Seller financing note	09/29/14	09/01/66	3.45%	22,950,000	22,950,000
					<u>40,048,910</u>
Everett Affordable Housing Portfolio LLLP					
Revenue bond	09/29/14	10/01/33	Variable 3.47% as of Dec 31st	13,990,000	5,350,000
EHA sponsor note	09/29/14	09/01/66	3.45%	2,000,000	2,000,000
Seller financing note	09/29/14	09/01/66	3.45%	9,700,000	9,694,066
WA State Dept of Commerce	03/15/04	03/31/43	1.00%	580,000	419,606
City of Everett - Housing Trust Fund	11/18/09	11/18/49	3.00%	500,000	500,000
					<u>17,963,672</u>
EHA Senior Housing I LLLP					
Revenue construction bond	02/05/16	02/01/18	2.50%	15,970,000	15,393,755
EHA sponsor note	02/01/16	02/01/56	3.10%	2,000,000	1,284,756
Seller financing note	02/01/16	02/01/56	3.10%	8,375,000	8,375,000
					<u>25,053,511</u>
Evergreen Village Senior Apartments					
WA State Dept of Commerce	07/31/02	05/31/43	0.00%	200,000	130,000
Lynn Woods Apartments					
Mortgage note	10/31/06	05/01/41	4.17%	1,570,400	1,378,607
Silver Woods Apartments					
City of Everett HOME loan	11/21/07	11/21/47	3.00%	100,000	100,000
Mortgage note	10/31/06	11/01/41	4.58%	1,589,500	1,405,642
					<u>1,505,642</u>

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Changes in outstanding notes and compensated absences for the Component Units during the year ended December 31, 2016 are summarized below:

	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
EHA - Twelve Pines Partnership					
Promissory note - Everett Housing Authority					
Housing revenue bonds 1999	\$ 1,595,000	\$ -	\$ 75,000	\$ 1,520,000	\$ 80,000
City of Everett HOME loan	950,000	-	-	950,000	-
Third mortgage loan	93,042	-	45,834	47,208	47,209
	2,638,042	-	120,834	2,517,208	127,209
Compensated absences	14,437	15,039	-	29,476	7,369
Total	2,652,479	15,039	120,834	2,546,684	134,578
Broadway Plaza LLLP					
Promissory note - Everett Housing Authority					
Housing revenue bonds 2011	6,745,000	-	100,000	6,645,000	100,000
Seller financing note	9,875,000	-	-	9,875,000	-
	16,620,000	-	100,000	16,520,000	100,000
Compensated absences	36,550	-	10,385	26,165	6,541
Total	16,656,550	-	110,385	16,546,165	106,541
Pivotal Point LLLP					
Housing Trust Fund loan	865,000	-	-	865,000	-
EHA promisory note	121,728	-	37,050	84,678	24,750
	986,728	-	37,050	949,678	24,750
Compensated absences	3,845	7,079	-	10,924	2,731
Total	990,573	7,079	37,050	960,602	27,481
Bakerview/Grandview LLLP					
Revenue bond	25,380,730	1,369,270	14,651,090	12,098,910	5,880,717
Revenue construction bond	5,000,000	-	5,000,000	-	-
EHA sponsor note	58,727	4,941,273	-	5,000,000	-
Seller financing note	18,500,000	4,450,000	-	22,950,000	-
	48,939,457	10,760,543	19,651,090	40,048,910	5,880,717
Compensated absences	67,745	-	16,857	50,888	12,722
Total	49,007,202	10,760,543	19,667,947	40,099,798	5,893,439
Everett Affordable Housing Portfolio LLLP					
Revenue bond	12,828,019	792,042	8,270,061	5,350,000	38,674
Revenue construction bond	1,410,000	-	1,410,000	-	-
EHA sponsor note	8,511	1,991,489	-	2,000,000	-
Seller financing note	8,284,066	1,410,000	-	9,694,066	-
WA St Dept of Commerce	432,937	-	13,331	419,606	13,465
	500,000	-	-	500,000	-
City of Everett - Housing Trust Fund	23,463,533	4,193,531	9,693,392	17,963,672	52,139
Compensated absences	24,857	5,660	-	30,517	7,629
Total	\$ 23,488,390	\$ 4,199,191	\$ 9,693,392	\$ 17,994,189	\$ 59,768

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Changes in outstanding notes and compensated absences for the Component Units during the year ended December 31, 2016 (continued)

	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
EHA Senior Housing I LLLP					
Revenue construction bond	\$ -	\$ 15,393,755	\$ -	\$ 15,393,755	\$ -
EHA sponsor note	-	1,284,756	-	1,284,756	-
Seller financing note	-	8,375,000	-	8,375,000	-
	-	25,053,511	-	25,053,511	-
Compensated absences	-	8,674	-	8,674	2,169
Total	-	25,062,185	-	25,062,185	2,169
Evergreen Village Senior Apartments					
WA State Dept of Commerce	-	130,000	-	130,000	-
	-	130,000	-	130,000	-
Compensated absences	-	1,603	-	1,603	401
Total	-	131,603	-	131,603	401
Lynn Woods Senior Apartments					
Mortgage note	-	1,409,469	30,862	1,378,607	32,173
	-	1,409,469	30,862	1,378,607	32,173
Compensated absences	-	1,285	-	1,285	321
Total	-	1,410,754	30,862	1,379,892	32,494
Silver Woods Senior Apartments					
City of Everett HOME loan	-	100,000	-	100,000	-
Mortgage note	-	1,435,218	29,576	1,405,642	30,959
	-	1,535,218	29,576	1,505,642	30,959
Compensated absences	-	1,901	-	1,901	475
Total	-	1,537,119	29,576	1,507,543	31,434
Evergreen Court Senior Apartments					
Compensated absences	-	1,975	-	1,975	494
Hawkins House Senior Apartments					
Compensated absences	-	1,160	-	1,160	290
Lynn Crest Senior Apartments					
Compensated absences	-	1,276	-	1,276	319
Lake Woods Senior Apartments					
Compensated absences	-	3,815	-	3,815	954
Meadow Park Senior Apartments					
Compensated absences	-	1,603	-	1,603	401
Scriber Pointe Senior Apartments					
Compensated absences	-	1,276	-	1,276	319
Silver View Senior Apartments					
Compensated absences	-	2,018	-	2,018	505
Village East Senior Apartments					
Compensated absences	-	1,137	-	1,137	284

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Notes to Basic Financial Statements

June 30, 2017

The annual debt service requirements of the Component Units' long-term debt obligations at December 31, 2016 are as follows:

Year Ended December 31	Notes	Interest	Total
2017	\$ 6,247,947	\$ 1,887,951	\$ 8,135,898
2018	15,774,744	1,955,079	17,729,823
2019	395,623	1,956,037	2,351,660
2020	410,759	1,958,470	2,369,229
2021	426,424	1,956,133	2,382,557
2022-2026	3,507,649	10,451,969	13,959,618
2027-2031	7,677,324	8,992,483	16,669,807
2032-2036	10,047,246	6,567,495	16,614,741
Thereafter	61,579,513	34,737,728	96,317,241
	<u>\$ 106,067,229</u>	<u>\$ 70,463,345</u>	<u>\$ 176,530,574</u>

9. Arbitrage

The Housing Authority periodically monitors for the existence of any rebatable arbitrage interest associated with its tax-exempt debt. Rebatable arbitrage interest is based on the difference between the interest earnings from the investment of bond proceeds as compared to the interest expense associated with the respective bonds. As of June 30, 2017, the Housing Authority estimated that no arbitrage rebate exists in conjunction with its debt reserve funds, and therefore no liability exists.

10. Conduit Debt

The Authority has issued special revenue low income housing bonds to provide financial assistance to nonprofit agencies to acquire, construct and rehabilitate low-income housing. These bonds are payable solely from the revenue of the low-income housing properties owned by the nonprofit agencies, and do not constitute a debt or pledge of the full faith and credit of the Authority, the State of Washington or any political subdivision thereof. Accordingly, these obligations and related assets are not presented in the financial statements of the Authority.

As of June 30, 2017, there were 4 separate series of these special revenue bonds outstanding with an aggregate original principal amount payable of \$17,664,000. The estimated unpaid principal balance of these obligations at June 30, 2017 is \$14,089,825.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2017

11. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The Agency maintains comprehensive insurance coverage with private carriers for vehicles, earthquake, and employee major medical and dental. Workman's compensation insurance is provided through the Washington State Department of Labor and Industries. Coverage for property, general liability, errors and omissions, and fidelity insurance is provided by the Housing Authorities Risk Retention Pool.

The Authority has elected to pay for its unemployment insurance coverage through quarterly reimbursements to the Washington State Employment Security Department as provided for by RCW 50.44.060. This reimbursement method is in lieu of paying unemployment taxes.

The Authority is a member of the Housing Authorities Risk Retention Pool (HARRP). Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. HARRP was created in March 1987 for the purposes of providing insurance and risk management services for housing authorities in the states of Washington, Oregon and California. HARRP currently has a total of eighty-nine member/owner housing authorities in the states of Washington, Oregon, California and Nevada, of which thirty-six are Washington housing authorities.

The Everett Housing Authority has obtained the following coverages from HARRP:

- General liability coverage is written on an occurrence form basis, without any deductible.
- Errors and omissions coverage, including employment practices liability, is written on a claims made basis. The Authority is responsible for 10% of any incurred loss.
- Property loss coverage is on a replacement cost basis with a deductible of \$2,500 per occurrence.
- Fidelity coverage with a limit of \$750,000 for employee dishonesty and forgery or alteration and \$75,000 for theft, with a deductible of \$1,000 per occurrence.

Coverage limits for general liability, errors & omissions and employment practices liability are \$2,000,000 per occurrence with a \$2,000,000 annual aggregate. Property coverage is provided on a full replacement cost basis, per structure, up to the stated values reported to HARRP. The HARRP Board of Directors determines the limits and coverage terms, in its sole discretion.

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

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

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2017

12. Pension Plan –

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2016:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ 4,707,275
Pension assets	-
Deferred outflows of resources	1,243,342
Deferred inflows of resources	44,858
Pension expense/expenditures	\$ 675,839

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

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

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

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

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

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

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

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Notes to Basic Financial Statements

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

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

Contributions

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

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	11.18%	6.12%

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

The Everett Housing Authority's actual PERS plan contributions were \$225,796 to PERS Plan 1 and \$294,550 to PERS Plan 2/3 for the year ended June 30, 2016.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

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June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

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

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.

Discount Rate

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

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

Long-Term Expected Rate of Return

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

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Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$2,578,583	\$2,138,307	\$1,759,422
PERS 2/3	4,729,932	2,568,968	(1,337,296)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2016, the Everett Housing Authority reported a total pension liability of \$4,707,275 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$2,138,307
PERS 2/3	2,568,968

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

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.037174%	0.039816%	0.002642%
PERS 2/3	0.048023%	0.051023%	0.003000%

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

Pension Expense

For the year ended June 30, 2017, the recognized pension expense as follows:

	Pension Expense
PERS 1	\$125,067
PERS 2/3	350,460
TOTAL	\$475,527

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2017, the Everett Housing Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	53,839	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	262,700	-
TOTAL	\$316,539	\$ -

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$136,796	\$84,806

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Notes to Basic Financial Statements

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Net difference between projected and actual investment earnings on pension plan investments	314,367	-
Changes of assumptions	26,552	-
Changes in proportion and differences between contributions and proportionate share of contributions	106,397	(39,947)
Contributions subsequent to the measurement date	342,691	-
TOTAL	\$926,803	\$44,859

Deferred outflows of resources related to pensions resulting from the Everett Housing Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	PERS 1	PERS 2/3
2017	\$(13,256)	\$48,539
2018	(13,256)	54,341
2019	49,445	281,465
2020	30,906	154,908
TOTAL	\$53,839	\$539,253

13. Deferred Compensation Plan

The Housing Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan is managed by the Washington State Department of Retirement Systems, which maintains an individual account for each participant. Pursuant to GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, since EHA is not the owner or trustee of these assets, the plan assets are not reported as part of EHA's basic financial statements.

14. Related Party Transactions

a. Tax Credit Partnerships

The Authority serves as the general partner for the following six tax credit partnerships accounted for as discretely presented component units as described in Note 1.

- EHA-Twelve Pines LP
- Broadway Plaza LLLP
- Pivotal Point LLLP
- Bakerview/Grandview Affordable Housing LLLP
- Everett Affordable Housing Portfolio LLLP
- EHA Senior Housing I LLLP

Each Partnership is formed to develop and provide low-income housing either through acquisition and remodel of units that were previously owned by the Authority or a third party or through constructing new units. The sources of funding for acquisition and development is a combination

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2017

of seller/sponsor financing, tax exempt bond financing, public funder debt, equity payments from the limited investor partner, and cash flow from operations. The Authority serves as the developer for these projects and collects a development fee. A portion of that fee is paid in cash at the completion of the work from installments of equity payments and the balance is deferred and paid from operating cash flow over a period of approximately 10 years.

These properties derive revenue primarily from rent charged to tenants and rental assistance provided by contracts with HUD. The Authority manages the housing projects owned by the partnerships providing staff to operate and maintain the property and to provide regulatory compliance administration. Salaries and benefits of frontline staff are paid from operating revenues. The Authority may also collect annual management fees, incentive management fees, payments of deferred development fees, payments for loans made to the properties and general partner fees from these projects.

The Authority collected the following payments from related parties during the fiscal year ending June 30, 2017:

	Development Fees	Incentive Mgt Fee	Property Mgt Fees	General Partner Fees	Loan/Advance Payments	Total
EHA- Twelve Pines LP	-	-	65,226	9,076	93,042	167,344
Broadway Plaza LLLP	350,000	-	84,471	-	-	434,471
Pivotal Point LLLP	-	7,426	10,404	7,538	24,750	50,118
Bakerview/Grandview LLLP	1,091,186	-	93,639	-	-	1,184,825
Everett Affordable Housing LLLP	985,874	-	59,993	-	979,000	2,024,867
EHA Senior Housing I LLLP	-	-	79,531	-	-	79,531
Total	\$ 2,427,060	\$ 7,426	\$ 393,264	\$ 16,614	\$ 1,096,792	\$ 3,941,156

The Authority issues bond debt used to finance these projects which is then loaned to the partnerships. In addition, the Authority is obligated to fund operating deficits through advances to the partnerships. The balances owed to the Authority for all receivables for the year ending June 30, 2017 were:

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2017

	Development Notes Receivable	Bond Notes Receivable	Sponsor Loans Receivable	Seller/EHA Financing Notes Receivable	HOME/HTF and other Loans	Deferred Interest	Total
EHA- Twelve Pines LP	\$ -	\$ 1,520,000	\$ -	\$ -	\$ 950,000	\$ 563,693	\$ 3,033,693
Broadway Plaza LLLP	72,861	6,645,000	-	9,875,000	-	2,766,378	19,359,239
Pivotal Point LLLP	-	-	-	59,928	865,000	-	924,928
Bakerview/Grandview LLLP	3,643,382	6,250,000	5,000,000	22,950,000	-	2,143,670	39,987,052
Everett Affordable Housing LLLP	2,289,126	5,337,285	2,000,000	9,694,066	-	951,369	20,271,846
EHA Senior Housing I LLLP	3,686,208	15,969,500	1,284,756	8,375,000	-	428,663	29,744,127
							-
Total	\$ 9,691,577	\$ 35,721,785	\$ 8,284,756	\$ 50,953,994	\$ 1,815,000	\$ 6,853,773	\$ 113,320,885

Further detail for these receivables is available in Note 5.

b. Nonprofit Entities

In 2017 the Authority assumed management of eleven 501(c)3 organizations as described in Note 1. These properties were accounted for as discretely presented component units. During the year ending June 30, 2017, EHA received \$127,008 in management fees from these properties and another \$115,191 was accrued as a receivable during the year. Those properties are:

- Lynn Woods Senior Housing Association of Snohomish County
- Silver Lake Senior Housing Association of Snohomish County
- Lake Woods Senior Housing Association of Snohomish County
- Lynn Crest Senior Housing Association of Snohomish County
- Silver View Senior Housing Association
- Evergreen Court Senior Housing Association
- Village East Senior Housing Association
- Meadow Park Senior Housing Association
- Scriber Pointe Senior Housing Association
- Evergreen Village Senior Housing Association
- Hawkins House

Accrued Management Fees Receivable as of June 30, 2017 were:

Lynn Woods Senior Housing Association of Snohomish County	\$ 9,684
Silver Lake Senior Housing Association of Snohomish County	13,513
Lake Woods Senior Housing Association of Snohomish County	30,822
Lynn Crest Senior Housing Association of Snohomish County	21,278
Meadow Park Senior Housing Association	10,893
Evergreen Village Senior Housing Association	18,706
Hawkins House	10,295
	<u>\$ 115,191</u>

There were no payables associated with associated with the component units at June 30, 2017.

Condensed Financial Data for the Component Units for the year ended December 31, 2016 is as follows:

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June 30, 2017

Assets, Liabilities and Net Position

	EHA - Twelve Pines LLP	Broadway Plaza LLP	Pivotal Point LLLP	Bakerview/ Grandview LLLP	Everett Aff Hsg Port LLLP	EHA Senior Housing LLLP	Total - Tax Credits
Assets							
Cash and investments	\$ 62,129.6	\$ 1,970,345	\$ 501,708	\$ 799,760	\$ 872,576	\$ 142,070	\$ 4,907,755
Receivables and other assets	17,045	181,698	38,174	351,842	241,304	155,919	985,982
Capital assets, net	3,344,014	19,508,380	4,378,590	55,885,511	26,921,804	29,099,616	139,137,915
Total assets	<u>\$ 3,982,355</u>	<u>\$ 21,660,423</u>	<u>\$ 4,918,472</u>	<u>\$ 57,037,113</u>	<u>\$ 28,035,684</u>	<u>\$ 29,397,605</u>	<u>\$ 145,031,652</u>
Liabilities and net position							
Liabilities							
Current liabilities	\$ 241,866	\$ 680,266	\$ 65,088	\$ 10,401,667	\$ 1,066,024	\$ 3,815,494	\$ 16,270,405
Long-term liabilities	2,854,426	18,561,293	882,175	39,129,158	20,059,710	25,875,682	107,362,444
Total liabilities	<u>3,096,292</u>	<u>19,241,559</u>	<u>947,263</u>	<u>49,530,825</u>	<u>21,125,734</u>	<u>29,691,176</u>	<u>123,632,849</u>
Net position	886,063	2,418,864	3,971,209	7,506,288	6,909,950	(293,571)	21,398,803
Total liabilities and net position	<u>\$ 3,982,355</u>	<u>\$ 21,660,423</u>	<u>\$ 4,918,472</u>	<u>\$ 57,037,113</u>	<u>\$ 28,035,684</u>	<u>\$ 29,397,605</u>	<u>\$ 145,031,652</u>

Revenues, Expenses and Changes in Net Position

Operating revenues	\$ 983,386	\$ 2,093,772	\$ 203,832	\$ 2,427,080	\$ 1,522,736	\$ 1,409,279	\$ 8,640,085
Operating expenses	-	-	-	-	-	-	-
Administration & tenant services	243,718	523,601	90,648	609,208	273,292	451,210	2,191,677
Maintenance & operations	279,014	296,912	47,491	524,052	370,358	320,851	1,838,678
Utilities & general	88,787	287,345	41,563	330,529	162,763	162,557	1,073,544
Depreciation	108,225	616,723	171,189	1,513,016	750,051	516,713	3,675,917
Total operating expenses	<u>719,744</u>	<u>1,724,581</u>	<u>350,891</u>	<u>2,976,805</u>	<u>1,556,464</u>	<u>1,451,331</u>	<u>8,779,816</u>
Operating income	263,642	369,191	(147,059)	(549,725)	(33,728)	(42,052)	(139,731)
Nonoperating revenues (expenses)	-	-	-	-	-	-	-
Investment income	12,67	3,269	1,450	452	13,55	254	8,047
Interest expense and amortization cost	(137,535)	(886,249)	(18,581)	(1,552,834)	(740,277)	(388,180)	(3,723,656)
Gains (losses) - capital asset disposition	(1413,86)	(20)	-	-	-	-	(141,406)
Total nonoperating (expenses)	<u>(277,654)</u>	<u>(883,000)</u>	<u>(17,131)</u>	<u>(1,552,382)</u>	<u>(738,922)</u>	<u>(387,926)</u>	<u>(3,857,015)</u>
Income (loss) before capital contributions	(14,012)	(513,809)	(164,190)	(2,102,107)	(772,650)	(429,978)	(3,996,746)

Contributions

Capital contributions - partnerships	-	-	-	10,911,863	8,558,491	250,100	19,720,454
Syndication costs - contra-capital	-	-	-	-	-	(113,689)	(113,689)
Total contributions	-	-	-	10,911,863	8,558,491	136,411	19,606,765
Change in net position	(14,012)	(513,809)	(164,190)	8,809,756	7,785,841	(293,567)	15,610,019
Beginning net position	900,076	2,932,673	4,135,398	(13,033,472)	(875,891)	-	5,788,784
Ending net position	<u>\$ 886,064</u>	<u>\$ 2,418,864</u>	<u>\$ 3,971,208</u>	<u>\$ 7,506,284</u>	<u>\$ 6,909,950</u>	<u>\$ (293,567)</u>	<u>\$ 21,398,803</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2017

	Evergreen Court	Evergreen Village	Hawkins House	Lynncrest	Lake Woods	Lynn Woods	Meadow Park
Assets, Liabilities and Net Position							
Assets							
Cash and investments	\$ 203,472	\$ 152,767	\$ 153,783	\$ 140,495	\$ 250,854	\$ 364,192	\$ 99,533
Receivables and other assets	5,930	5,939	6,202	5,941	8,308	11,125	5,763
Capital assets, net	1,532,229	2,421,950	5,960,768	12,228,304	12,433,391	952,531	1,803,631
Total assets	<u>\$ 1,741,631</u>	<u>\$ 2,580,656</u>	<u>\$ 6,120,753</u>	<u>\$ 1,374,740</u>	<u>\$ 1,502,553</u>	<u>\$ 1,327,848</u>	<u>\$ 1,908,927</u>
Liabilities and net position							
Liabilities							
Current liabilities	\$ 31,299	\$ 27,959	\$ 29,320	\$ 33,852	\$ 53,429	\$ 63,349	\$ 32,605
Long-term liabilities	1,481	13,120	870	957	2,861	1,330,309	1,202
Total liabilities	<u>32,780</u>	<u>159,161</u>	<u>30,190</u>	<u>34,809</u>	<u>56,290</u>	<u>1,393,658</u>	<u>33,807</u>
Net position	1,708,851	2,421,495	6,090,563	13,339,931	14,446,263	(65,810)	1,875,120
Total liabilities and net position	<u>\$ 1,741,631</u>	<u>\$ 2,580,656</u>	<u>\$ 6,120,753</u>	<u>\$ 1,374,740</u>	<u>\$ 1,502,553</u>	<u>\$ 1,327,848</u>	<u>\$ 1,908,927</u>
Revenues, Expenses and Changes in Net Position							
Operating revenues	\$ 233,650	\$ 210,665	\$ 248,650	\$ 205,249	\$ 274,534	\$ 347,735	\$ 229,939
Operating expenses							
Administration & tenant services	100,276	133,820	116,331	110,098	137,806	120,133	127,898
Maintenance & operations	36,488	41,029	50,605	57,955	66,753	56,018	45,838
Utilities & general	36,712	45,295	68,429	49,350	58,283	43,450	45,637
Depreciation	70,690	92,738	184,051	64,918	75,675	72,592	83,769
Total operating expenses	<u>244,166</u>	<u>312,882</u>	<u>419,416</u>	<u>282,321</u>	<u>338,517</u>	<u>292,193</u>	<u>303,142</u>
Operating income	(10,516)	(102,217)	(170,766)	(77,072)	(63,983)	55,542	(73,203)
Nonoperating revenues (expenses)							
Investment income	462	282	201	400	675	433	183
Interest expense and amortization cost	-	-	-	-	-	(58,597)	-
Gains (losses) - capital asset disposition	-	-	-	-	-	-	-
Total nonoperating (expenses)	<u>462</u>	<u>282</u>	<u>201</u>	<u>400</u>	<u>675</u>	<u>(58,164)</u>	<u>183</u>
Income (loss) before capital contributions	(10,054)	(101,935)	(170,565)	(76,672)	(63,308)	(2,622)	(73,020)
Contributions							
Capital contributions - partnerships	-	-	-	-	-	-	-
Syndication costs - contra-capital	-	-	-	-	-	-	-
Total contributions	-	-	-	-	-	-	-
Change in net position	(10,054)	(101,935)	(170,565)	(76,672)	(63,308)	(2,622)	(73,020)
Beginning net position	1,718,904	2,523,428	6,261,126	14,16,604	1,509,571	(63,187)	1,948,138
Ending net position	<u>\$ 1,708,850</u>	<u>\$ 2,421,493</u>	<u>\$ 6,090,561</u>	<u>\$ 13,339,932</u>	<u>\$ 1,446,263</u>	<u>\$ (65,809)</u>	<u>\$ 1,875,118</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Notes to Basic Financial Statements
June 30, 2017

Assets, Liabilities and Net Position

	Scriber Pointe	Silver View	Silver Woods	Village East	Total - Nonprofits	Grand Total
Assets						
Cash and investments	\$ 204,597	\$ 241,625	\$ 380,758	\$ 205,632	\$ 2,397,708	\$ 7,305,463
Receivables and other assets	7,754	5,990	11,615	7,143	81,710	1,067,692
Capital assets, net	2,333,515	1,334,718	1,019,014	1,589,679	2,149,730	16,055,645
Total assets	\$ 2,545,866	\$ 1,582,333	\$ 1,411,387	\$ 1,802,454	\$ 23,899,148	\$ 168,930,800
Liabilities and net position						
Liabilities						
Current liabilities	\$ 26,829	\$ 30,322	\$ 105,164	\$ 39,318	\$ 473,446	\$ 16,743,851
Long-term liabilities	957	1,514	1,454,171	853	2,926,377	110,288,821
Total liabilities	2,786	3,183	1,559,335	40,171	3,399,823	127,032,672
Net position	2,518,080	1,550,497	(147,948)	1,762,283	20,499,325	41,898,128
Total liabilities and net position	\$ 2,545,866	\$ 1,582,333	\$ 1,411,387	\$ 1,802,454	\$ 23,899,148	\$ 168,930,800

Revenues, Expenses and Changes in Net Position

Operating revenues	\$ 221,604	\$ 231,557	\$ 326,295	\$ 229,961	\$ 2,759,839	\$ 11,399,924
Operating expenses						
Administration & tenant services	-	-	-	-	1,288,993	3,480,670
Maintenance & operations	106,073	105,835	99,987	130,736	587,307	2,425,985
Utilities & general	59,862	65,682	62,621	44,456	508,917	1,582,461
Depreciation	45,912	39,173	39,589	37,087	939,359	4,615,276
Total operating expenses	87,353	72,483	65,764	69,326	3,324,576	12,104,392
Operating income	299,200	283,173	267,961	281,605	(564,737)	(704,468)
Nonoperating revenues (expenses)						
Investment income	(77,596)	(51,616)	58,334	(51,644)	4,200	12,247
Interest expense and amortization cost	-	-	-	425	(128,067)	(3,851,723)
Gains (losses) - capital asset disposition	347	474	(69,152)	425	(123,867)	(141,406)
Total nonoperating (expenses)	(77,249)	(51,142)	(10,818)	(51,219)	(688,604)	(4,685,350)
Income (loss) before capital contributions	(77,249)	(51,142)	(10,818)	(51,219)	(688,604)	(4,685,350)
Contributions						
Capital contributions - partnerships	-	-	-	-	-	19,720,454
Syndication costs - contra-capital	-	-	-	-	-	(113,689)
Total contributions	-	-	-	-	-	19,606,765
Change in net position	(77,249)	(51,142)	(10,818)	(51,219)	(688,604)	14,921,415
Beginning net position	2,595,326	1,601,640	(137,129)	1,813,508	2,118,792	26,976,713
Ending net position	\$ 2,518,077	\$ 1,550,498	\$ (147,947)	\$ 1,762,289	\$ 20,499,325	\$ 41,898,128

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2017

15. Contingencies

The Authority is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management believes that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Any disallowed costs may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

16. Subsequent Events

In June 2017, the Authority received approval from HUD's Special Applications Center (SAC) to dispose of the Baker Heights 244 unit public housing project. Although the project was fully occupied at the time of approval, it was determined to be obsolete. The cost to modernize the project exceeds allowable and available funding. EHA received an allocation of 244 Section 8 tenant based housing choice vouchers to assist the residents in finding alternative housing. The vouchers will be released by HUD to EHA in increments according to the planned move-out schedule of the Baker Heights residents. As of December 2017, sixteen units have been vacated. The Authority plans to sell a majority of the land at fair market value once all the units are vacated. The financial impact of this disposition approval was not material in 2017. The Authority holds sufficient public housing reserves to facilitate and monetarily assist with the relocation of the Baker Heights residents.

In July of 2017, as previously anticipated, the EHA-Twelve Pines Limited Partnership was dissolved. The partnership had been formed to purchase and finance the renovation of eighty units of housing at the Twelve Pines apartment complex in Everett, WA. The partnership had reached the end of its fifteen-year tax credit compliance period. Bonds that had been issued by EHA for this project were paid off in July of 2017. In addition, the HOME loan from the City of Everett and its accrued deferred interest was forgiven. A new partnership, Wiggums Park Place, LLLP was created to finance a construction project to renovate this apartment complex, and in August an investing partner was admitted to the limited partnership. EHA is the general partner and .01% owner and Boston Capital is the limited partner and 99.99% owner. The renovation work is expected to be completed by the end of 2018. EHA is the developer of the project and will continue to manage its operations.

Housing Authority of the City of Everett
Schedule of Proportionate Share of Net Pension Liability
As of June 30, 2017
Last 10 Fiscal Years*

PERS # 1	2016**	2015	2014	2013
Employer's proportion of the net pension liability (asset)	0.039816%	0.037174%	0.034937%	0.034695%
Employer's proportionate share of the net pension liability	2,138,307	1,944,546	1,759,968	2,027,317
Employer's covered payroll	4,516,285	4,281,598	3,853,601	3,819,873
Employer's proportionate share of the net pension liability as a percentage of covered payroll	47.35%	45.42%	45.67%	53.07%
Plan fiduciary net position as a percentage of the total pension liability	57.03%	59.10%	61.19%	
PERS #2/3	2016**	2015	2014	2013
Employer's proportion of the net pension liability (asset)	0.051023%	0.048023%	0.044981%	0.046204%
Employer's proportionate share of the net pension liability	2,568,968	1,715,889	909,228	1,972,918
Employer's covered payroll	4,516,285	4,281,598	3,853,601	3,819,873
Employer's proportionate share of the net pension liability as a percentage of covered payroll	56.88%	40.08%	23.59%	51.65%
Plan fiduciary net position as a percentage of the total pension liability	85.82%	89.20%	93.29%	

*These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**These schedules provide information as of the measurement date of June 30, 2016 for amounts recorded as of June 30, 2017 financial statements related to net pension liabilities, expenses, deferred outflows of resources and deferred inflows of resources.

Housing Authority of the City of Everett
Schedule of Employer Contributions
As of June 30, 2017
Last 10 Fiscal Years*

PERS # 1	2016**	2015	2014	2013
Contractually required contributions	225,796	170,851	154,640	89,978
Contributions in relation to the contractually required contributions	(225,796)	(170,851)	(154,640)	(89,978)
Contribution deficiency (excess)	-	-	-	-
Covered payroll	4,516,285	4,281,598	3,853,601	3,819,873
Contributions as a percentage of covered employer payroll	5.00%	3.99%	4.01%	2.36%

PERS #2/3	2016**	2015	2014	2013
Contractually required contributions	294,550	213,920	190,017	179,299
Contributions in relation to the contractually required contributions	(294,550)	(213,920)	(190,017)	(179,299)
Contribution deficiency (excess)	-	-	-	-
Covered payroll	4,516,285	4,281,598	3,853,601	3,819,873
Contributions as a percentage of covered employer payroll	6.52%	5.00%	4.93%	4.69%

*These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**These schedules provides information as of the measurement date of June 30, 2016 for amounts recorded as of June 30, 2017 financial statements related to net pension liabilities, expenses, deferred outflows of resources and deferred inflows of resources.

HOUSING AUTHORITY OF THE CITY OF EVERETT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2017

1. Changes of Benefit Terms

There were no changes in the benefit terms for the Pension Plans

2. Changes of Assumptions

For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.

Housing Authority of the City of Everett
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

	Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
					From Pass- Through Awards	From Direct Awards	Total		
Section 8 Project-Based Cluster									
Office Of Community Planning And Development, Department Of Housing And Urban Development	Office Of Public And Indian Housing, Department Of Housing And Urban Development	Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	WA006SR004	-	134,470	134,470	-	1, 2
		Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856	WA006MR0003	-	52,573	52,573	-	1, 2
		Total Section 8 Project-Based Cluster:				-	187,043	187,043	-
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Office Of Public And Indian Housing, Department Of Housing And Urban Development	Public and Indian Housing	14.850	WA006	-	647,037	647,037	-	1, 2
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Office Of Public And Indian Housing, Department Of Housing And Urban Development	Resident Opportunity and Supportive Services - Service Coordinators	14.870	WA006RPS032A 013	-	69,447	69,447	-	1, 2
Housing Voucher Cluster									
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Office Of Public And Indian Housing, Department Of Housing And Urban Development	Section 8 Housing Choice Vouchers	14.871	WA006	-	30,661,217	30,661,217	-	1, 2
		Total Housing Voucher Cluster:				-	30,661,217	30,661,217	-
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Office Of Public And Indian Housing, Department Of Housing And Urban Development	Public Housing Capital Fund	14.872	WA19P006501	-	389,397	389,397	-	1, 2
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services	Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services	Block Grants for Community Mental Health Services	93.958	NSBHO- SNOHOMISHCO- MHBG-17-18	123,666		123,666	-	1, 2
Total Federal Awards Expended:					123,666	31,954,141	32,077,807	-	

The accompanying notes are an integral part of this schedule.

HOUSING AUTHORITY OF THE CITY OF EVERETT
Notes to the Supplemental Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

1. Basis of Accounting

The accompanying Supplemental Schedule of Expenditures of Federal Awards (The "Schedule") presents the activity of all federal financial assistance programs of the Everett Housing Authority (the "Authority"). The Authority's reporting entity is defined in Note 1 to the Authority's financial statements. All federal financial assistance received directly from the federal government as well as federal financial assistance that is passed through to other governmental agencies is required to be included on the Schedule.

The information presented in the Schedule is presented in accordance with the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Revenue and expenses are presented on an accrual basis of accounting with the exception of fixed assets and depreciation. For purposes of the Schedule, depreciation expense is not recorded and the cost of fixed asset additions is included as an expenditure.

2. Program Costs

The amounts shown on the Schedule are for current year expenditures and represent only the federal portion of the actual program costs. Actual program costs, including the Authority's portion, may be more than shown.

3. Indirect Cost Rate

The Everett Housing Authority has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2017

Line item number & account description	Hope Options 93,958	ROSS Grant 14,870	Housing Choice Vouchers 14,871	Section 8 Mod Rehab 14,249	Section 8 Mod Rehab 14,856	Business Activities
111 Cash - Unrestricted	\$ -	\$ -	\$ 607,710	\$ 102,921	\$ 36,282	\$ 9,460,080
113 Cash - Other Restricted	-	-	366,983	-	-	7,002
114 Cash - Tenant Security Deposits	-	-	-	-	-	23,040
115 Cash - Restricted for Payment of Current Liabilities	-	-	73,432	-	-	-
100 Total Cash	-	-	1,048,125	102,921	36,282	9,490,122
121 Accounts Receivable - PHA Projects	-	-	-	-	-	-
122 Accounts Receivable - HUD Other Projects	-	7,155	15,007	-	-	-
124 Accounts Receivable - Other Government	87,916	-	16,995	-	-	-
125 Accounts Receivable - Miscellaneous	-	-	39,284	-	-	126,809
126 Accounts Receivable - Tenants	-	-	-	-	844	8,546
126.1 Allowance for Doubtful Accounts - Tenants	-	-	-	-	-	(855)
126.2 Allowance for Doubtful Accounts - Other	-	-	(30,538)	-	-	-
127 Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	16,214,769
128 Fraud Recovery	-	-	112,858	-	-	-
128.1 Allowance for Doubtful Accounts - Fraud	-	-	(30,538)	-	-	-
129 Accrued Interest Receivable	-	-	-	-	-	231,786
120 Total Receivables, Net of Allowances for Doubtful Accounts	87,916	7,155	123,068	-	844	16,581,055
131 Investments - Unrestricted	-	-	-	-	-	-
132 Investments - Restricted	-	-	-	-	-	-
142 Prepaid Expenses and Other Assets	-	-	692	-	-	200
143 Inventories	-	-	-	-	-	-
144 Inter Program Due From	-	-	-	-	-	49,924
150 Total Current Assets	87,916	7,155	1,171,885	102,921	37,126	26,121,301
161 Land	-	-	-	-	-	2,283,436
162 Buildings	-	-	154,860	-	-	5,172,950
163 Furniture, Equipment & Machinery - Dwellings	-	-	-	-	-	8,000
164 Furniture, Equipment & Machinery - Administration	-	-	115,801	-	-	307,848
165 Leasehold Improvements	-	-	-	-	-	-
166 Accumulated Depreciation	-	-	(132,809)	-	-	(1,025,479)
167 Construction in Progress	-	-	-	-	-	671,394
160 Total Capital Assets, Net of Accumulated Depreciation	-	-	137,852	-	-	7,418,149
171 Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	92,083,263
174 Other Assets	-	-	-	-	-	6,180,976
180 Total Non-Current Assets	-	-	137,852	-	-	105,682,388
200 Deferred Outflow of Resources	-	-	235,188	-	-	624,425
190 Total Assets and Deferred Outflow of Resources	\$ 87,916	\$ 7,155	\$ 1,544,925	\$ 102,921	\$ 37,126	\$ 132,428,114

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2017

Line item number & account description	Hope Options 93,958	ROSS Grant 14,870	Housing Choice Vouchers 14,871	Section 8 Mod Rehab 14,249	Section 8 Mod Rehab 14,856	Business Activities
312 Accounts Payable <= 90 Days	30,230	6,948	58,454	19	7	27,980
321 Accrued Wages/Payroll Taxes Payable	-	-	-	-	-	-
322 Accrued Compensated Absences - Current Portion	1,885	52	21,218	13	5	22,422
325 Accrued Interest Payable	-	-	-	-	-	236,249
331 Accounts Payable - HUD PHA Programs	-	-	896	6,227	1,055	-
332 Account Payable - PHA Projects	-	-	-	-	-	-
333 Accounts Payable - Other Government	-	-	-	-	-	-
341 Tenant Security Deposits	-	-	-	-	-	23,040
342 Unearned Revenue	-	-	-	-	-	980
343 Current Portion of Long-term Debt - Capital	-	-	-	-	-	11,366,653
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-
345 Other Current Liabilities	-	-	73,432	-	-	4,857
346 Accrued Liabilities - Other	300	-	-	-	-	18,030
347 Inter Program - Due To	49,924	-	-	-	-	-
310 Total Current Liabilities	82,319	7,000	154,000	6,259	1,067	11,700,211
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	-	-	-	-	-	28,753,643
352 Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-
353 Non-current Liabilities - Other	-	-	67,856	-	-	700,193
354 Accrued Compensated Absences - Non Current	5,597	155	63,653	39	15	67,267
357 Accrued Pension and OPEB Liabilities	-	-	894,382	-	-	2,353,638
350 Total Non-Current Liabilities	5,597	155	1,025,891	39	15	31,874,741
300 Total Liabilities	87,916	7,155	1,179,891	6,298	1,082	43,574,952
400 Deferred Inflows of Resources	-	-	8,523	-	-	22,429
508.4 Net Investment in Capital Assets	-	-	137,852	-	-	4,834,637
511.4 Restricted Net Position	-	-	299,127	-	-	7,002
512.4 Unrestricted Net Position	-	-	(80,468)	96,623	36,044	83,989,094
513 Total Equity - Net Assets / Position	-	-	356,511	96,623	36,044	88,830,733
600 Total Liabilities, Deferred Inflows of Resources and Equity/Net Assets	\$ 87,916	\$ 7,155	\$ 1,544,925	\$ 102,921	\$ 37,126	\$ 132,428,114

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2017

Line item number & account description	Baker Heights WAO06000100	Grandview Homes WAO06000200	Bakerview Apts WAO06000300	Pipeview Apts WAO06000400	Scattered Sites WAO06000500	Total Public Housing Projects	COCC
111 Cash - Unrestricted	\$ 1,851,394	-	\$ -	-	\$ 536,413	\$ 2,387,807	\$ 4,700
113 Cash - Other Restricted	18,437	-	-	-	1,566	20,003	-
114 Cash - Tenant Security Deposits	54,650	-	-	-	11,000	65,650	-
115 Cash - Restricted for Payment of Current Liabilities	6,573	-	-	-	600	7,173	-
100 Total Cash	1,931,054	-	-	-	549,579	2,480,633	4,700
121 Accounts Receivable - PHA Projects	-	-	-	-	-	-	-
122 Accounts Receivable - HUD Other Projects	-	-	-	-	20,142	20,142	6,440
124 Accounts Receivable - Other Government	-	-	-	-	-	-	-
125 Accounts Receivable - Miscellaneous	-	-	-	-	-	-	8,058
126 Accounts Receivable - Tenants	37,531	-	-	-	1,728	39,259	-
126.1 Allowance for Doubtful Accounts - Tenants	(3,753)	-	-	-	(173)	(3,926)	-
126.2 Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-
127 Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	-	-
128 Fraud Recovery	-	-	-	-	-	-	-
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-	-
129 Accrued Interest Receivable	-	-	-	-	-	-	-
120 Total Receivables, Net of Allowances for Doubtful Accounts	33,778	-	-	-	21,697	55,475	14,498
131 Investments - Unrestricted	-	-	-	-	-	-	-
132 Investments - Restricted	-	-	-	-	-	-	-
142 Prepaid Expenses and Other Assets	824	-	-	-	119	943	7,033
143 Inventories	-	-	-	-	-	-	58,959
144 Inter Program Due From	-	-	-	-	-	-	-
150 Total Current Assets	1,965,656	-	-	-	571,395	2,537,051	85,190
161 Land	12,028	-	-	-	901,500	913,528	206,200
162 Buildings	10,421,302	-	-	-	4,095,445	14,516,747	3,224,161
163 Furniture, Equipment & Machinery - Dwellings	-	-	-	-	-	-	-
164 Furniture, Equipment & Machinery - Administration	116,950	-	-	-	18,235	135,185	964,190
165 Leasehold Improvements	-	-	-	-	-	-	-
166 Accumulated Depreciation	(10,277,959)	-	-	-	(2,546,349)	(12,824,318)	(2,376,610)
167 Construction in Progress	106,749	-	-	-	66,327	173,076	-
160 Total Capital Assets, Net of Accumulated Depreciation	379,060	-	-	-	2,535,158	2,914,218	2,017,941
171 Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	-	-
174 Other Assets	-	-	-	-	-	-	-
180 Total Non-Current Assets	379,060	-	-	-	2,535,158	2,914,218	2,017,941
200 Deferred Outflow of Resources	111,405	-	-	-	24,757	136,162	247,567
190 Total Assets and Deferred Outflow of Resources	\$ 2,456,121	\$ -	\$ -	\$ -	\$ 3,131,310	\$ 5,587,431	\$ 2,350,698

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2017

Line item number & account description	Baker Heights WA006000100	Grandview Homes WA006000200	Bakerview Apts WA006000300	Pipeview Apts WA006000400	Scattered Sites WA006000500	Total Public Housing Projects	COCC
312 Accounts Payable <= 90 Days	18,492	-	-	-	3,964	20,456	288,797
321 Accrued Wages/Payroll Taxes Payable	-	-	-	-	-	-	55,371
322 Accrued Compensated Absences - Current Portion	13,503	-	-	-	2,203	15,706	28,365
325 Accrued Interest Payable	-	-	-	-	-	-	-
331 Accounts Payable - HUD PHA Programs	-	-	-	-	-	-	-
332 Account Payable - PHA Projects	-	-	-	-	-	-	-
333 Accounts Payable - Other Government	-	-	-	-	-	-	-
341 Tenant Security Deposits	54,650	-	-	-	11,000	65,650	-
342 Unearned Revenue	686	-	-	-	974	1,660	-
343 Current Portion of Long-term Debt - Capital	-	-	-	-	-	-	-
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-	-
345 Other Current Liabilities	6,573	-	-	-	20,743	27,316	6,440
346 Accrued Liabilities - Other	78,852	-	-	-	19,860	98,712	8,270
347 Inter Program - Due To	-	-	-	-	-	-	-
310 Total Current Liabilities	170,756	-	-	-	58,744	229,500	385,243
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	-	-	-	-	-	-	-
352 Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-	-
353 Non-current Liabilities - Other	18,437	-	-	-	1,566	20,003	-
354 Accrued Compensated Absences - Non Current	40,508	-	-	-	6,608	47,116	85,096
357 Accrued Pension and OPEB Liabilities	423,655	-	-	-	94,145	517,800	941,455
350 Total Non-Current Liabilities	482,600	-	-	-	102,319	584,919	1,026,551
300 Total Liabilities	653,356	-	-	-	161,063	814,419	1,411,794
400 Deferred Inflows of Resources	4,037	-	-	-	897	4,934	8,972
508.4 Net Investment in Capital Assets	379,060	-	-	-	2,535,158	2,914,218	2,017,941
511.4 Restricted Net Position	-	-	-	-	-	-	-
512.4 Unrestricted Net Position	1,419,668	-	-	-	434,192	1,853,860	(1,088,009)
513 Total Equity - Net Assets / Position	1,798,728	-	-	-	2,969,350	4,768,078	929,932
600 Total Liabilities, Deferred Inflows of Resources and Equity/Net Assets	\$ 2,456,121	\$ -	\$ -	\$ -	\$ 3,131,310	\$ 5,587,431	\$ 2,350,698

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2017

Line item number & account description	Total Other Programs	Subtotal Housing Authority Projects/Programs	Eliminations	Total Housing Authority	Component Unit Discretely Presented	Memorandum Total
111 Cash - Unrestricted	\$ 10,206,993	\$ 12,599,500	\$ -	\$ 12,599,500	\$ 1,247,714	\$ 13,847,214
113 Cash - Other Restricted	373,985	393,988	-	393,988	4,965,858	5,359,846
114 Cash - Tenant Security Deposits	23,040	88,690	-	88,690	382,552	471,242
115 Cash - Restricted for Payment of Current Liabilities	73,432	80,605	-	80,605	709,339	789,944
100 Total Cash	10,677,450	13,162,783	-	13,162,783	7,305,463	20,468,246
121 Accounts Receivable - PHA Projects	-	-	-	-	-	-
122 Accounts Receivable - HUD Other Projects	22,162	48,744	-	48,744	8,621	57,365
124 Accounts Receivable - Other Government	104,911	104,911	-	104,911	-	104,911
125 Accounts Receivable - Miscellaneous	166,093	174,151	-	174,151	6,307	180,458
126 Accounts Receivable - Tenants	9,390	48,649	-	48,649	54,110	102,759
126.1 Allowance for Doubtful Accounts - Tenants	(855)	(4,781)	-	(4,781)	(1,268)	(6,049)
126.2 Allowance for Doubtful Accounts - Other	(30,538)	(30,538)	-	(30,538)	-	(30,538)
127 Notes, Loans, & Mortgages Receivable - Current	16,214,769	16,214,769	-	16,214,769	-	16,214,769
128 Fraud Recovery	112,858	112,858	-	112,858	-	112,858
128.1 Allowance for Doubtful Accounts - Fraud	(30,538)	(30,538)	-	(30,538)	-	(30,538)
129 Accrued Interest Receivable	231,786	231,786	-	231,786	-	231,786
120 Total Receivables, Net of Allowances for Doubtful Accounts	16,800,038	16,870,011	-	16,870,011	67,770	16,937,781
131 Investments - Unrestricted	-	-	-	-	-	-
132 Investments - Restricted	-	-	-	-	-	-
142 Prepaid Expenses and Other Assets	892	8,868	-	8,868	260,107	268,975
143 Inventories	-	58,959	-	58,959	-	58,959
144 Inter Program Due From	49,924	49,924	(49,924)	-	-	-
150 Total Current Assets	27,528,304	30,150,545	(49,924)	30,100,621	7,633,340	37,733,961
161 Land	2,283,436	3,403,164	-	3,403,164	12,071,868	15,475,032
162 Buildings	5,327,810	23,068,718	-	23,068,718	169,855,243	192,923,961
163 Furniture, Equipment & Machinery - Dwellings	8,000	8,000	-	8,000	2,962,362	2,970,362
164 Furniture, Equipment & Machinery - Administration	423,649	1,523,024	-	1,523,024	668,182	2,191,206
165 Leasehold Improvements	-	-	-	-	46,020	46,020
166 Accumulated Depreciation	(1,158,288)	(16,359,216)	-	(16,359,216)	(25,047,780)	(41,406,996)
167 Construction in Progress	671,394	844,470	-	844,470	1,750	846,220
160 Total Capital Assets, Net of Accumulated Depreciation	7,556,001	12,488,160	-	12,488,160	160,557,645	173,045,805
171 Notes, Loans and Mortgages Receivable - Non-Current	92,083,263	92,083,263	-	92,083,263	-	92,083,263
174 Other Assets	6,180,976	6,180,976	-	6,180,976	739,815	6,920,791
180 Total Non-Current Assets	105,820,240	110,752,399	-	110,752,399	161,297,460	272,049,859
200 Deferred Outflow of Resources	859,613	1,243,342	-	1,243,342	-	1,243,342
190 Total Assets and Deferred Outflows of Resources	\$ 134,208,157	\$ 142,146,286	\$ (49,924)	\$ 142,096,362	\$ 168,930,800	\$ 311,027,162

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2017

Line item number & account description	Total Other Programs	Subtotal Housing Authority Projects/Programs	Eliminations	Total Housing Authority	Component Unit Discreetly Presented	Memorandum Total
312 Accounts Payable <= 90 Days	123,638	430,891	-	430,891	1,644,203	2,075,094
321 Accrued Wages/Payroll Taxes Payable	-	55,371	-	55,371	-	55,371
322 Accrued Compensated Absences - Current Portion	45,575	89,646	-	89,646	43,923	133,569
325 Accrued Interest Payable	236,249	236,249	-	236,249	289,758	526,007
331 Accounts Payable - HUD PHA Programs	8,178	8,178	-	8,178	-	8,178
332 Account Payable - PHA Projects	-	-	-	-	-	-
333 Accounts Payable - Other Government	-	-	-	-	12,699	12,699
341 Tenant Security Deposits	23,040	88,690	-	88,690	380,531	469,221
342 Unearned Revenue	980	2,640	-	2,640	11,571	14,211
343 Current Portion of Long-term Debt - Capital	11,366,653	11,366,653	-	11,366,653	13,501,297	24,867,950
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-
345 Other Current Liabilities	78,289	112,045	-	112,045	179,296	291,341
346 Accrued Liabilities - Other	18,330	125,312	-	125,312	680,573	805,885
347 Inter Program - Due To	49,924	49,924	(49,924)	-	-	-
310 Total Current Liabilities	11,950,856	12,565,599	(49,924)	12,515,675	16,743,851	29,259,526
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	28,753,643	28,753,643	-	28,753,643	104,559,633	133,313,276
352 Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-
353 Non-current Liabilities - Other	768,049	788,052	-	788,052	5,597,419	6,385,471
354 Accrued Compensated Absences - Non Current	136,726	268,938	-	268,938	131,769	400,707
357 Accrued Pension and OPEB Liabilities	3,248,020	4,707,275	-	4,707,275	-	4,707,275
350 Total Non-Current Liabilities	32,906,438	34,517,908	-	34,517,908	110,288,821	144,806,729
300 Total Liabilities	44,857,294	47,083,507	(49,924)	47,033,583	127,032,672	174,066,255
400 Deferred Inflows of Resources	30,952	44,858	-	44,858	-	44,858
508.4 Net Investment in Capital Assets	4,972,489	9,904,648	-	9,904,648	24,052,208	33,956,856
511.4 Restricted Net Position	306,129	306,129	-	306,129	22,835,824	23,141,953
512.4 Unrestricted Net Position	84,041,293	84,807,144	-	84,807,144	(4,989,904)	79,817,240
513 Total Equity - Net Assets / Position	89,319,911	95,017,921	-	95,017,921	41,898,128	136,916,049
600 Total Liabilities, Deferred Inflow of Resources and Equity/Net Assts	\$ 134,208,157	\$ 142,146,286	\$ (49,924)	\$ 142,096,362	\$ 168,930,800	\$ 311,027,162

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2017

Line item number & account description	Hope Options 93,958	ROSS Grant 14,870	Housing Choice Vouchers 14,871	Section 8 Mod Rehab 14,249	Section 8 Mod Rehab 14,856	Business Activities
70300 Net Tenant Rental Revenue	\$ -	-	\$ -	-	-	\$ 631,072
70400 Tenant Revenue - Other	-	-	-	-	-	7,392
70500 Total Tenant Revenue	-	-	-	-	-	638,464
70600 HUD PHA Operating Grants	-	69,447	30,539,227	142,477	55,590	-
70610 Capital Grants	-	-	-	-	-	-
70710 Management Fee	-	-	-	-	-	721,470
70720 Asset Management Fee	-	-	-	-	-	-
70730 Book Keeping Fee	-	-	-	-	-	5,700
70740 Front Line Service Fee	-	-	-	-	-	-
70750 Other Fees	-	-	-	-	-	-
70700 Total Fee Revenue	-	-	-	-	-	727,170
70800 Other Government Grants	290,523	-	-	-	-	-
71100 Investment Income - Unrestricted	-	-	3,921	746	288	2,600,196
71200 Mortgage Interest Income	-	-	-	-	-	-
71400 Fraud Recovery	-	-	57,243	-	-	-
71500 Other Revenue	-	-	252,455	-	-	5,678,600
71600 Gain or Loss on Sale of Capital Assets	-	-	-	-	-	2,620
72000 Investment Income - Restricted	-	-	-	-	-	1
70000 Total Revenue	290,523	69,447	30,852,846	143,223	55,878	9,647,051
91100 Administrative Salaries	799	-	949,267	431	164	1,300,222
91200 Auditing Fees	-	-	27,081	196	75	609
91300 Management Fee	-	-	501,702	2,940	1,140	38,836
91310 Book-keeping Fee	-	-	257,677	1,837	713	5,700
91400 Advertising and Marketing	-	53	415	-	-	2,339
91500 Employee Benefit Contributions - Administrative	41	3,501	405,846	572	217	349,849
91600 Office Expenses	6,275	3,901	150,916	657	251	60,145
91700 Legal Expense	-	-	3,281	-	-	20,123
91800 Travel	-	2	18,546	-	-	34,031
91900 Other	182	56	25,901	9,111	3,471	8,235
91000 Total Operating - Administrative	7,297	7,513	2,340,632	15,744	6,031	1,820,089
92000 Asset Management Fee	-	-	-	-	-	-

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2017

Line item number & account description	Hope Options 93,958	ROSS Grant 14,870	Housing Choice Vouchers 14,871	Section 8 Mod Rehab 14,249	Section 8 Mod Rehab 14,856	Business Activities
92100 Tenant Services - Salaries	135,816	38,609	14,482	-	-	275,027
92200 Relocation Costs	-	-	-	-	-	120,562
92300 Employee Benefit Contributions - Tenant Services	43,736	20,087	3,051	-	-	36,570
92400 Tenant Services - Other	102,609	2,911	3,382	-	-	9,639
92500 Total Tenant Services	282,161	61,607	20,915	-	-	441,798
93100 Water	-	-	-	-	-	11,756
93200 Electricity	-	-	-	-	-	13,363
93300 Gas	-	-	-	-	-	190
93600 Sewer	-	-	-	-	-	20,654
93800 Other Utilities Expense	-	-	-	-	-	854
93000 Total Utilities	-	-	-	-	-	46,817
94100 Ordinary Maintenance and Operations - Labor	-	-	-	-	-	734,802
94200 Ordinary Maintenance and Operations - Materials & Other	-	-	1,294	-	-	18,118
94300 Ordinary Maintenance and Operations Contracts	3	-	191,406	20	8	54,219
94500 Employee Benefit Contributions - Ordinary Maintenance	-	-	-	-	-	119,758
94000 Total Maintenance	3	-	192,700	20	8	926,897
96110 Property Insurance	-	-	-	-	-	5,655
96120 Liability Insurance	-	-	7,074	23	9	2,413
96130 Workmen's Compensation	1,063	327	6,929	12	4	8,776
96140 All Other Insurance	-	-	2,315	-	-	572
96100 Total Insurance Premiums	1,063	327	16,318	35	13	17,416
96200 Other General Expenses	-	-	91,316	-	-	-
96300 Payments in Lieu of Taxes	-	-	-	-	-	-
96400 Bad Debt - Tenant Rents	-	-	-	-	-	423
96600 Bad Debt - Other	-	-	1,443	-	-	227
96000 Total Other General Expenses	-	-	92,759	-	-	650
96710 Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	71,683
96720 Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	1,969
96730 Amortization of Bond Issue Costs	-	-	-	-	-	-
96700 Total Interest Expense and Amortization Cost	-	-	-	-	-	73,652
96900 Total Operating Expenses	290,524	69,447	2,663,324	15,799	6,052	3,327,319
97000 Excess of Operating Revenue over Operating Expenses	(1)	-	28,189,522	127,424	49,826	6,319,732

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2017

Line item number & account description	Hope Options 93,958	ROSS Grant 14,870	Housing Choice Vouchers 14,871	Section 8 Mod Rehab 14,249	Section 8 Mod Rehab 14,856	Business Activities
97100 Extraordinary Maintenance	-	-	-	-	-	51,272
97200 Casualty Losses - Non-capitalized	-	-	-	-	-	-
97300 Housing Assistance Payments	-	-	27,760,209	118,671	46,521	-
97350 HAP Portability-In	-	-	237,684	-	-	-
97400 Depreciation Expense	-	-	28,382	-	-	202,030
90000 Total Expenses	290,524	69,447	30,689,599	134,470	52,573	3,580,621
10010 Operating Transfer In	-	-	-	-	-	106
10020 Operating Transfer Out	-	-	-	-	-	(425,106)
10040 Operating Transfers from/to Component Unit	-	-	-	-	-	(129,347)
10080 Special Items (Net Gain/Loss)	-	-	(667,717)	-	-	1,757,149
10091 Inter Project Excess Cash Transfer In	-	-	-	-	-	-
10092 Inter Project Excess Cash Transfer Out	-	-	-	-	-	-
10100 Total Other Financing Sources (Uses)	-	-	-	-	-	1,202,802
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (1)	\$ -	\$ 163,247	\$ 8,753	\$ 3,305	\$ 7,269,232
11020 Required Annual Debt Principal Payments	-	-	-	-	-	50,120
11030 Beginning Equity	-	-	860,981	87,870	32,739	81,561,503
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-	-	-
11170 Administrative Fee Equity	-	-	57,384	-	-	-
11180 Housing Assistance Payments Equity	-	-	299,127	-	-	-
11190 Unit Months Available	-	-	34,464	252	96	780
11210 Number of Unit Months Leased	-	-	34,357	245	95	760
11270 Excess Cash	-	-	-	-	-	-
11610 Land Purchases	-	-	-	-	-	-
11620 Building Purchases	-	-	-	-	-	-
11640 Furniture & Equipment - Administrative Purchases	-	-	-	-	-	-

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2017

Line item number & account description	Baker Heights WA006000100 \$	Grandview Homes WA006000200 \$	Bakerview Apts WA006000300 \$	Pineview Apts WA006000400 \$	Scattered Sites WA006000500 \$	Total Public Housing Projects \$	COCC \$
70300 Net Tenant Rental Revenue	949,890	-	-	-	250,094	1,199,984	-
70400 Tenant Revenue - Other	54,565	-	-	-	3,921	58,486	-
70500 Total Tenant Revenue	1,004,455	-	-	-	254,015	1,258,470	-
70600 HUD PHA Operating Grants	577,078	-	-	-	75,375	652,453	13,978
70610 Capital Grants	-	-	-	-	304,931	304,931	65,072
70710 Management Fee	-	-	-	-	-	-	681,260
70720 Asset Management Fee	-	-	-	-	-	-	34,560
70730 Book Keeping Fee	-	-	-	-	-	-	285,982
70740 Front Line Service Fee	-	-	-	-	-	-	-
70750 Other Fees	-	-	-	-	-	-	-
70700 Total Fee Revenue	-	-	-	-	-	-	1,001,802
70800 Other Government Grants	-	-	-	-	-	-	-
71100 Investment Income - Unrestricted	13,340	-	-	-	823	14,163	-
71200 Mortgage Interest Income	-	-	-	-	-	-	-
71400 Fraud Recovery	-	-	-	-	-	-	-
71500 Other Revenue	14,485	-	-	-	-	14,485	9,899
71600 Gain or Loss on Sale of Capital Assets	-	-	-	-	-	-	-
72000 Investment Income - Restricted	-	-	-	-	-	-	-
70000 Total Revenue	1,609,358	-	-	-	635,144	2,244,502	1,090,751
91100 Administrative Salaries	170,830	-	-	-	27,628	198,458	927,002
91200 Auditing Fees	2,299	-	-	-	406	2,705	1,657
91300 Management Fee	149,110	-	-	-	26,368	175,478	-
91310 Book-keeping Fee	21,885	-	-	-	3,870	25,755	-
91400 Advertising and Marketing	361	-	-	-	6	367	10,160
91500 Employee Benefit Contributions - Administrative	82,161	-	-	-	11,090	93,251	281,826
91600 Office Expenses	25,199	-	-	-	5,246	30,445	162,010
91700 Legal Expense	19,440	-	-	-	8,027	27,467	6,851
91800 Travel	15,571	-	-	-	1,298	16,869	49,917
91900 Other	6,929	-	-	-	1,171	8,100	4,814
91000 Total Operating - Administrative	493,785	-	-	-	85,110	578,895	1,444,237
92000 Asset Management Fee	29,280	-	-	-	5,280	34,560	-

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2017

Line item number & account description	Baker Heights WA006000100	Grandview Homes WA006000200	Bakerview Apts WA006000300	Pineview Apts WA006000400	Scattered Sites WA006000500	Total Public Housing Projects	COCC
92100 Tenant Services - Salaries	74,870	-	-	-	4,054	78,924	-
92200 Relocation Costs	83,958	-	-	-	3,354	87,312	-
92300 Employee Benefit Contributions - Tenant Services	19,197	-	-	-	1,431	20,628	-
92400 Tenant Services - Other	3,791	-	-	-	610	4,401	81
92500 Total Tenant Services	181,816	-	-	-	9,449	191,265	81
93100 Water	37,213	-	-	-	18,286	55,499	2,659
93200 Electricity	3,065	-	-	-	1,035	4,100	17,131
93300 Gas	1,015	-	-	-	329	1,344	8,635
93600 Sewer	120,074	-	-	-	31,849	151,923	4,716
93800 Other Utilities Expense	-	-	-	-	566	566	-
93000 Total Utilities	161,367	-	-	-	52,065	213,432	33,141
94100 Ordinary Maintenance and Operations - Labor	144,592	-	-	-	57,958	202,550	23,878
94200 Ordinary Maintenance and Operations - Materials & Other	77,745	-	-	-	19,884	97,629	14,037
94300 Ordinary Maintenance and Operations Contracts	90,728	-	-	-	21,298	112,026	41,537
94500 Employee Benefit Contributions - Ordinary Maintenance	45,204	-	-	-	26,923	72,127	5,069
94000 Total Maintenance	358,269	-	-	-	126,063	484,332	84,521
96110 Property Insurance	15,400	-	-	-	5,307	20,707	2,590
96120 Liability Insurance	8,475	-	-	-	1,722	10,197	3,503
96130 Workmen's Compensation	12,183	-	-	-	6,010	18,193	6,642
96140 All Other Insurance	2,809	-	-	-	408	3,217	4,738
96100 Total Insurance Premiums	38,867	-	-	-	13,447	52,314	17,473
96200 Other General Expenses	18,321	-	-	-	1,556	19,877	-
96300 Payments in Lieu of Taxes	78,852	-	-	-	19,860	98,712	-
96400 Bad Debt - Tenant Rents	8,145	-	-	-	81	8,226	-
96600 Bad Debt - Other	44,099	-	-	-	2,220	46,319	-
96000 Total Other General Expenses	149,417	-	-	-	23,717	173,134	-
96710 Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	-	-
96720 Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	-	-
96730 Amortization of Bond Issue Costs	-	-	-	-	-	-	-
96700 Total Interest Expense and Amortization Cost	-	-	-	-	-	-	-

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2017

Line item number & account description	Baker Heights WA006000100	Grandview Homes WA006000200	Bakerview Apts WA006000300	Pineview Apts WA006000400	Scattered Sites WA006000500	Total Public Housing Projects	COCC
96900 Total Operating Expenses	1,412,801	-	-	-	315,131	1,727,932	1,579,453
97000 Excess of Operating Revenue over Operating Expenses	196,557	-	-	-	320,013	516,570	(488,702)
97100 Extraordinary Maintenance	19,977	-	-	-	1,473	21,450	675
97200 Casualty Losses - Non-capitalized	2,715	-	-	-	-	2,715	-
97300 Housing Assistance Payments	-	-	-	-	-	-	-
97350 HAP Portability-In	-	-	-	-	-	-	-
97400 Depreciation Expense	55,890	-	-	-	146,181	202,071	134,523
90000 Total Expenses	1,491,383	-	-	-	462,785	1,954,168	1,714,651
10010 Operating Transfer In	-	-	-	-	-	-	425,000
10020 Operating Transfer Out	-	-	-	-	-	-	-
10040 Operating Transfers from/to Component Unit	-	-	-	-	-	-	-
10080 Special Items (Net Gain/Loss)	(316,287)	-	-	-	(70,285)	(386,572)	(702,860)
10091 Inter Project Excess Cash Transfer In	-	-	-	-	-	-	-
10092 Inter Project Excess Cash Transfer Out	-	-	-	-	-	-	-
10100 Total Other Financing Sources (Uses)	(316,287)	-	-	-	(70,285)	(386,572)	(277,860)
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (198,312)	\$ -	\$ -	\$ -	\$ 102,074	\$ (96,238)	\$ (901,760)
11020 Required Annual Debt Principal Payments	-	-	-	-	-	-	-
11030 Beginning Equity	1,997,040	-	-	-	2,867,276	4,864,316	1,831,691
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-	-	-	-
11170 Administrative Fee Equity	-	-	-	-	-	-	-
11180 Housing Assistance Payments Equity	-	-	-	-	-	-	-
11190 Unit Months Available	2,928	-	-	-	528	3,456	-
11210 Number of Unit Months Leased	2,918	-	-	-	516	3,434	-
11270 Excess Cash	1,657,906	-	-	-	484,706	2,142,612	-
11610 Land Purchases	-	-	-	-	-	-	-
11620 Building Purchases	-	-	-	-	304,931	304,931	65,072
11640 Furniture & Equipment - Administrative Purchases	-	-	-	-	-	-	-

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2017

Line item number & account description	Total Other Programs	Subtotal Housing Authority Projects/Programs	Eliminations	Total Housing Authority	Component Unit Discretely Presented	Memorandum Total
70300 Net Tenant Rental Revenue	\$ 631,072	\$ 1,831,056	-	\$ 1,831,056	\$ 10,987,237	\$ 12,818,293
70400 Tenant Revenue - Other	7,392	65,878	-	65,878	119,941	185,819
70500 Total Tenant Revenue	638,464	1,896,934	-	1,896,934	11,107,178	13,004,112
70600 HUD PHA Operating Grants	30,806,741	31,473,172	-	31,473,172	-	31,473,172
70610 Capital Grants	-	370,003	-	370,003	-	370,003
70710 Management Fee	721,470	1,402,730	(720,096)	682,634	-	682,634
70720 Asset Management Fee	-	34,560	(34,560)	-	-	-
70730 Book Keeping Fee	5,700	291,682	(291,682)	-	-	-
70740 Front Line Service Fee	-	-	-	-	-	-
70750 Other Fees	-	-	-	-	-	-
70700 Total Fee Revenue	727,170	1,728,972	(1,046,338)	682,634	-	682,634
70800 Other Government Grants	290,523	290,523	-	290,523	129,347	419,870
71100 Investment Income - Unrestricted	2,605,151	2,619,314	-	2,619,314	7,351	2,626,665
71200 Mortgage Interest Income	-	-	-	-	-	-
71400 Fraud Recovery	57,243	57,243	-	57,243	-	57,243
71500 Other Revenue	5,931,065	5,955,439	-	5,955,439	163,399	6,118,838
71600 Gain or Loss on Sale of Capital Assets	2,620	2,620	-	2,620	(141,406)	(138,786)
72000 Investment Income - Restricted	1	1	-	1	4,896	4,897
70000 Total Revenue	41,058,988	44,394,221	(1,046,338)	43,347,883	11,270,765	54,618,648
91100 Administrative Salaries	2,250,883	3,376,343	-	3,376,343	1,092,007	4,468,350
91200 Auditing Fees	27,961	32,323	-	32,323	147,369	179,692
91300 Management Fee	544,618	720,096	(720,096)	-	621,190	621,190
91310 Book-keeping Fee	265,927	291,682	(291,682)	-	-	-
91400 Advertising and Marketing	2,807	13,334	-	13,334	12,002	25,336
91500 Employee Benefit Contributions - Administrative	760,026	1,135,103	-	1,135,103	344,952	1,480,055
91600 Office Expenses	222,145	414,600	-	414,600	413,981	828,581
91700 Legal Expense	23,404	57,722	-	57,722	39,082	96,804
91800 Travel	52,579	119,365	-	119,365	31,519	150,884
91900 Other	46,956	59,870	-	59,870	121,229	181,099
91000 Total Operating - Administrative	4,197,306	6,220,438	(1,011,778)	5,208,660	2,823,331	8,031,991
92000 Asset Management Fee	-	34,560	(34,560)	-	-	-
92100 Tenant Services - Salaries	463,934	542,858	-	542,858	193,669	736,527
92200 Relocation Costs	120,562	207,874	-	207,874	687	208,561

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2017

Line item number & account description	Total Other Programs	Subtotal Housing Authority Projects/Programs	Eliminations	Total Housing Authority	Component Unit Discretely Presented	Memorandum Total
92300 Employee Benefit Contributions - Tenant Services	103,444	124,072	-	124,072	57,710	181,782
92400 Tenant Services - Other	118,541	123,023	-	123,023	405,273	528,296
92500 Total Tenant Services	806,481	997,827	-	997,827	657,339	1,655,166
93100 Water	11,756	69,914	-	69,914	231,682	301,596
93200 Electricity	13,363	34,594	-	34,594	288,507	323,101
93300 Gas	190	10,169	-	10,169	60,085	70,254
93600 Sewer	20,654	177,293	-	177,293	516,862	694,155
93800 Other Utilities Expense	854	1,420	-	1,420	1,275	2,695
93000 Total Utilities	46,817	293,390	-	293,390	1,098,411	1,391,801
94100 Ordinary Maintenance and Operations - Labor	734,802	961,230	-	961,230	869,602	1,830,832
94200 Ordinary Maintenance and Operations - Materials & Other	19,412	131,078	-	131,078	253,682	384,760
94300 Ordinary Maintenance and Operations Contracts	245,656	399,219	-	399,219	811,523	1,210,742
94500 Employee Benefit Contributions - Ordinary Maintenance	119,758	196,954	-	196,954	276,917	473,871
94000 Total Maintenance	1,119,628	1,688,481	-	1,688,481	2,211,724	3,900,205
95200 Protective Services - Other Contract Costs	-	-	-	-	-	-
96110 Property Insurance	5,655	28,952	-	28,952	208,277	237,229
96120 Liability Insurance	9,519	23,219	-	23,219	92,070	115,289
96130 Workmen's Compensation	17,111	41,946	-	41,946	93,529	135,475
96140 All Other Insurance	2,887	10,842	-	10,842	55,985	66,827
96100 Total Insurance Premiums	35,172	104,959	-	104,959	449,861	554,820
96200 Other General Expenses	91,316	111,193	-	111,193	1,992	113,185
96300 Payments in Lieu of Taxes	-	98,712	-	98,712	-	98,712
96400 Bad Debt - Tenant Rents	423	8,649	-	8,649	7,585	16,234
96600 Bad Debt - Other	1,670	47,989	-	47,989	24,612	72,601
96000 Total Other General Expenses	93,409	266,543	-	266,543	34,189	300,732
96710 Interest of Mortgage (or Bonds) Payable	71,683	71,683	-	71,683	2,529,167	2,600,850
96720 Interest on Notes Payable (Short and Long Term)	1,969	1,969	-	1,969	1,198,843	1,200,812
96730 Amortization of Bond Issue Costs	-	-	-	-	123,713	123,713
96700 Total Interest Expense and Amortization Cost	73,652	73,652	-	73,652	3,851,723	3,925,375
96900 Total Operating Expenses	6,372,465	9,679,850	(1,046,338)	8,633,512	11,126,578	19,760,090
97000 Excess of Operating Revenue over Operating Expenses	34,686,503	34,714,371	-	34,714,371	144,187	34,858,558
97100 Extraordinary Maintenance	51,272	73,397	-	73,397	48,378	121,775
97200 Casualty Losses - Non-capitalized	-	2,715	-	2,715	165,883	168,598

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2017

Line item number & account description	Total Other Programs	Subtotal Housing Authority Projects/Programs	Eliminations	Total Housing Authority	Component Unit Discretely Presented	Memorandum Total
97300 Housing Assistance Payments	27,925,401	27,925,401	-	27,925,401	-	27,925,401
97350 HAP Portability-In	237,684	237,684	-	237,684	-	237,684
97400 Depreciation Expense	230,412	567,006	-	567,006	4,615,276	5,182,282
90000 Total Expenses	34,817,234	38,486,053	(1,046,338)	37,439,715	15,956,115	53,395,830
10010 Operating Transfer In	106	425,106	-	425,106	-	425,106
10020 Operating Transfer Out	(425,106)	(425,106)	-	(425,106)	-	(425,106)
10040 Operating Transfers from/to Component Unit	(129,347)	(129,347)	-	(129,347)	-	(129,347)
10080 Special Items (Net Gain/Loss)	1,089,432	-	-	-	-	-
10091 Inter Project Excess Cash Transfer In	-	-	-	-	-	-
10092 Inter Project Excess Cash Transfer Out	-	-	-	-	-	-
10100 Total Other Financing Sources (Uses)	535,085	(129,347)	-	(129,347)	-	(129,347)
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 6,776,819	\$ 5,778,821	\$ -	\$ 5,778,821	\$ (4,685,350)	\$ 1,093,471
11020 Required Annual Debt Principal Payments	50,120	50,120	-	50,120	29,910,809	29,960,929
11030 Beginning Equity	82,543,093	89,239,100	-	89,239,100	5,788,784	95,027,884
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-	40,794,694	40,794,694
11170 Administrative Fee Equity	57,384	57,384	-	57,384	-	57,384
11180 Housing Assistance Payments Equity	299,127	299,127	-	299,127	-	299,127
11190 Unit Months Available	35,592	39,048	-	39,048	16,824	55,872
11210 Number of Unit Months Leased	35,457	38,891	-	38,891	16,588	55,479
11270 Excess Cash	-	2,142,612	-	2,142,612	-	2,142,612
11610 Land Purchases	-	-	-	-	-	-
11620 Building Purchases	-	370,003	-	370,003	-	370,003
11640 Furniture & Equipment - Administrative Purchases	-	-	-	-	-	-

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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