



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Housing Authority of the City of Everett

For the period July 1, 2017 through June 30, 2018

Published March 25, 2019

Report No. 1023472





Office of the Washington State Auditor

Pat McCarthy

March 25, 2019

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 cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Housing Authority of the City of Everett July 1, 2017 through June 30, 2018

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 financial statements of the business-type activities and the aggregate discretely presented component units in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs:

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.871	Housing 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 \$1,042,819.

The Housing Authority qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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

**Housing Authority of the City of Everett
July 1, 2017 through June 30, 2018**

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, as of and for the year ended June 30, 2018, 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 15, 2019.

Our report includes a reference to other auditors who audited the financial statements of the Housing Authority of the City of Everett – EHA – Twelve Pines Limited Partnership, Wiggums Park Place Limited Liability Limited Partnership, Broadway Plaza Limited Liability Limited Partnership, Pivotal Point Limited Liability Limited Partnership, Bakerview/Grandview Affordable Housing Limited Liability Limited Partnership, Everett Affordable Housing Portfolio Limited Liability Limited Partnership, EHA Senior Housing I Limited Liability Limited Partnership (collectively, the partnerships); as well as 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 and Hawkins House Senior Housing Association, as described in our report on the Housing Authority’s financial statements. This report includes our considerations of the results of the other auditors’ testing on 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 partnerships were not audited in accordance with *Governmental Auditing Standards* and accordingly this report does not include reporting on internal controls over financial reporting or instances of reportable noncompliance associated with these partnerships.

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 and the reports of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

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

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

Pat McCarthy

State Auditor

Olympia, WA

March 15, 2019

**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
July 1, 2017 through June 30, 2018**

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, 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, 2018. 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, 2018.

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 written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

March 15, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Housing Authority of the City of Everett July 1, 2017 through June 30, 2018

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, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the EHA – Twelve Pines Limited Partnership, Wiggums Park Place Limited Liability Limited Partnership, Broadway Plaza Limited Liability Limited Partnership, Pivotal Point Limited Liability Limited Partnership, Bakerview/Grandview Affordable Housing Limited Liability Limited Partnership, Everett Affordable Housing Portfolio Limited Liability Limited Partnership, EHA Senior Housing I Limited Liability Limited Partnership (collectively, the partnerships); as well as 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 and Hawkins House Senior Housing Association 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 these entities is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the partnerships, as well as 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 and Hawkins House Senior Housing Association were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the City of Everett, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 and HUD forms are 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 15, 2019 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.



Pat McCarthy

State Auditor

Olympia, WA

March 15, 2019

FINANCIAL SECTION

Housing Authority of the City of Everett July 1, 2017 through June 30, 2018

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2018

Statement of Revenues, Expenses and Changes in Net Position – 2018

Statement of Cash Flows – 2018

Notes to Financial Statements – 2018

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1 and PERS 2/3 – 2018

Schedule of Employer Contributions – PERS 1 and PERS 2/3 – 2018

Notes to the Required Supplementary Information – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2018

Notes to the Schedule of Expenditures of Federal Awards – 2018

Financial Data Schedule – 2018

Actual Modernization Cost Certificate, form HUD-53001, project WA19P006501-14 –
2018

Actual Modernization Cost Certificate, form HUD-53001, project WA19P006501-15 –
2018

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Management's Discussion and Analysis

June 30, 2018

The Housing Authority of the City of Everett (EHA or the Authority) is pleased to present its financial statements for the year ended June 30, 2018, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. 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. Additionally, GASB requires the inclusion of this Management's Discussion and Analysis (MD&A) as supplementary information to the financial statements. MD&A is an objective analysis of the government's financial activities, the overall financial position and results of operations intended to assist users of the financial statements in assessing whether the financial position has improved or deteriorated as a result of the year's activities.

EHA's MD&A is intended to assist users of the financial statements in identifying what management considers significant financial issues, provide an overview of the financial performance for the year ended June 30, 2018, identify and offer a discussion about changes in EHA's financial position and provide currently known facts, decisions, or conditions that are expected to have a significant effect on EHA's financial position or operations. Please read this MD&A in conjunction with the financial statements.

EHA prepares its financial statements on the accrual basis of accounting consistent with GAAP. 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 operations of EHA are included in the statement of net position.

Financial Highlights

- Total net position increased by \$9,956,313 (10.5%) during the fiscal year ended June 30, 2018. This increase is primarily due to the gain realized on dissolution of the EHA - Twelve Pines Limited Partnership. Upon dissolution in July 2017, the partnership's assets were absorbed into EHA's Business Activities fund. EHA then sold those assets to the newly formed Wiggums Park Place Limited Liability Partnership. EHA serves as general partner and property manager for that new partnership.
- The Authority is the general partner in six tax credit partnerships which are reported as discretely presented component units. Financial activity that occurred prior to the dissolution of EHA - Twelve Pines Limited Partnership is reported as a blended component unit for the fiscal year ended June 30, 2018 due to a change in reporting entity that occurred when an EHA controlled nonprofit organization assumed the limited partner interest during 2017. In previous years, EHA – Twelve Pines Limited Partnership had been reported as a discretely presented component unit. In addition, the Authority is the sponsor and manager of eleven 501(c)3 organizations which operate low-income housing properties. These nonprofit entities are reported as discretely presented component units. The financial performance discussed in this MD&A does not include the financial activity of any of the tax credit partnerships or nonprofit entities. More information about these entities is included in the Notes to the Financial Statements.
- EHA's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by \$104,974,234 at June 30, 2018. The unrestricted net position amounted to \$95,948,435 and may be used to meet ongoing obligations, investments in capital assets, net of debt amounted to \$8,998,612, and the remaining \$27,187 is restricted to meet defined obligations.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Management's Discussion and Analysis

June 30, 2018

- Overall, capital assets decreased by \$959,500, largely due to depreciation of \$591,433 and a net decrease in construction in progress of \$490,153.
- Total liabilities decreased by \$4,892,962 (10.4%) from the prior year. During the fiscal year, EHA Senior Housing I, LLLP converted its construction bond debt to long term permanent financing by using equity installments received from the investment limited partner to pay down the construction bond. These bonds were issued by EHA for the purchase and renovation of several buildings on behalf of EHA Senior Housing I, LLLP. In addition, debt issued to EHA - Twelve Pines Limited Partnership, and guaranteed by the authority, was forgiven by the City of Everett. The remaining debt of that partnership was satisfied when upon dissolution.
- Operating expenses increased by \$4,537,159 (12.0%) from the prior year largely due to an increase in housing assistance payments of \$2.5 million in our Section 8 Housing Choice Voucher (HCV) program. This increase occurred because rents in our area continue to rise steeply, HUD increased their fair market rents, and because we raised our payment standards for this program in October 2016, October 2017, and again in June of 2018. In addition, administrative expenses increased by \$1.3 million, tenant services costs increased by \$335,335 and maintenance expenses increased by \$232,001. These increases are correlated with expenses related to the relocation of tenants from our Baker Heights property, higher administrative costs associated with assuming full operations of eleven nonprofit organizations acquired in the previous year, normal inflationary increases in salaries, benefits, and other operating costs.
- Operating revenues decreased \$271,561 (.7%) from the prior year. EHA did not earn any development fee revenue for the year ended June 30, 2018 compared to \$3.7 million in development fee revenue earned in the prior year. Rent revenues were down \$159,507 due to vacancies from the ongoing relocation of tenants out of our public housing properties as the Section 18 disposition process continues. HUD operating grant revenues increased \$2.3 million due mostly to increases in our Section 8 HCV program subsidy.
- Non-operating revenues (net of non-operating expenses) increased by \$8,921,560 (350.1%). There was an \$82,916 increase in interest income and a \$10,695 decrease in interest expense during the year. In addition, there was a \$2.4 million gain on the disposition of capital assets associated with the dissolution of EHA - Twelve Pines LP and a \$5.9 million gain on the sale of capital assets related to the new formed Wiggums Park Place LLLP tax credit partnership. EHA received a \$591,514 settlement from the Judgement Fund, which is a permanent appropriation administered by the Department of Treasury to pay judgements against the United States. This settlement resulted from the Authority's participation in a successful lawsuit related to a funding offset implemented in 2012 by HUD.

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 are presented in the order of liquidity and are classified as "current" (convertible to cash within one year) and "non-current". "Current" liabilities are obligations that should be satisfied within one year and liabilities that do not meet this expectation are classified as "non-current".

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Management's Discussion and Analysis

June 30, 2018

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 through representation of the net position net of liabilities, for the entire Authority. 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* reports the Authority's operating revenues such as rental income and subsidy and operating expenses such as administrative, utilities, maintenance, etc. It also reports non-operating revenues such as interest income and gains and non-operating expenses such as interest expense. It presents information showing how EHA's net position changed during the year, which is similar to net income or loss. 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, non-capital 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, 2018. EHA uses the direct method of presenting cash flows, which includes a reconciliation of operating activities to operating income. This statement reflects cash inflows and outflows that occurred throughout the year.

Notes to the Basic Financial Statements provide financial statement disclosures that are an integral part of the basic financial statements. Such disclosures provide more detailed and explanatory information and 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	
	2018	2017
Assets:		
Current assets	\$ 22,231,927	\$ 30,100,621
Capital assets, net	11,528,660	12,488,160
Other non-current assets	112,825,774	98,264,239
Total assets	146,586,361	140,853,020
Deferred outflows of resources related to pensions	1,195,665	1,243,342
Total assets and deferred outflows of resources	147,782,026	142,096,362
Liabilities:		
Current liabilities	1,946,267	12,515,675
Non-current liabilities	40,194,355	34,517,908
Total liabilities	42,140,622	47,033,583
Deferred inflows of resources related to pensions	667,171	44,858
Total liabilities and deferred inflows of resources	42,807,793	47,078,441
Net position:		
Net investment in capital assets	8,998,612	9,904,648
Restricted	27,187	306,129
Unrestricted	95,948,434	84,807,144
Total net position	\$ 104,974,233	\$ 95,017,921

* Component units are not included.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Management's Discussion and Analysis

June 30, 2018

Total assets of the Authority at June 30, 2018 and 2017 amounted to \$146,586,361 and \$140,853,020, respectively. Current assets are comprised of cash, investments, receivables, current portion of notes and interest receivable, current portion of development fee receivable inventories, prepaid items, and restricted assets. Current assets of \$22.2 million are approximately \$7.8 million (26%) lower at June 30, 2018 than June 30, 2017, due to a decrease in notes receivable of approximately \$14.5 million. The decrease in current notes receivable was primarily due to the conversion of construction bond debt, which had been issued by the Authority and loaned to a tax credit partnership, to a permanent, long term note receivable. This decrease in notes receivable was offset by the receipt of cash development fees and equity payments from limited partners which contributed to an increase in unrestricted cash of \$6.2 million (49.6%) during the year.

Total liabilities of the Authority, which are segregated between current and non-current portions, amounted to \$42,140,622 and \$47,033,583 at June 30, 2018 and 2017, 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 84% from 2017 to 2018 primarily due to the paydown of construction bonds used to finance construction activities in one of our tax credit partnerships. Non-current liabilities increased 16% in 2018 primarily because of the conversion of short term construction bonds to long term permanent debt issued by the Authority.

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 2.41:1 in 2017 to 11.42:1 in 2018.

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 \$9,956,312 during the year primarily because the Authority realized a gain on the disposition of capital assets related to the EHA - Twelve Pines Limited Partnership of approximately \$2.4 million and because of the gain on the sale of capital assets to Wiggums Park Place LLLP of \$5.9 million. Also contributing to the increase in net position, was the \$591,514 litigation settlement from the Judgement Fund discussed previously. The remainder of the change in net position resulted from ordinary operations of the Authority and capital fund contributions from HUD. There was an operating loss of \$1.94 million including \$591,433 in depreciation expense during the year.

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.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Management's Discussion and Analysis
June 30, 2018

Changes in Unrestricted Net Position

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

Unrestricted net position, June 30, 2017	\$ 84,807,144
Total change in net position	9,956,312
Adjustments:	
Depreciation (1)	591,433
Adjusted change in net position	10,547,745
Payments on capital asset long-term debt borrowings	(53,464)
Capital asset additions	368,067
Decrease in restricted assets	278,942
Unrestricted net position, June 30, 2018	<u>\$ 95,948,434</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.

Financial Analysis

Revenues, Expenses and Changes in Net Position

Changes in net position are summarized in the table below: *

	Year Ended June 30	
	2018	2017
Operating revenues	\$ 40,084,384	\$ 40,355,945
Non-operating revenues	11,532,800	2,621,935
Total revenues	51,617,184	42,977,880
Operating expenses	42,032,570	37,495,410
Non-operating expenses	62,957	73,652
Total expenses	42,095,527	37,569,062
Excess before contributions	9,521,657	5,408,818
Capital grant contributions	434,655	370,003
Change in net position	<u>9,956,312</u>	<u>5,778,821</u>
Net position, beginning of year	95,017,921	89,239,100
Net position, end of year	<u>\$ 104,974,233</u>	<u>\$ 95,017,921</u>

* Component units are not included.

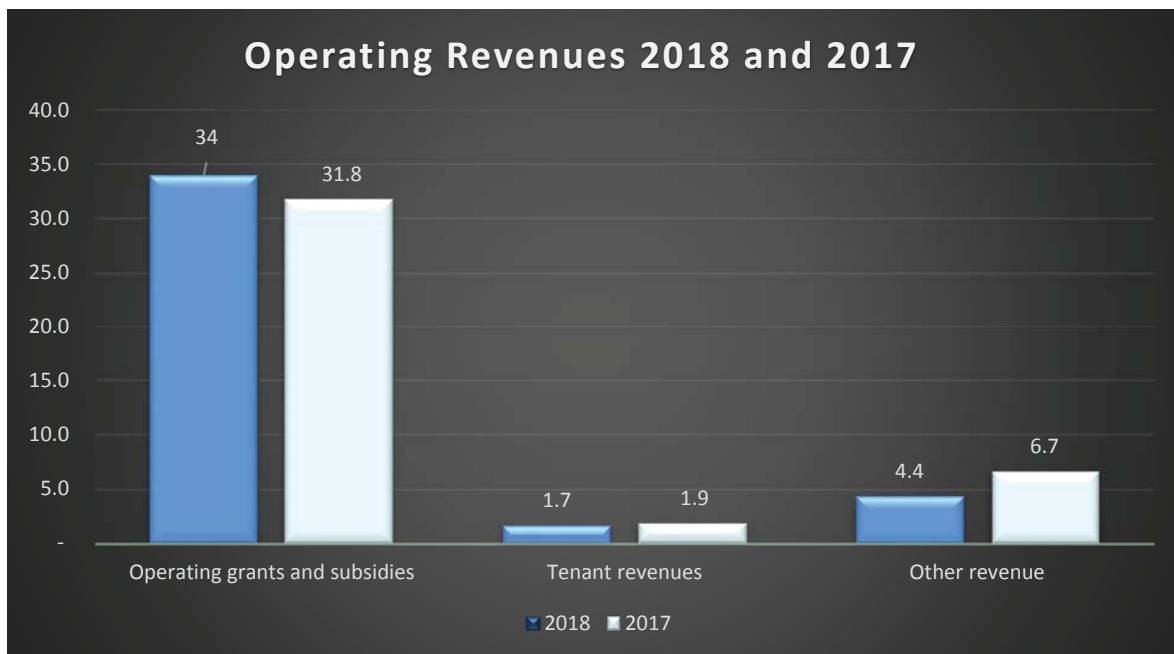
HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Management's Discussion and Analysis

June 30, 2018

The Authority had an operating loss of \$1,948,186 in 2018 and operating income of \$2,860,535 in 2017. Operating revenues were .44% lower in 2018 than 2017 which was primarily due to an increase in grants and subsidies and other revenue offset by a \$3.7 million decrease in development fee revenue. The Authority received 7.14% more in Housing Choice Voucher HAP subsidy and .6% more in Housing Choice Voucher Administrative Fee revenue. Operating expenses were 12.1% higher in 2018 than 2017 primarily because our Housing Assistance Payments increased by \$2.2 million but also due to increased costs for administrative, tenant services and maintenance costs partly due to the Section 18 disposition program as discussed previously in the Financial Highlights section of the MD&A. The public housing program had a net loss before depreciation and capital contributions of \$232,723 in 2018, again primarily due to costs associated with vacating our largest public housing property, Baker Heights, in preparation for the Section 18 disposition. Public housing properties have sufficient operating reserves to bear these losses and the Authority expects to continue utilizing those reserves in the coming year as we proceed with the disposition process for both Baker Heights and Scattered Sites. Public housing operating grant subsidies increased due to receipt of HUD's asset repositioning fee monies associated with the disposition process, beginning in April of 2018. This funding will be available in diminishing amounts for a period of twenty-four months during the Section 18 disposition process. Capital grant revenue increased somewhat due to an increase in funding from HUD and a subsequent increase in capital expenditures incurred during the year. Tenant rent revenues decreased slightly, again due to vacancies associated with the disposition of Baker Heights.

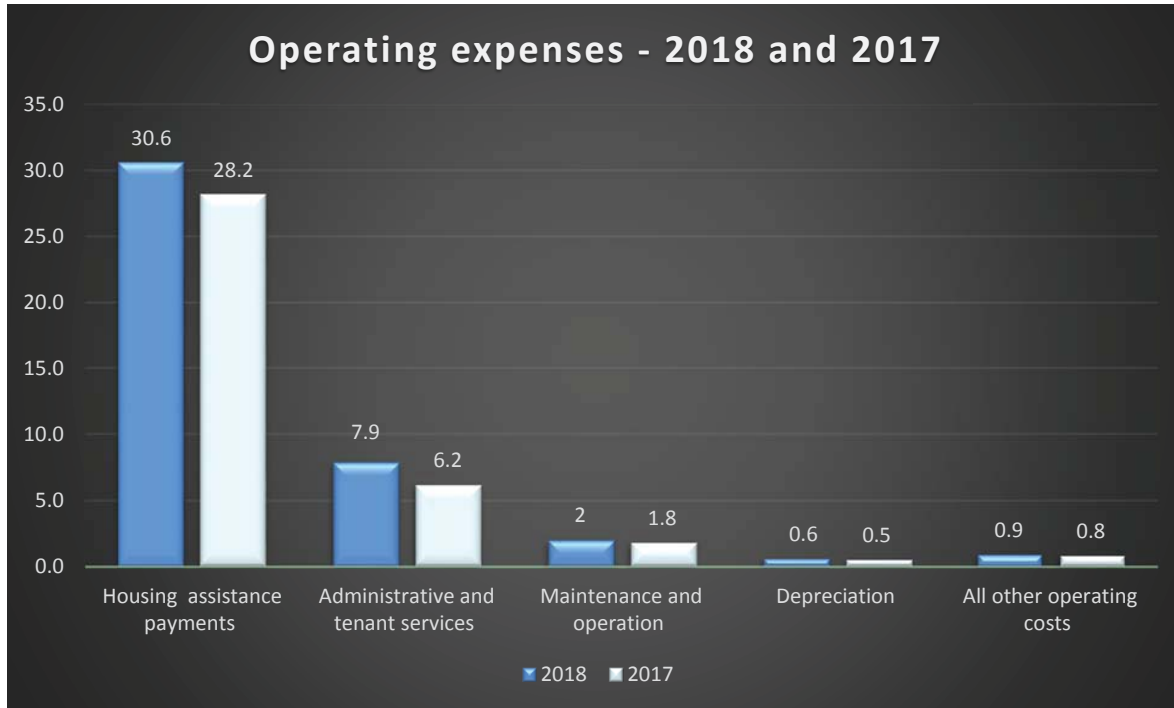
Operating revenues for the entire primary government are shown in detail in the chart below:



Dollars (in millions)

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
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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	
	2018	2017
Land and site improvements	\$ 3,403,164	\$ 3,403,164
Building and building improvements	23,190,803	23,068,717
Equipment	1,466,716	1,531,024
Construction in progress	354,317	844,470
Total capital assets	28,415,000	28,847,375
Less accumulated depreciation	(16,886,340)	(16,359,215)
Net capital assets	<u>\$ 11,528,660</u>	<u>\$ 12,488,160</u>

* Component Units are not included

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
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The net investment in capital assets decreased by approximately \$959,500 (7.7%) during the year. This decrease was partly the result of a \$490,154 decrease in construction in progress. As of June 30, 2018 EHA, had incurred pre-development, legal, and other costs for projects in conjunction with the re-development of a portion of our Baker Heights project as well as smaller capital improvements in other developments and our central office building. Construction in progress for those items increased, however amounts that had previously been incurred related to the re-syndication of our EHA - Twelve Pines partnership were eliminated when those assets were sold to a new partnership.

Some equipment was acquired and disposed of during the year and a new fire alarm system was placed in service in one property. Depreciation of \$591,433 was recorded during the year. Note 6 of the Authority's basic financial statements provides additional detail regarding the changes in capital assets during the year.

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

	June 30	
	2018	2017
Current portion of notes and bonds payable	\$ 360,132	\$ 11,366,653
Bonds payable - long term	32,252,460	24,533,874
Notes payable - long term	3,246,706	4,219,769
Total notes and bonds payable	<u>\$ 35,859,298</u>	<u>\$ 40,120,296</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 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. In March of 2018 the short-term construction bonds were paid off with a combination of equity contributed by a limited partner and the conversion of the remaining obligation to permanent, long term debt. The current portion of notes and bonds payable consists of principal amounts due within twelve months. 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 public housing 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. While housing authorities have been underfunded for most of the past decade, the following funding impacts from such actions were experienced in 2018 and are expected for 2019:

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Management's Discussion and Analysis

June 30, 2018

- The administrative cost portion of the Section 8 Housing Choice Voucher program was funded at varying rates of between 76% and 80% of eligibility during 2018 and is expected to be funded at similar rates during 2019. Administering this program continues to be challenging at this level of funding. Housing Assistance Payments (HAP) are funded at 99.745% of eligibility during the calendar year 2018 with an inflation renewal factor of 1.183 (18.3%). Eligibility is based primarily on prior year expenditures and prorated according to HUD's budgetary constraints.

During the fiscal year ended June 30, 2018, rents in our area continued to rise although the rate of this rise appears to be slowing somewhat in late 2018. Because of higher rents and HUD's current eligibility formula, it is possible that our future budget authority may not meet the needs of our program. EHA was part of a group of local housing authorities that asked HUD for a reconsideration of Fair Market Rents (FMRs). As a result, FMRS were increased and the adjustment factor of 18.3% noted above was implemented. Because of this, we expect HAP funding will cover needs for the immediate future. Near the end of the 2017 calendar year, EHA applied for and received over \$1.6 million in shortfall funding from HUD. We do not expect to apply for set-aside shortfall funding from HUD during the 2018 calendar year.

Although our unrestricted cash reserve available to help pay for administration of the HCV program has dwindled in recent years, we believe that we have sufficient unrestricted cash to administer this program. We operate prudently and plan to continue to carefully manage this program. However, as always there is no guarantee that funding will continue at a sufficient level and the viability of this program is heavily reliant on Congressional budgetary action and HUD funding.

- In the fiscal year 2018, although HUD's funding from the federal budget for the Low-Rent Public Housing operating subsidy increased by 3.4%, funding was still only 93% of eligibility and is expected to be funded at about the same rate in 2019. Capital grant funding made available to HUD increased approximately 41.6% from 2017.

For more than 15 years, capital fund grants provided by HUD for the public housing program have been insufficient to meet the capital repair and replacement needs of housing authorities across the country. HUD increased EHA's capital grant award from \$393,525 in 2017 to \$605,848 in 2018. Even at this higher level of funding, there are not sufficient monies to complete all the outstanding capital repairs that our public housing properties need and are projected to continue to need in the future. We do not know what funding levels will be in the coming years. Three of our former public housing projects have converted to tax credit partnerships and they no longer rely on Capital Fund grants.

Congress and the federal government has for many years cut federal housing 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. Because of this decline, EHA must pursue opportunities outside the public housing program. During the 2018 fiscal year, EHA received \$940,616 in federal operating subsidy for its public housing program and \$33 million in federal funds to operate the Section 8 Housing Choice Voucher program.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Management's Discussion and Analysis

June 30, 2018

EHA continues to develop an assertive strategy to increase our housing portfolio through acquisition and development of affordable housing primarily utilizing the Low-Income Housing Tax Credit program. In addition, as reported last year, EHA has expanded our housing portfolio by assuming the sponsorship and management of eleven affordable senior housing complexes in Everett and Snohomish County. These complexes operate as non-profit corporations and have been included in EHA's financial statements as discretely presented component units.

- Because of the economic conditions discussed above, and for other reasons, EHA submitted Section 18 disposition applications to HUD's Special Application Center requesting that we be allowed to dispose of both of our remaining public housing projects. On June 6, 2017 we received approval from HUD to proceed with the disposition of the 244-unit public housing project known as Baker Heights. EHA received an allocation of 244 new Tenant Protection Vouchers from HUD in order to continue to provide assistance to affected tenants as they relocate to new housing. Tenants are being offered relocation assistance from EHA's relocation team and the process of vacating Baker Heights is currently underway and on schedule. We expect the property to be fully vacant and ready for sale near the end of 2019.

After the end of this fiscal year, on July 20, 2018, EHA received approval to dispose of our final remaining 44-unit public housing Scattered Sites property. In the approval letter, HUD indicated that they expect to award 44 new Tenant Protection Vouchers for continue to offer subsidy to all affected households as they move to new homes. EHA expects to begin offering relocation assistance to these households in 2019. EHA is currently exploring funding options for the acquisition and/or new development of replacement low income housing to be at least partially paid for with the proceeds of the sales of these two projects. However, the rising cost of housing and construction costs in the Everett area continues to create challenges for EHA.

Additional significant economic factors affecting the Authority are as follows:

- Local labor supply and demand, which affect salary and wage rates of the Authority as well as the cost of construction and other contracts.
- Collective bargaining negotiations and agreements.
- 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, and new laws require that we will pay more for additional benefits in the future.
- Interest rates, which affect both investment revenue and debt financing.
- The bond and tax credit markets as they affect the Authority's ability to attract equity investment and finance property redevelopment.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Management's Discussion and Analysis

June 30, 2018

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's web site may be found at www.evha.org.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Statement of Net Position
June 30, 2018

	Primary Government	Component Unit Discretely Presented
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 18,845,658	\$ 4,379,225
Cash and cash equivalents - restricted	353,341	6,458,944
Accounts receivable - net	906,779	101,280
Accrued interest receivable	499,414	-
Inventories	58,563	-
Prepaid expenses and other current assets	11,449	234,670
Notes and development fees receivable - current portion	1,556,723	-
Total current assets	<u>22,231,927</u>	<u>11,174,119</u>
Non-current assets:		
Capital assets:		
Land	3,403,164	11,960,510
Property and equipment, net	7,771,179	149,731,028
Construction in progress	354,317	3,043,773
Total capital assets	<u>11,528,660</u>	<u>164,735,311</u>
Notes and development fees receivable	104,490,210	-
Interest receivable	8,334,964	-
Other assets	600	685,201
Total non-current assets	<u>124,354,434</u>	<u>165,420,512</u>
Total assets	<u>146,586,361</u>	<u>176,594,631</u>
Deferred outflows of resources related to pensions	<u>1,195,665</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	147,782,026	176,594,631
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable	242,005	838,430
Accrued expenses	614,380	182,288
Unearned revenue	1,804	23,523
Tenant security deposits	64,740	380,143
Other credits and current liabilities	97,099	245,337
Money held in escrow (FSS escrow)	72,903	-
Notes and bonds payable - current portion	360,132	13,413,346
Accrued interest payable - current portion	493,204	540,709
Total current liabilities	<u>1,946,267</u>	<u>15,623,776</u>
Non-current liabilities:		
Notes and bonds payable, less current portion	35,499,166	103,873,202
Accrued interest payable, less current portion	201,969	7,204,964
Accrued compensated absences, less current portion	283,404	147,591
Money held in escrow (FSS escrow)	188,511	-
Net pension liability	4,021,305	-
Total non-current liabilities	<u>40,194,355</u>	<u>111,225,757</u>
Total liabilities	<u>42,140,622</u>	<u>126,849,533</u>
Deferred inflows of resources related to pensions	<u>667,171</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>42,807,793</u>	<u>126,849,533</u>
Net position:		
Net investment in capital assets	8,998,612	48,058,763
Restricted	27,187	6,078,802
Unrestricted (deficit)	95,948,434	(4,392,467)
Total Net Position	<u>\$ 104,974,233</u>	<u>\$ 49,745,098</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, 2018

	Primary Government	Component Unit Discretely Presented
Operating revenues:		
Tenant rents	\$ 2,223,367	\$ 10,994,489
HUD operating grants and subsidies	33,742,039	-
Other operating grants	256,433	133,222
Other tenant charges	41,765	136,384
Management fees	631,379	-
Port In HAP and administrative fees	119,278	-
Other revenue	3,592,239	14,148,637
	<hr/>	<hr/>
Total operating revenues	40,606,500	25,412,732
	<hr/>	<hr/>
Operating expenses:		
Administrative	6,674,684	2,833,729
Tenant services	1,400,642	716,266
Utilities	368,811	1,162,934
Maintenance & operations	2,146,244	2,614,564
General	611,346	547,042
Housing assistance payments	30,620,475	-
Interest expense - amortization of debt issuance costs	2,442	127,539
Depreciation	655,351	4,814,823
	<hr/>	<hr/>
Total operating expenses	42,479,995	12,816,897
	<hr/>	<hr/>
Operating income (loss)	(1,873,495)	12,595,835
	<hr/>	<hr/>
Non-operating revenues (expenses):		
Interest income	2,703,816	23,347
Interest expense	(131,721)	(3,886,149)
Proceeds from settlement of litigation	591,514	-
Forgiveness of debt	1,467,705	-
Gain on sale of capital assets	5,877,775	-
	<hr/>	<hr/>
Total non-operating revenues (expenses)	10,509,089	(3,862,802)
	<hr/>	<hr/>
Income before contributions	8,635,594	8,733,033
	<hr/>	<hr/>
Capital contributions - HUD	434,655	-
Total contributions	434,655	-
	<hr/>	<hr/>
Change in net position	9,070,249	8,733,033
	<hr/>	<hr/>
Net position - beginning of year	95,017,921	41,898,128
	<hr/>	<hr/>
Change in reporting entity*	886,063	(886,063)
	<hr/>	<hr/>
Net position - end of year	<u>\$ 104,974,233</u>	<u>\$ 49,745,098</u>

*See note 1 for more information

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, 2018

	<u>Primary Government</u>
Cash flows from operating activities:	
Receipts from HUD grants	\$ 33,791,846
Receipts from other grants	127,308
Receipts from tenants	2,227,704
Receipts from others	4,218,066
Payments to employees and on behalf of employees	(8,172,394)
Payments to suppliers for goods and services	(2,968,288)
Payments to landlords for housing assistance	(30,527,525)
Payments to component units	(133,222)
	<hr/>
Net cash used for operating activities	(1,436,505)
	<hr/>
Cash flows from non-capital financing activities:	
Proceeds from settlement of litigation	591,514
Note payable - non-operating	(47,917)
	<hr/>
Net cash provided by noncapital financing activities	543,597
	<hr/>
Cash flows from capital and related financing activities:	
Proceeds from issuance of bonds	7,966,110
Principal paid on capital debt	(9,887,697)
Interest paid on capital debt	(141,890)
Capital contributions - HUD capital grant	321,235
Property and equipment additions	2,709,377
	<hr/>
Net cash provided by capital and related financing activities	967,136
	<hr/>
Cash flows from investing activities:	
Issuance of notes/bonds receivable - partnerships	(7,966,110)
Payments received on notes/bonds receivable - partnerships	9,747,604
Development fees received - partnerships	3,093,682
Investment in partnerships	(100)
Debt service held by lender	176,500
Interest received	465,617
	<hr/>
Net cash provided by investing activities	5,517,192
	<hr/>
Net increase in cash and cash equivalents	5,591,420
	<hr/>
Cash and cash equivalents - beginning of year	13,607,579
	<hr/>
Cash and cash equivalents - end of year	\$ 19,198,999
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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, 2018

	<u>Primary Government</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating loss	\$ (1,873,495)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	655,351
Interest expense - amortization debt issuance costs	2,442
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable tenants	20,178
Accounts receivable - HUD operating grants	(120,004)
Accounts receivable - other grants	(129,125)
Accounts receivable - other	(162,432)
Inventories	396
Prepaid expenses and other assets	10,418
Increase (decrease) in liabilities:	
Accounts payable - vendors	(28,777)
Accounts payable - HUD	8,137
Accounts payable - other governments	161,674
Accrued expenses	10,003
Unearned revenue	(1,658)
FSS escrow	92,950
Security deposits	(55,950)
Accrued compensated absences	(10,188)
Net pension liability	(15,978)
Other credits	(447)
Net cash used for operating activities	<u><u>\$ (1,436,505)</u></u>
Supplemental disclosure of noncash investing, capital and financing activities:	
Forgiveness of debt - Twelve Pines LP	\$ 1,467,705
Issuance of seller finance note - WPP	6,325,000
Issuance of ground lease - WPP	600,000
Transfer of property to WPP	3,336,960

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

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

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 (City). 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. The significant accounting policies are described below.

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 approves the policies 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 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. The blended method combines activity from the component unit with the primary government and its financial statement activity is presented as part of the primary government. The Authority has identified one organization that is reported as a blended component unit.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

Blended Component Unit

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. Until April 30, 2017, the Authority was the 0.01% owner and the general partner responsible to manage this 80-unit rental property. There was a 15-year regulatory compliance period monitored by the Washington State Housing Finance Commission which ended in 2017. The limited partnership agreement was amended and restated on April 30, 2017 and Columbia Housing/PNC withdrew from the partnership. Everett Housing Services, a non-profit corporation was admitted to the partnership as limited partner with a 1% interest. The Authority continued as general partner, but with a 99% interest. On July 27, 2017, the partnership dissolved. The board of Everett Housing Services is substantively the same as the board of the Authority. Because of this, Everett Housing Services is considered to be controlled by the Authority. Due to these changes, the 12-P partnership no longer meets the criteria for a discretely presented component unit and is now included in the primary government's financial statements as a blended component unit.

Discretely Presented Component Units – Tax Credit Limited Partnerships

The Authority is the general partner in six Tax Credit Limited Partnerships (Component Units). 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:

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 an initial 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 to 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 an initial 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 to the provisions of the partnership agreement.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

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 an initial 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.

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 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 an initial 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 (EHA Senior Housing I), 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 an initial 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.

Wiggums Park Place Limited Liability Limited Partnership: In 2017, the Authority entered into a limited liability limited partnership with Boston Capital to form Wiggums Park Place LLLP (WPP), a separate legal entity. The Authority is the .01% owner and the general partner responsible for managing this 80-unit rental property. There is an initial 15-year regulatory compliance period monitored by the Washington State Housing Finance Commission which ends in 2033 at which time the investing partner may exit the partnership according to the provisions of the partnership agreement.

Financial statements for the BP, PP, BV/GV, EAHP, EHA Senior Housing I, and WPP have a December 31st year-end. The financial statements for the six component units are presented as of December 31, 2017. 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 Organizations

The Authority is the sponsor of eleven 501(c)(3) organizations. 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.

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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 organizations' 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.

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.

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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.

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.

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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, 2017. Individual financial statements for each nonprofit may be obtained from the Authority's administrative offices.

Change in Component Unit

Changes to the beginning net position on the Statement of Revenues, Expenses and Changes in Net Position include an increase of \$886,063 that resulted from a change in classification of the type of reporting entity. An equal decrease was included in the Discretely Presented Component Units' combined beginning net position. On April 30, 2017, the limited partner, Columbia Housing/PNC, withdrew from the 12-P partnership, relinquishing their entire interest. Everett Housing Services, a non-profit corporation assumed a 1% interest as limited partner of 12-P. The Authority remained the general partner, but with a 99% interest. The board of Everett Housing Services is substantively the same as the board of the Authority. Because of this, Everett Housing Services is considered controlled by the Authority. Due to these facts, the 12-P partnership no longer meets the criteria for a discretely presented component unit and is now included in the primary government's financial statements as a blended component unit.

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 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 capital grant funding. In June of 2017 the Authority received approval to begin disposition of Baker Heights, a 244-unit project, and in July of 2018 HUD also approved the disposition of our only remaining public housing project, the 44-unit Scattered Sites. In 2018 the Authority began receiving asset repositioning fee which supplements costs associated with administration of demolition and disposition, tenant relocation, and minimum protection and services associated with such efforts.

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.

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In late 2017, EHA began issuing vouchers in increments as part of a new allocation of 244 Tenant Protection Vouchers. Those vouchers are being issued to and leased by tenants relocating from our Baker Heights public housing project. We expect all of these new tenant protection vouchers to be issued and leased by the end of 2019. We expect to receive an additional allocation of Tenant Protection Vouchers associated with the disposition of our 44-unit Scattered Sites public housing project on a schedule to be determined but expected to begin in 2019. 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 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 organizations 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.

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 nonoperating 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 and 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 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 months or less when purchased, or available on demand, to be cash equivalents.

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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 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, 2018 other than the allowance for tenant and client accounts receivable. On occasion, other receivables may be recorded, such as for notes and developer fees 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. 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.

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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. EHA did not realize any impairment losses for the fiscal year ending June 30, 2018.

i. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources and/or deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. Deferred inflows of resources represent 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.

j. Unearned Revenue

Unearned revenues arise when resources are received before the Authority has met the eligibility requirements or obligation. 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 employees who are 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.

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The Authority has a gift of leave program, wherein employees may choose to donate accrued leave to a fund that may be made available to employees who have exhausted all of their leave. Employees who meet the requirements as defined in the Personnel Policy of the Authority may request to use the gift of leave funds. Each request is evaluated for eligibility according to the policy. Amounts donated to the gift of leave program are accrued as a liability to the agency.

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) for 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, 2018 was \$73,301.

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.

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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 by agency staff 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. 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. The adoption of this standard did not have a significant impact on the Authority's financial statements.

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. The adoption of this standard did not have a significant impact on the Authority's financial statements.

GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. It addresses presentation of payroll related measures in required supplementary information, selection of assumptions, the treatment of deviations from guidance in actuarial standards of practice, and other subjects. The adoption of this standard did not have a significant impact on the Authority's financial statements.

GASB Statement No. 85, *Omnibus 2017*, is effective for the year ending June 30, 2018 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. The adoption of this standard did not have a significant impact on the Authority's financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, is effective for the year ending June 30, 2018. It establishes guidance for certain issues related to debt extinguishments, primarily in-substance defeasance of debt. The adoption of this standard did not have a significant impact on the Authority's financial statements.

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t. Future Accounting Standards

GASB Statement No. 83, *Certain Asset Retirement Obligations*, is effective for the year ending June 30, 2019. 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.

GASB Statement No. 84, *Fiduciary Activities*, is effective for the year ending June 30, 2020. 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. 87, *Leases*, is effective for the year ending June 30, 2021. 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.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*, is effective for the year ending June 30, 2020. This statement provides additional requirements for disclosure in notes to government financial statements related to debt, including direct borrowings and direct placements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*, is effective for the year ending June 30, 2021. This statement suspends paragraphs 5-22 of GASB Statement No. 62 and requires that interest cost incurred before the end of a construction period be recognized as an expense. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 90, *Majority Equity Interest*, is effective for the year ending June 30, 2020. This statement amends GASB Statement No. 14 and GASB Statement No. 61 and defines a majority equity interest and specifies how a majority equity interest in a legally separate organization should be reported.

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, 2018, the carrying amount of Authority's demand deposits was \$688,150 and the bank balance was \$432,219. The carrying balance for the demand deposits of the component unit was \$6,548,692 at December 31, 2017, and the bank balance was \$6,534,706. 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.

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The Washington Public Deposit Protection Act (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 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.

Since the Authority reports all of its investments at fair value, no additional disclosure is required under GASB Technical Bulletin No. 2003-1, Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Position.

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.

c. 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.

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At June 30, 2018, all investments of the Housing Authority (as well as those of the component units as of December 31, 2017) 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.

d. 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, 2018, the Authority's investments were limited to investments that were guaranteed by the U.S. Government or to investments in external investment pools.

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.

e. Cash and Cash Equivalents

Cash is classified in the accompanying financial statements as follows:

	Primary Government	Component Units
Cash and cash equivalents - unrestricted	\$ 18,845,658	\$ 4,379,225
Cash and cash equivalents - restricted	353,341	6,458,944
Total cash and cash equivalents	<u>\$ 19,198,999</u>	<u>\$ 10,838,169</u>

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Cash is further categorized as follows:

	Primary Government	Component Units
Change and petty cash funds	\$ 295	\$ 35
Deposits with financial institutions	688,150	6,343,033
Deposits with state investment pool (LGIP)	18,510,554	4,289,477
Deposits with BNY Mellon Trustee	-	205,624
	<hr/>	<hr/>
Total cash	<u>\$ 19,198,999</u>	<u>\$ 10,838,169</u>

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
Primary Government:	
Replacement reserves	\$ 11,135
Tenant security deposits	64,740
HAP reserves	16,052
FSS escrow deposits	261,414
	<hr/>
	<u>\$ 353,341</u>
Component Units:	
Replacement reserves	\$ 3,114,339
Operating reserves	2,219,256
Residual receipts reserves	106,807
Tenant security deposits	380,143
Funds held by Trustee	205,624
Other	432,775
	<hr/>
	<u>\$ 6,458,944</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	\$ 114,477	\$ -
Other governments	234,036	-
Other HUD programs	142,165	51,443
Tenants accounts receivable - net	27,734	41,695
Fraud recovery - net	53,430	-
Other accounts receivable	334,937	8,142
	<hr/>	<hr/>
Total accounts receivable	<u>\$ 906,779</u>	<u>\$ 101,280</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

5. Notes and Lease Receivables

Notes and lease receivables 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, 2018, notes receivable and leases are summarized in the following table:

	Interest Rate	Final Maturity Date	Notes and Accrued Interest
Wiggums Park Place LLLP			
Construction bond	2.88%	2019	\$ 7,966,110
Seller financing note	3.15%	2057	6,325,000
Ground lease	2.58%	2116	582,834
			<u>14,873,944</u>
Accrued interest due			
Current interest			25,642
Deferred interest			183,621
			<u>209,263</u>
Total notes and accrued interest			15,083,207
Less: Current portion of note principal and interest			<u>38,621</u>
Total notes and accrued interest - long-term			<u>15,044,586</u>
Broadway Plaza LLLP			
Bond mortgage note	1.99% - 5.865%	2029	6,545,000
Seller financing note	4.05%	2061	9,875,000
			<u>16,420,000</u>
Accrued interest due			
Current interest			155,619
Deferred interest			2,870,234
			<u>3,025,853</u>
Total notes and accrued interest			19,445,853
Less: Current portion of note principal and interest			<u>255,619</u>
Total notes and accrued interest - long-term			<u>19,190,234</u>
Pivotal Point LLLP			
State of Washington HTF note	0% - 1%	2055	865,000
EHA promisory note	7%	2055	33,134
			<u>898,134</u>
Total notes and accrued interest - long-term			<u>898,134</u>

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HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

Notes Receivable – (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	3,225,412
Revenue bond	5.49%	2033	6,189,343
			<u>37,364,755</u>
Accrued interest due on notes			
Current interest			28,316
Deferred interest			3,181,902
Total notes and accrued interest			<u>40,574,973</u>
Less: Current portion of note principal and interest			<u>253,588</u>
Total notes and accrued interest - long-term			<u><u>40,321,385</u></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	2,038,718
Revenue bond	5.49%	2033	5,284,646
			<u>19,017,430</u>
Accrued interest due on notes			
Current interest			24,177
Deferred interest			1,362,376
Total notes and accrued interest			<u>20,403,983</u>
Less: Current portion of note principal and interest			<u>499,547</u>
Total notes and accrued interest - long-term			<u><u>19,904,436</u></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	1,333,764
Bond mortgage	4.13%	2035	6,479,151
			<u>17,472,671</u>
Accrued interest due on notes			
Current interest			265,659
Deferred interest			736,832
Total notes and accrued interest			<u>18,475,162</u>
Less: Current portion of note principal and interest			<u>1,008,761</u>
Total notes and accrued interest - long-term			<u><u>17,466,401</u></u>
Combined Total Notes and Accrued Interest			
Current portion			2,056,136
Long-term			<u>112,825,176</u>
Total notes and accrued interest			<u><u>\$ 114,881,312</u></u>

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

Changes in notes, leases, and accrued interest due from partnerships during the year ended June 30, 2018 are summarized below:

	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
Wiggums Park Place LLLP					
Construction bond	\$ -	\$ 7,966,110	\$ -	\$ 7,966,110	\$ -
Grounds lease	-	582,834	-	582,834	12,979
Seller financing note	-	6,325,000	-	6,325,000	-
Accrued interest due					
Current interest	-	25,642	-	25,642	25,642
Deferred interest	-	183,621	-	183,621	-
	-	15,083,207	-	15,083,207	38,621
Broadway Plaza LLLP					
Bond mortgage note	6,645,000	-	100,000	6,545,000	100,000
Development fee note	72,861	-	72,861	-	-
Seller financing note	9,875,000	-	-	9,875,000	-
Accrued interest due					
Current interest	156,944	155,619	156,944	155,619	155,619
Deferred interest	2,609,434	500,800	240,000	2,870,234	-
	19,359,239	656,419	569,805	19,445,853	255,619
Pivotal Point LLLP					
EHA note	59,928	-	26,794	33,134	-
State of WA HTF note	865,000	-	-	865,000	-
	924,928	-	26,794	898,134	-
Bakerview/Grandview LLLP					
Revenue bond	6,250,000	-	60,657	6,189,343	64,072
Seller financing note	22,950,000	-	-	22,950,000	-
EHA sponsor note	5,000,000	-	-	5,000,000	-
Development fee note	3,643,382	-	417,970	3,225,412	161,200
Accrued interest due					
Current interest	-	28,316	-	28,316	28,316
Deferred interest	2,143,670	1,038,232	-	3,181,902	-
	39,987,052	1,066,548	478,627	40,574,973	253,588
Everett Affordable Housing LLLP					
Revenue bond	5,337,285	-	52,639	5,284,646	55,602
Seller financing note	9,694,066	-	-	9,694,066	-
EHA sponsor note	2,000,000	-	-	2,000,000	-
Development fee note	2,289,126	-	250,408	2,038,718	419,768
Accrued interest due					
Current interest	24,418	24,177	24,418	24,177	24,177
Deferred interest	926,951	435,425	-	1,362,376	-
	20,271,846	459,602	327,465	20,403,983	499,547

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HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

Changes in notes, leases, and accrued interest due from partnerships during the year ended June 30, 2018
(continued)

	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
EHA Senior Housing I LLLP					
Bond mortgage note	15,969,500	-	9,490,349	6,479,151	85,578
Seller financing note	8,375,000	-	-	8,375,000	-
EHA sponsor note	1,284,756	-	-	1,284,756	-
Development fee note	3,686,208	-	2,352,444	1,333,764	657,524
Accrued interest due					
Current interest	4,435	265,659	4,435	265,659	265,659
Deferred interest	424,228	312,604	-	736,832	-
	<u>29,744,127</u>	<u>578,263</u>	<u>11,847,228</u>	<u>18,475,162</u>	<u>1,008,761</u>
EHA-Twelve Pines Limited Partnership					
Bond mortgage note	1,520,000	-	1,520,000	-	-
Loan obligation - City of Everett	950,000	-	950,000	-	-
Accrued interest due					
Current interest	45,988	-	45,988	-	-
Deferred interest	517,705	-	517,705	-	-
	<u>3,033,693</u>	<u>-</u>	<u>3,033,693</u>	<u>-</u>	<u>-</u>
Total notes and accrued interest	<u>\$ 113,320,885</u>	<u>\$ 17,604,039</u>	<u>\$ 16,043,612</u>	<u>\$ 114,881,312</u>	<u>\$ 2,056,136</u>

EHA-Twelve Pines Limited Partnership Notes Receivable

a. Note Receivable - Revenue Bonds

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. The bonds were paid off on July 19, 2017.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

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 was due on August 1, 2024. On June 21, 2017, the Everett City Council passed Resolution 7134. This resolution forgave the entire loan balance.

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 (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, 2018, the unpaid balance of the note was \$6,545,000 and interest in the amount of \$155,619 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 \$2,870,234 had accrued as of June 30, 2018. 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, 2018, the note was fully paid. .

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

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 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, 2018, the balance of the loan was \$33,134. 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 \$2,836,535 had accrued as of June 30, 2018. 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 \$345,366 had accrued as of June 30, 2018. 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.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

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, 2018, the balance of the loan was \$3,225,412 and \$161,200 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, 2018, the loan had converted to permanent financing with Berkadia. The balance of the loan was \$6,189,343 and there was no accrued interest.

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 \$1,225,972 had accrued as of June 30, 2018. 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 \$136,404 had accrued as of June 30, 2018. 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.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

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, 2018, the balance of the note was \$2,038,718 of which \$419,768 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, 2018, the loan had converted to permanent debt with Berkadia and the balance was \$5,284,646. Of that, \$55,602 was classified as current.

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 \$638,833 had accrued as of June 30, 2018. 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.

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, 2018, the principal balance was \$1,284,756 and interest of \$97,999 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. Permanent Loan Obligation – Bond Mortgage Note

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, 2018, the loan had converted to permanent financing with Banner Bank and the balance of the loan was \$6,479,151 of which \$85,578 was classified as current.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 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 total amount of the development fee to be paid was \$3,686,208. 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. On June 30, 2018 the balance of the note was \$1,333,764.

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, 2017	Additions and Transfers	Reductions and Transfers	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 4,114,523	\$ -	\$ 711,359	\$ 3,403,164
Construction in progress	846,220	186,671	678,574	354,317
Total capital assets, not being depreciated	4,960,743	186,671	1,389,933	3,757,481
Capital assets, being depreciated:				
Building and building improvements	27,346,849	122,086	4,278,132	23,190,803
Furniture, equipment and machinery	1,769,651	-	302,935	1,466,716
Total capital assets, being depreciated	29,116,500	122,086	4,581,067	24,657,519
Less accumulated depreciation for:				
Building and building improvements	16,744,046	544,216	1,711,500	15,576,762
Furniture, equipment and machinery	1,501,023	111,135	302,580	1,309,578
Total accumulated depreciation	18,245,069	655,351	2,014,080	16,886,340
Total capital assets being depreciated, net	10,871,431	(533,265)	2,566,987	7,771,179
Total capital assets, net	\$ 15,832,174	\$ (346,594)	\$ 3,956,920	\$ 11,528,660

*Beginning balance has been restated to include Blended Component Unit

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

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, 2017:

	Balance* January 1, 2017	Additions and Transfers	Reductions and Transfers	Balance December 31, 2017
Capital assets, not being depreciated:				
Land	\$ 7,491,007	\$ 600,000	\$ -	8,091,008
Leasehold improvements	46,020	-	-	46,020
Construction in progress	-	3,988,441	944,669	3,043,773
Total capital assets, not being depreciated	7,537,027	4,588,441	944,669	11,180,801
Capital assets, being depreciated:				
Site improvements	3,869,502	-	-	3,869,502
Building and building improvements	165,577,111	8,600,000	-	174,177,111
Furniture, equipment and machinery	3,391,916	92,728	3,842	3,480,804
Total capital assets, being depreciated	172,838,529	8,692,728	3,842	181,527,417
Less accumulated depreciation for:				
Site improvements	1,663,566	203,314	-	1,866,880
Building and building improvements	19,632,998	4,029,107	-	23,662,105
Furniture, equipment and machinery	1,865,362	582,402	3,842	2,443,922
Total accumulated depreciation*	23,161,926	4,814,823	3,842	27,972,907
Total capital assets being depreciated, net	149,676,603	3,877,905	-	153,554,510
Total capital assets, net	\$ 157,213,630	\$ 8,466,346	\$ 944,669	\$ 164,735,311

* Restated to remove beginning balance for Twelve Pines LP

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 and may be spent at our public housing properties or the Central Office Cost Center.

Construction in progress represents expenditures for modernization and remodeling work at the Central Office Cost Center in addition to predevelopment work for two other projects.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

The following schedule shows the significant components of construction in progress at June 30, 2019:

	Project Authorization	Expended through 6/30/2018	Committed
Legacy predevelopment	\$ 147,028	\$ 147,028	\$ -
Central Office Cost Center	59,184	59,184	-
Grandview Clubhouse/Unit renovation	148,105	148,105	-
	<u>\$ 354,317</u>	<u>\$ 354,317</u>	<u>\$ -</u>

Component Units:

Construction in progress represents expenditures for rehabilitation of a property associated with a new limited partnership, Wiggums Park Place LLLP.

The following schedule shows the significant components of construction in progress at December 31, 2017:

	Project Authorization	Expended through 12/31/2017	Committed
Wiggums Park Place LLLP	\$ 3,043,773	\$ 3,043,773	\$ -
	<u>\$ 3,043,773</u>	<u>\$ 3,043,773</u>	<u>\$ -</u>

8. Non-Current Liabilities

Primary Government:

As of June 30, 2019, the primary government had revenue bonds outstanding as follows:

	Issuance Date	Maturity Date	Interest Rate	Bond Issuance	Balance at June 30	Principal Payments
<i>Tax Credit Partnerships</i>						
Revenue Bond 2011						
Broadway Plaza Apartments	06/29/11	07/01/29	1.99%-5.865%	\$ 7,000,000	\$ 6,545,000	\$100,000
Revenue Bond 2014						
Bakerview/Grandview	05/04/17	05/04/33	5.49%	26,750,000	6,189,343	64,072
Revenue Bond 2014						
Everett Affordable Housing Portfolio	02/22/17	02/22/33	5.49%	13,990,000	5,284,646	55,602
Revenue Bond 2016						
EHA Senior Housing I	02/05/16	02/01/18	2.50%	9,720,439	6,479,151	85,578
Revenue Bond 2017						
Wiggums Park Place	09/01/17	09/01/19	2.875%	12,700,000	7,966,110	-
Total Tax Credit Partnership Bonds					<u>\$ 32,464,250</u>	
<i>Affordable Housing</i>						
Revenue Bond 2006						
Gibson Road Townhomes Project						
(Pacific Square Apartments)	12/28/06	01/01/22	5.25%	400,000	126,329	32,867
Total Affordable Housing Bonds					<u>126,329</u>	
Total Revenue Bonds					<u>\$ 32,590,579</u>	

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Notes to Basic Financial Statements
June 30, 2018

As of June 30, 2019, the primary government had promissory notes outstanding as follows:

	Issuance Date	Maturity Date	Interest Rate	Note Issuance	Balance at June 30	Principal Payments
<i>Tax Credit Partnerships</i>						
HTF Promissory Note - Pivotal Point Apartments	09/24/13	12/31/55	0-1%	\$ 865,000	\$ 865,000	\$ -
Total Tax Credit Partnership Notes					<u>\$ 865,000</u>	
<i>Affordable Housing</i>						
Promissory Note - City of Everett (HOME Loan) - Gibson Road Townhomes Project (Pacific Square)	12/06/06	12/06/31	3.00%	65,633	65,633	-
Promissory Note - City of Everett (Housing Trust Fund) - Gibson Road Townhomes Project	12/06/06	12/06/31	3.00%	232,544	232,544	-
Promissory Note - City of 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	453,577	9,064
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	714,779	12,949
Total Affordable Housing Notes					<u>2,403,719</u>	
Total Notes					<u><u>\$ 3,268,719</u></u>	

Changes in long-term liabilities for the primary government during the year ended June 30, 2019 are summarized below:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Revenue bonds	\$ 35,879,279	\$ 7,966,110	\$ 11,254,810	\$ 32,590,579	\$ 338,119
Promissory notes	4,241,018	-	972,299	3,268,719	22,013
	<u>40,120,297</u>	<u>7,966,110</u>	<u>12,227,109</u>	<u>35,859,298</u>	<u>360,132</u>
Compensated absences	358,584	19,287	-	377,871	94,467
Accrued interest	936,443	327,143	568,413	695,173	493,204
Pension liability	4,707,275	-	685,970	4,021,305	-
	<u>6,002,302</u>	<u>346,430</u>	<u>1,254,383</u>	<u>5,094,349</u>	<u>587,671</u>
Total	<u><u>\$ 46,122,599</u></u>	<u><u>\$ 8,312,540</u></u>	<u><u>\$ 13,481,492</u></u>	<u><u>\$ 40,953,647</u></u>	<u><u>\$ 947,803</u></u>

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

The annual debt service requirements of the primary government for revenue bonds and notes at June 30, 2019 are as follows:

Year Ended June 30	Bond Principal	Note Principal	Interest Due	Total
2019	\$ 330,855	\$ 20,909	\$ 1,263,511	\$ 1,615,275
2020	8,316,055	22,704	1,322,255	9,661,014
20201	362,689	23,482	1,286,144	1,672,315
2022	414,791	24,295	1,267,379	1,706,465
2023	369,544	25,146	1,247,031	1,641,721
2024-2028	2,145,482	693,090	5,826,358	8,664,930
2029-2033	15,898,846	516,549	4,353,530	20,768,925
2034-2038	4,752,317	414,100	618,678	5,785,095
2039-2043	-	225,063	38,766	263,829
2044-2048	-	236,588	27,242	263,830
2049-2053	-	895,853	15,127	910,980
2054-2058	-	160,816	3,539	164,355
2059-2063	-	10,124	42	10,166
2064-2068	-	-	-	-
2069-2073	-	-	-	-
	<u>\$ 32,590,579</u>	<u>\$ 3,268,719</u>	<u>\$ 17,269,602</u>	<u>\$ 53,128,900</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Notes to Basic Financial Statements
June 30, 2018

Component Units: The following is a schedule of outstanding notes of the Component Units as of December 31, 2017:

Description of Note	Issuance Date	Maturity Date	Interest Rate	Note Issuance	Outstanding December 31
Broadway Plaza LLLP					
Revenue bond	06/29/11	07/01/29	1.99% - 5.865%	7,000,000	6,545,000
Seller financing note	06/29/11	06/29/61	4.05%	9,875,000	9,875,000
					<u>16,420,000</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	59,928
					<u>924,928</u>
Bakerview/Grandview LLLP					
Revenue bond	05/04/17	05/04/33	5.49%	6,250,000	6,220,086
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>34,170,086</u>
Everett Affordable Housing Portfolio LLLP					
Revenue bond	02/22/17	02/22/33	5.49%	5,350,000	5,311,326
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 Commere	03/15/04	03/31/43	1.00%	580,000	406,141
City of Everett - Housing	11/18/09	11/18/49	3.00%	500,000	500,000
					<u>17,911,533</u>
EHA Senior Housing I LLLP					
Revenue construction bond	02/05/16	02/01/18	2.50%	15,970,000	15,969,500
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>25,629,256</u>
Wiggums Park Place LLLP					
Revenue construction bond	09/01/17	09/01/19	2.875%	12,700,000	4,204,481
Seller financing note	08/01/17	08/01/57	3.15%	6,325,000	6,325,000
Ground lease	08/01/17	12/31/2116	2.58%	600,000	600,000
					<u>11,129,481</u>
Evergreen Village Senior Apartments					
WA State Dept of Commere	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	1,346,434
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	1,374,683
					<u>1,474,683</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

Changes in outstanding notes and compensated absences for the Component Units during the year ended December 31, 2017 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	\$ 1,520,000	\$ -	\$ 1,520,000	\$ -	\$ -
City of Everett HOME loan	950,000	-	950,000	-	-
Third mortgage loan	47,208	-	47,208	-	-
	2,517,208	-	2,517,208	-	-
Compensated absences	29,476	-	29,476	-	-
Total	2,546,684	-	2,546,684	-	-
Broadway Plaza LLLP					
Promissory note - Everett Housing Authority					
Housing revenue bonds 2011	6,645,000	-	100,000	6,545,000	100,000
Seller financing note	9,875,000	-	-	9,875,000	-
	16,520,000	-	100,000	16,420,000	100,000
Compensated absences	26,165	-	3,432	22,733	6,433
Total	16,546,165	-	103,432	16,442,733	106,433
Pivotal Point LLLP					
Housing Trust Fund loan	865,000	-	-	865,000	-
EHA promissory note	84,678	-	24,750	59,928	26,794
	949,678	-	24,750	924,928	26,794
Compensated absences	10,924	-	6,077	4,847	1,212
Total	960,602	-	30,827	929,775	28,006
Bakerview/Grandview LLLP					
Revenue bond	12,098,910	-	5,878,824	6,220,086	62,341
EHA sponsor note	5,000,000	-	-	5,000,000	-
Seller financing note	22,950,000	-	-	22,950,000	-
	40,048,910	-	5,878,824	34,170,086	62,341
Compensated absences	50,888	-	7,128	43,760	10,940
Total	40,099,798	-	5,885,952	34,213,846	73,281
Everett Affordable Housing Portfolio LLLP					
Revenue bond	5,350,000	-	38,674	5,311,326	54,100
EHA sponsor note	2,000,000	-	-	2,000,000	-
Seller financing note	9,694,066	-	-	9,694,066	-
WA St Dept of Commerce	419,606	-	13,465	406,141	13,600
City of Everett - Housing Trust Fund	500,000	-	-	500,000	-
	17,963,672	-	52,139	17,911,533	67,700
Compensated absences	30,517	-	2,851	27,666	6,916
Total	\$ 17,994,189	\$ -	\$ 54,990	\$ 17,939,199	\$ 74,616
Wiggums Park Place, LLLP					
Revenue construction bond	-	4,204,481	-	4,204,481	-
Seller financing note	-	6,325,000	-	6,325,000	-
Ground lease	-	600,000	-	600,000	8,549
	-	11,129,481	-	11,129,481	8,549
Compensated absences	-	26,872	-	26,872	6,718
Total	\$ -	\$ 11,156,353	\$ -	\$ 11,156,353	\$ 15,267

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Notes to Basic Financial Statements
June 30, 2018

Changes in outstanding notes and compensated absences for the Component Units during the year ended December 31, 2017 (continued)

	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
EHA Senior Housing I LLLP					
Revenue construction bond	\$ 15,393,755	\$ 575,745	\$ -	\$ 15,969,500	\$ 9,532,698
EHA sponsor note	1,284,756	-	-	1,284,756	-
Seller financing note	8,375,000	-	-	8,375,000	-
	25,053,511	575,745	-	25,629,256	9,532,698
Compensated absences	8,674	15,513	-	24,187	6,047
Total	25,062,185	591,258	-	25,653,443	9,538,745
Evergreen Village Senior Apartments					
WA State Dept of Commerce	130,000	-	-	130,000	-
	130,000	-	-	130,000	-
Compensated absences	1,603	3,958	-	5,561	1,390
Total	131,603	3,958	-	135,561	1,390
Lynn Woods Senior Apartments					
Mortgage note	1,378,607	-	32,173	1,346,434	33,541
	1,378,607	-	32,173	1,346,434	33,541
Compensated absences	1,285	3,647	-	4,932	983
Total	1,379,892	3,647	32,173	1,351,366	34,524
Silver Woods Senior Apartments					
City of Everett HOME loan	100,000	-	-	100,000	-
Mortgage note	1,405,642	-	30,959	1,374,683	32,407
	1,505,642	-	30,959	1,474,683	32,407
Compensated absences	1,901	3,976	-	5,877	1,469
Total	1,507,543	3,976	30,959	1,480,560	33,876
Evergreen Court Senior Apartments					
Compensated absences	1,975	2,290	-	4,265	1,066
Hawkins House Senior Apartments					
Compensated absences	1,160	3,247	-	4,407	1,102
Lynn Crest Senior Apartments					
Compensated absences	1,276	3,511	-	4,787	947
Lake Woods Senior Apartments					
Compensated absences	3,815	542	-	4,357	1,089
Meadow Park Senior Apartments					
Compensated absences	1,603	2,504	-	4,107	1,027
Scriber Pointe Senior Apartments					
Compensated absences	1,276	1,204	-	2,480	620
Silver View Senior Apartments					
Compensated absences	2,018	3,723	-	5,741	1,435
Village East Senior Apartments					
Compensated absences	1,137	2,077	-	3,214	803

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

The annual debt service requirements of the Component Units' long-term debt obligations at December 31, 2017 are as follows:

Year Ended December 31	Notes	Interest	Total
2018	\$ 9,865,528	\$ 1,621,598	\$ 11,487,126
2019	4,605,742	1,732,061	6,337,803
2020	415,278	1,722,222	2,137,500
2021	429,984	1,712,490	2,142,474
2022	460,412	1,701,533	2,161,945
2023-2027	2,666,455	8,420,521	11,086,976
2028-2032	7,915,637	7,512,885	15,428,522
2033-2037	14,724,026	4,582,105	19,306,131
Thereafter	68,053,338	34,315,246	102,368,584
	<u>\$ 109,136,400</u>	<u>\$ 63,320,661</u>	<u>\$ 172,457,061</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, 2018, 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, 2018, there were two separate series of these special revenue bonds outstanding with an aggregate original principal amount payable of \$2,504,000. The estimated unpaid principal balance of these obligations at June 30, 2018 is \$1,705,563.

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.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

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, 2018

12. Pension Plan

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ 4,021,304
Pension assets	\$ -
Deferred outflows of resources	\$ 1,195,665
Deferred inflows of resources	\$ 667,171
Pension expense/expenditures	\$ 707,354

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

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

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January - June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	11.18%	6.00%
July - December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	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.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – June 2017:		
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%
July – December 2017:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.70%	7.38%

* For employees participating in JBM, the contribution rate was 15.30% for January – June 2017 and 18.45% for July - December 2017.

The Everett Housing Authority's actual PERS plan contributions were \$262,520 to PERS Plan 1 and \$342,871 to PERS Plan 2/3 for the year ended June 30, 2017.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic Experience Study*.

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

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **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 changes in methods and assumptions since the last valuation.

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

Discount Rate

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

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. 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, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

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

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	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	\$ 2,552,687	\$ 2,070,847	\$ 1,679,456
PERS 2/3	5,254,737	1,950,457	(756,909)

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.

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

At June 30, 2017, the Everett Housing Authority reported a total pension liability of \$4,021,304 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$2,070,847
PERS 2/3	1,950,457

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

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	.039816%	.043642%	.003826%
PERS 2/3	.051023%	.056136%	.005113%

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.

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

Pension Expense

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

	Pension Expense
PERS 1	\$ 343,343
PERS 2/3	364,011
TOTAL	707,354

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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	-	(77,278)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	296,499	-
TOTAL	\$296,499	(\$77,278)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$197,627	(\$64,147)
Net difference between projected and actual investment earnings on pension plan investments	-	(519,945)
Changes of assumptions	20,718	-
Changes in proportion and differences between contributions and proportionate share of contributions	293,573	(5,802)
Contributions subsequent to the measurement date	387,250	-
TOTAL	\$899,168	(\$589,895)

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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, 2019. 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
2018	(\$52,235)	(\$101,405)
2019	16,491	126,301
2020	(3,829)	(32,741)
2021	(37,705)	(179,252)
2022	-	47,444
Thereafter	-	61,677
TOTAL	(\$77,278)	(\$77,976)

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.

- Wiggums Park Place LLLP
- 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 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.

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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.

	Development Fee Payments	Incentive Mgt Fee	Property Mgt Fees	General Partner Fees	Loan & Lease Payments	Total
Wiggums Park Place LLLP	\$ -	\$ -	\$ -	\$ -	\$ 23,616	\$ 23,616
Broadway Plaza LLLP	72,861	-	87,689	-	240,000	400,550
Pivotal Point LLLP	-	-	10,660	7,764	-	18,424
Bakerview/Grandview LLLP	417,970	-	97,332	-	-	515,302
Everett Affordable Housing LLLP	250,408	-	67,698	-	-	318,106
EHA Senior Housing I LLLP	2,352,444	-	90,214	-	-	2,442,658
Total	\$ 3,093,683	\$ -	\$ 353,593	\$ 7,764	\$ 263,616	\$ 3,718,656

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, 2018 were:

	Development Notes Receivable	Bond Notes Receivable	Sponsor Loans Receivable	Seller/EHA Financing Notes Receivable	HOME/HTF and other Loans	Grounds Lease	Deferred Interest	Total
Wiggums Park Place LLLP	\$ -	\$ 7,966,110	\$ 3,000,000	\$ 3,325,000	\$ -	\$ 582,834	\$ 183,621	\$ 15,057,565
Broadway Plaza LLLP	-	6,545,000	-	9,875,000	-	-	2,870,233	19,290,233
Pivotal Point LLLP	-	-	-	33,134	865,000	-	-	898,134
Bakerview/Grandview LLLP	3,225,412	6,189,343	5,000,000	22,950,000	-	-	3,181,901	40,546,656
Everett Affordable Housing LLLP	2,038,718	5,284,646	2,000,000	9,694,066	-	-	1,362,376	20,379,806
EHA Senior Housing I LLLP	1,333,764	6,479,151	1,284,756	8,375,000	-	-	736,832	18,209,503
Total	\$ 6,597,894	\$ 32,464,250	\$ 11,284,756	\$ 54,252,200	\$ 865,000	\$ 582,834	\$ 8,334,963	\$ 114,381,897

Further detail for these receivables is available in Note 5.

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Notes to Basic Financial Statements

June 30, 2018

b. Nonprofit Organizations

In 2017 the Authority assumed sponsorship and 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, 2018, EHA received \$95,502 in management fees from these properties. and another \$154,546 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

There were no payables associated with the component units at June 30, 2018.

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Notes to Basic Financial Statements
June 30, 2018

Condensed Financial Data for the Component Units for the year ended December 31, 2017 is as follows:

Blended Component Unit:

	Twelve Pines
Assets, Liabilities and Net Position	
Assets	
Total assets	\$ -
Liabilities and net position	
Total liabilities	-
Net position	-
Total liabilities and net position	\$ -
Revenues, Expenses and Changes in Net Position	
Operating revenues	\$ 560,165
Operating expenses	
Administration & tenant services	212,995
Maintenance & operations	149,650
Utilities & general	56,469
Depreciation and amortization	66,360
Total operating expenses	485,474
Operating income	74,691
Nonoperating revenues (expenses)	
Investment income	1,585
Interest expense	(68,764)
Other revenue	1,467,705
Gains (losses) - capital asset disposition	(1,947,552)
Total nonoperating (expenses)	(547,026)
Income (loss) before capital contributions	(472,335)
Contributions	
Capital disbursements - partnerships	(413,728)
Total contributions	(413,728)
Change in net position	(886,063)
Beginning net position	-
Change in reporting entity	886,063
Ending net position	\$ -

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Notes to Basic Financial Statements
June 30, 2018

	Discretely Presented Component Units, December 31, 2017					
	Broadway Plaza LLLP	Pivotal Point LLLP	Bakerview/Grandview LLLP	Everett Aff Hsg Port LLLP	EHA Senior Housing I LLLP	Wiggams Park Place LLLP
Assets, Liabilities and Net Position						
Assets						
Cash and investments	\$ 2,049,214	\$ 485,184	\$ 1,575,574	\$ 1,339,418	\$ 2,788,152	\$ 109,139
Receivables and other assets	43,499	6,909	74,577	50,357	24,992	13,376
Capital assets, net	19,057,114	4,236,292	54,633,609	26,338,984	28,421,630	12,154,240
Total assets	<u>\$ 21,149,827</u>	<u>\$ 4,728,385</u>	<u>\$ 56,283,760</u>	<u>\$ 27,728,759</u>	<u>\$ 31,234,774</u>	<u>\$ 12,276,755</u>
Liabilities and net position						
Liabilities						
Current liabilities	\$ 649,832	\$ 53,889	\$ 426,005	\$ 428,881	\$ 12,655,707	\$ 587,271
Long-term liabilities	18,665,960	852,200	39,674,731	20,699,584	17,242,327	11,207,851
Total liabilities	19,315,792	906,089	40,100,736	21,128,465	29,898,034	11,795,122
Net position	1,834,035	3,822,296	16,183,024	6,600,294	1,336,740	481,633
Total liabilities and net position	<u>\$ 21,149,827</u>	<u>\$ 4,728,385</u>	<u>\$ 56,283,760</u>	<u>\$ 27,728,759</u>	<u>\$ 31,234,774</u>	<u>\$ 12,276,755</u>

Revenues, Expenses and Changes in Net Position						
Operating revenues	\$ 2,134,666	\$ 209,611	\$ 13,097,823	\$ 2,054,030	\$ 4,268,865	\$ 850,934
Operating expenses						
Administration & tenant services	591,680	76,892	628,868	300,891	495,638	92,800
Maintenance & operations	360,969	52,505	527,560	373,005	416,211	73,410
Utilities & general	317,245	43,610	366,040	189,745	190,498	23,680
Depreciation and amortization	579,685	175,193	1,553,457	780,497	829,012	89,534
Total operating expenses	1,849,579	348,200	3,075,925	1,644,138	1,931,359	279,424
Operating income	285,087	(138,589)	10,021,898	409,892	2,337,506	571,510
Non-operating revenues (expenses)						
Investment income	6,509	2,521	2,325	4,422	3,956	89
Interest expense	(876,425)	(12,845)	(1,347,487)	(723,970)	(711,149)	(89,966)
Gains (losses) - capital asset disposition	-	-	-	-	-	-
Total non-operating (expenses)	(869,916)	(10,324)	(1,345,162)	(719,548)	(707,193)	(89,877)
Income (loss) before capital contributions	(584,829)	(148,913)	8,676,736	(309,656)	1,630,313	481,633
Change in net position	(584,829)	(148,913)	8,676,736	(309,656)	1,630,313	481,633
Beginning net position	2,418,864	3,971,209	7,506,288	6,909,950	(293,572)	-
Ending net position	<u>\$ 1,834,035</u>	<u>\$ 3,822,296</u>	<u>\$ 16,183,024</u>	<u>\$ 6,600,294</u>	<u>\$ 1,336,741</u>	<u>\$ 481,633</u>

* Beginning net position was restated to adjust for the change in equity from Discretely Presented to Blended Component Unit

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

Assets, Liabilities and Net Position

	Evergreen Court	Evergreen Village	Hawkins House	Lynncrest	Lake Woods	Lynn Woods	Meadow Park
Assets							
Cash and investments	\$ 241,825	\$ 138,572	\$ 161,935	\$ 155,010	\$ 277,209	\$ 380,814	\$ 100,503
Receivables and other assets	14,199	8,566	6,637	6,373	9,701	11,546	30,294
Capital assets, net	1,466,971	2,333,495	5,783,519	1,184,535	1,183,312	879,939	1,722,669
Total assets	<u>\$ 1,722,995</u>	<u>\$ 2,480,633</u>	<u>\$ 5,952,091</u>	<u>\$ 1,345,918</u>	<u>\$ 1,470,222</u>	<u>\$ 1,272,299</u>	<u>\$ 1,853,466</u>
Liabilities and net position							
Liabilities							
Current liabilities	\$ 46,517	\$ 72,748	\$ 64,249	\$ 122,496	\$ 109,518	\$ 95,704	\$ 49,701
Long-term liabilities	3,199	134,170	3,305	2,840	3,268	1,299,268	3,080
Total liabilities	49,716	206,918	67,554	125,336	112,786	1,394,972	52,781
Net position	1,673,279	2,273,715	5,884,537	1,220,582	1,357,436	(122,673)	1,800,685
Total liabilities and net position	<u>\$ 1,722,995</u>	<u>\$ 2,480,633</u>	<u>\$ 5,952,091</u>	<u>\$ 1,345,918</u>	<u>\$ 1,470,222</u>	<u>\$ 1,272,299</u>	<u>\$ 1,853,466</u>

Revenues, Expenses and Changes in Net Position

Operating revenues	\$ 250,640	\$ 209,417	\$ 252,470	\$ 206,574	\$ 275,835	\$ 336,178	\$ 238,753
Operating expenses							
Administration & tenant services	108,055	136,991	141,455	132,882	123,840	131,102	119,833
Maintenance & operations	64,235	77,802	67,907	76,142	102,688	86,129	59,554
Utilities & general	43,232	49,608	70,344	50,577	63,517	46,150	50,039
Depreciation and amortization	71,108	93,068	179,024	66,544	75,016	73,107	83,985
Total operating expenses	286,630	357,469	458,730	326,145	365,061	336,488	313,411
Operating income	(35,990)	(148,052)	(206,260)	(119,571)	(89,226)	(310)	(74,658)
Non-operating revenues (expenses)							
Investment income	419	270	235	222	398	214	223
Interest expense	-	-	-	-	-	(56,766)	-
Total non-operating (expenses)	419	270	235	222	398	(56,552)	223
Change in net position	(35,571)	(147,782)	(206,025)	(119,349)	(88,828)	(56,861)	(74,435)
Beginning net position	1,708,850	2,421,493	6,090,561	1,339,932	1,446,263	(65,809)	1,875,118
Ending net position	<u>\$ 1,673,279</u>	<u>\$ 2,273,711</u>	<u>\$ 5,884,536</u>	<u>\$ 1,220,583</u>	<u>\$ 1,357,435</u>	<u>\$ (122,670)</u>	<u>\$ 1,800,683</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Notes to Basic Financial Statements
June 30, 2018

Assets, Liabilities and Net Position							Total Discrete Component Units
	Meadow Park	Scriber Pointe	Silver View	Silver Woods	Village East	Total Nonprofits	
Assets							
Cash and investments	\$ 100,503	\$ 196,385	\$ 252,337	\$ 421,402	\$ 165,496	\$ 2,491,488	\$ 10,838,169
Receivables and other assets	30,294	7,197	6,491	13,937	7,297	122,238	335,950
Capital assets, net	1,722,669	2,255,171	1,280,455	968,224	1,520,352	20,578,642	165,420,512
Total assets	<u>\$ 1,853,466</u>	<u>\$ 2,458,753</u>	<u>\$ 1,539,283</u>	<u>\$ 1,403,563</u>	<u>\$ 1,693,145</u>	<u>\$ 23,192,368</u>	<u>\$ 176,594,631</u>
Liabilities and net position							
Liabilities							
Current liabilities	\$ 49,701	\$ 47,040	\$ 37,313	\$ 139,444	\$ 37,459	\$ 822,189	\$ 15,623,776
Long-term liabilities	3,080	1,860	4,306	1,425,400	2,411	2,883,107	111,225,757
Total liabilities	52,781	48,900	41,619	1,564,844	39,870	3,705,296	126,849,533
Net position	1,800,685	2,409,853	1,497,664	(161,281)	1,653,275	19,487,072	49,745,098
Total liabilities and net position	<u>\$ 1,853,466</u>	<u>\$ 2,458,753</u>	<u>\$ 1,539,283</u>	<u>\$ 1,403,563</u>	<u>\$ 1,693,145</u>	<u>\$ 23,192,368</u>	<u>\$ 176,594,631</u>
Revenues, Expenses and Changes in Net Position							
Operating revenues	\$ 238,753	\$ 221,122	\$ 242,131	\$ 338,017	\$ 225,670	\$ 2,796,807	\$ 25,412,732
Operating expenses							
Administration & tenant services	119,833	110,258	111,021	106,759	141,029	1,363,225	3,549,995
Maintenance & operations	59,554	73,179	73,542	74,247	55,485	810,910	2,614,564
Utilities & general	50,039	58,233	42,778	35,467	69,215	579,160	1,709,976
Depreciation and amortization	83,985	88,046	68,189	67,570	69,326	934,983	4,942,362
Total operating expenses	<u>313,411</u>	<u>329,716</u>	<u>295,530</u>	<u>284,043</u>	<u>335,055</u>	<u>3,688,278</u>	<u>12,816,897</u>
Operating income	<u>(74,658)</u>	<u>(108,594)</u>	<u>(53,399)</u>	<u>53,974</u>	<u>(109,385)</u>	<u>(891,471)</u>	<u>12,595,835</u>
Non-operating revenues (expenses)							
Investment income	223	367	566	235	378	3,527	23,347
Interest expense	-	-	-	(67,542)	-	(124,308)	(3,886,149)
Total non-operating (expenses)	<u>223</u>	<u>367</u>	<u>566</u>	<u>(67,307)</u>	<u>378</u>	<u>(120,781)</u>	<u>(3,862,802)</u>
Change in net position	<u>(74,435)</u>	<u>(108,227)</u>	<u>(52,833)</u>	<u>(13,333)</u>	<u>(109,007)</u>	<u>(1,012,252)</u>	<u>8,733,033</u>
Beginning net position	1,875,118	2,518,077	1,550,498	(147,947)	1,762,289	20,499,325	41,012,064
Ending net position	<u>\$ 1,800,683</u>	<u>\$ 2,409,850</u>	<u>\$ 1,497,665</u>	<u>\$ (161,280)</u>	<u>\$ 1,653,282</u>	<u>\$ 19,487,073</u>	<u>\$ 49,745,098</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2018

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

On July 20, 2018 the Authority received approval from HUD's Special Applications Center (SAC) to dispose of the 44-unit Scattered Sites public housing project. EHA expects to receive an allocation of 44 Section 8 Tenant Protection Vouchers to provide rent subsidy for residents as they find alternative housing. The Authority expects that all units will be vacated by late 2019. Once vacated, the units will be sold at fair market value. The financial impact of this disposition was not material in 2018. The Authority believes that there are sufficient public housing operating reserve funds to facilitate and monetarily assist with the relocation of Scattered Sites residents.

17. Legal Settlement

In March of 2018, the Authority received payment of a \$591,514 settlement from the Judgement Fund, which is a permanent appropriation administered by the Department of Treasury to pay judgements against the United States. This settlement resulted from the Authority's participation in a successful lawsuit brought against HUD by a group of housing authorities and two industry groups related to a public housing funding offset implemented in 2012. According to the opinion of the legal counsel who represented the housing authorities in the lawsuit, the funds received should be considered non-federal funds and as such are classified as unrestricted funds.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Schedule of Proportionate Share of the Net Pension Liability
June 30, 2018
Last 10 Fiscal Years*

PERS # 1	2017**	2016	2015	2014	2013
Employer's proportion of the net pension liability (asset)	0.043642%	0.039816%	0.037174%	0.034937%	0.034695%
Employer's proportionate share of the net pension liability	2,070,847	2,138,307	1,944,546	1,759,968	2,027,317
Employer's covered payroll	5,525,858	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	37.48%	47.35%	45.42%	45.67%	53.07%
Plan fiduciary net position as a percentage of the total pension liability	61.24%	57.03%	59.10%	61.19%	
PERS #2/3	2017**	2016	2015	2014	2013
Employer's proportion of the net pension liability (asset)	0.056136%	0.051023%	0.048023%	0.044981%	0.046204%
Employer's proportionate share of the net pension liability	1,950,458	2,568,968	1,715,889	909,228	1,972,918
Employer's covered payroll	5,525,858	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	35.30%	56.88%	40.08%	23.59%	51.65%
Plan fiduciary net position as a percentage of the total pension liability	90.97%	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, 2017 for amounts recorded as of June 30, 2018 financial statements related to net pension liabilities, expenses, deferred outflows of resources and deferred inflows of resources.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Schedule of Employer Contributions
June 30, 2018
Last 10 Fiscal Years*

PERS # 1	2017**	2016	2015	2014	2013
Contractually required contributions	262,520	225,796	170,851	154,640	89,978
Contributions in relation to the contractually required contributions	(262,520)	(225,796)	(170,851)	(154,640)	(89,978)
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	5,525,858	4,516,285	4,281,598	3,853,601	3,819,873
Contributions as a percentage of covered employer payroll	4.75%	5.00%	3.99%	4.01%	2.36%
PERS #2/3	2017**	2016	2015	2014	2013
Contractually required contributions	342,871	294,550	213,920	190,017	179,299
Contributions in relation to the contractually required contributions	(342,871)	(294,550)	(213,920)	(190,017)	(179,299)
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	5,525,858	4,516,285	4,281,598	3,853,601	3,819,873
Contributions as a percentage of covered employer payroll	6.20%	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 provide information as of the measurement date of June 30, 2017 for amounts recorded as of June 30, 2018 financial statements related to net pension liabilities, expenses, deferred outflows of resources and deferred inflows of resources.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Notes to the Schedule of Proportionate Share of the Net Pension Liability
June 30, 2018

1. Changes of Benefit Terms

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

2. Changes of Assumptions

For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.

How the basic minimum COLA in PERS Plan 1 and TRS Plan 1 is valued for legal order payees was improved.

The average expected remaining service lives calculation was revised. It is used to recognize the changes in pension expense to no longer discount future years of service back to the present day.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Supplemental Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			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	Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	WA006SR0004	-	137,505	137,505	1, 2
	Lower Income Housing Assistance Program	14.856	WA006MR0003	-	41,122	41,122	1, 2
	Section 8 Moderate Rehabilitation						
	Total Section 8 Project-Based Cluster:			-	178,627	178,627	-
Office of Public And Indian Housing, Department Of Housing And Urban Development	Public and Indian Housing	14.850	WA006	-	940,616	940,616	1, 2
Office of Public And Indian Housing, Department Of Housing And Urban Development	Resident Opportunity and Supportive Services - Service Coordinators	14.870	WA006RPS004A013	-	34,274	34,274	1, 2
Housing Voucher Cluster Office of Public And Indian Housing, Department Of Housing And Urban Development	Section 8 Housing Choice Vouchers	14.871	WA006	-	33,074,342	33,074,342	1, 2
	Total Housing Voucher Cluster:			-	33,074,342	33,074,342	-
Office of Public And Indian Housing, Department Of Housing And Urban Development	Public Housing Capital Fund	14.872	WA19P006501	-	434,655	434,655	1, 2
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	98,118	-	98,118	1, 2
Total Federal Awards Expended:				98,118	34,662,514	34,760,632	-

The accompanying notes are an integral part of this schedule

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Notes to the Supplemental Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

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, WASHINGTON
Supplemental Financial Data Schedule
Statement of Net Position
As of June 30, 2018

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	\$ -	\$ -	\$ 383,674	\$ 109,315	\$ 51,608	\$ 15,685,920
113 Cash - Other Restricted	-	-	193,036	-	-	11,135
114 Cash - Tenant Security Deposits	-	-	-	-	-	23,640
115 Cash - Restricted for Payment of Current Liabilities	-	-	66,999	-	-	-
100 Total Cash	-	-	643,709	109,315	51,608	15,720,695
121 Accounts Receivable - PHA Projects	-	-	-	-	-	-
122 Accounts Receivable - HUD Other Projects	-	-	141,023	-	-	1,142
124 Accounts Receivable - Other Government	58,597	-	13,765	-	-	161,674
125 Accounts Receivable - Miscellaneous	-	-	43,747	-	-	1,529,291
126 Accounts Receivable - Tenants	-	-	-	-	844	2,955
126.1 Allowance for Doubtful Accounts - Tenants	-	-	-	-	-	(295)
126.2 Allowance for Doubtful Accounts - Other	-	-	(32,261)	-	-	-
127 Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	318,231
128 Fraud Recovery	-	-	117,962	-	-	-
128.1 Allowance for Doubtful Accounts - Fraud	-	-	(32,261)	-	-	-
129 Accrued Interest Receivable	-	-	-	-	-	499,414
120 Total Receivables, Net of Allowances for Doubtful Accounts	58,597	-	251,965	-	844	2,512,412
131 Investments - Unrestricted	-	-	-	-	-	-
132 Investments - Restricted	-	-	-	-	-	-
142 Prepaid Expenses and Other Assets	-	-	486	-	-	4,104
143 Inventories	-	-	-	-	-	-
144 Inter Program Due From	-	-	-	-	-	48,416
150 Total Current Assets	58,597	-	896,160	109,315	52,452	18,285,627
161 Land	-	-	-	-	-	2,283,436
162 Buildings	-	-	154,860	-	-	5,270,467
163 Furniture, Equipment & Machinery - Dwellings	-	-	-	-	-	8,000
164 Furniture, Equipment & Machinery - Administration	-	-	115,801	-	-	307,848
165 Leasehold Improvements	-	-	-	-	-	-
166 Accumulated Depreciation	-	-	(145,567)	-	-	(1,256,652)
167 Construction in Progress	-	-	-	-	-	295,133
160 Total Capital Assets, Net of Accumulated Depreciation	-	-	125,094	-	-	6,908,232
171 Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	107,465,772
174 Other Assets	-	-	-	-	-	5,360,002
180 Total Non-Current Assets	-	-	125,094	-	-	119,734,006
200 Deferred Outflow of Resources	-	-	221,415	-	-	722,571
190 Total Assets and Deferred Outflow of Resources	\$ 58,597	\$ -	\$ 1,242,669	\$ 109,315	\$ 52,452	\$ 138,742,204

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Supplemental Financial Data Schedule
Statement of Net Position
As of June 30, 2018

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	2,946	-	27,733	762	290	47,822
321 Accrued Wages/Payroll Taxes Payable	-	-	-	-	-	-
322 Accrued Compensated Absences - Current Portion	1,734	-	20,465	10	4	34,570
325 Accrued Interest Payable	-	-	-	-	-	493,204
331 Accounts Payable - HUD PHA Programs	-	-	542	3,022	12,751	-
332 Account Payable - PHA Projects	-	-	-	-	-	-
333 Accounts Payable - Other Government	-	-	-	-	-	-
341 Tenant Security Deposits	-	-	-	-	-	23,640
342 Unearned Revenue	-	-	-	-	-	524
343 Current Portion of Long-term Debt - Capital	-	-	-	-	-	54,880
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	305,252
345 Other Current Liabilities	-	-	66,999	-	-	-
346 Accrued Liabilities - Other	300	-	-	-	-	17,583
347 Inter Program - Due To	48,416	-	-	-	-	-
310 Total Current Liabilities	53,396	-	115,739	3,794	13,045	977,475
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	-	-	-	-	-	2,475,168
352 Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	33,023,998
353 Non-current Liabilities - Other	-	-	176,984	-	-	201,969
354 Accrued Compensated Absences - Non Current	5,201	-	61,397	31	12	103,709
357 Accrued Pension and OPEB Liabilities	-	-	744,673	-	-	2,430,178
350 Total Non-Current Liabilities	5,201	-	983,054	31	12	38,235,022
300 Total Liabilities	58,597	-	1,098,793	3,825	13,057	39,212,497
400 Deferred Inflows of Resources	-	-	123,548	-	-	403,188
508.4 Net Investment in Capital Assets	-	-	125,094	-	-	4,378,184
511.4 Restricted Net Position	-	-	16,052	-	-	11,135
512.4 Unrestricted Net Position	-	-	(120,818)	105,490	39,395	94,737,200
513 Total Equity - Net Assets / Position	-	-	20,328	105,490	39,395	99,126,519
600 Total Liabilities, Deferred Inflows of Resources and Equity/Net Assets	\$ 58,597	\$ -	\$ 1,242,669	\$ 109,315	\$ 52,452	\$ 138,742,204

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Supplemental Financial Data Schedule
Statement of Net Position
As of June 30, 2018

Line item number & account description	Baker Heights WAA006000100	Grandview Homes WAA006000200	Bakerview Apts WAA006000300	Pinelview Apts WAA006000400	Scattered Sites WAA006000500	Total Public Housing Projects	COCC
111 Cash - Unrestricted	\$ 2,011,452	\$ -	\$ -	\$ -	\$ 603,394	\$ 2,614,846	\$ 295
113 Cash - Other Restricted	7,877	-	-	-	3,650	11,527	-
114 Cash - Tenant Security Deposits	29,300	-	-	-	11,800	41,100	-
115 Cash - Restricted for Payment of Current Liabilities	5,904	-	-	-	-	5,904	-
100 Total Cash	2,054,533	-	-	-	618,844	2,673,377	295
121 Accounts Receivable - PHA Projects	-	-	-	-	-	-	-
122 Accounts Receivable - HUD Other Projects	47,055	-	-	-	-	47,055	67,422
124 Accounts Receivable - Other Government	-	-	-	-	-	-	-
125 Accounts Receivable - Miscellaneous	-	-	-	-	-	-	390
126 Accounts Receivable - Tenants	21,411	-	-	-	5,512	26,923	-
126.1 Allowance for Doubtful Accounts - Tenants	(2,141)	-	-	-	(551)	(2,692)	-
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	66,325	-	-	-	4,961	71,286	67,812
131 Investments - Unrestricted	-	-	-	-	-	-	-
132 Investments - Restricted	-	-	-	-	-	-	-
142 Prepaid Expenses and Other Assets	477	-	-	-	211	688	6,172
143 Inventories	-	-	-	-	-	-	58,562
144 Inter Program Due From	-	-	-	-	-	-	-
150 Total Current Assets	2,121,335	-	-	-	624,016	2,745,351	132,841
161 Land	12,028	-	-	-	901,500	913,528	206,200
162 Buildings	10,421,301	-	-	-	4,095,445	14,516,746	3,248,729
163 Furniture, Equipment & Machinery - Dwellings	-	-	-	-	-	-	-
164 Furniture, Equipment & Machinery - Administration	108,050	-	-	-	18,235	126,285	908,782
165 Leasehold Improvements	-	-	-	-	-	-	-
166 Accumulated Depreciation	(10,325,963)	-	-	-	(2,707,572)	(13,033,535)	(2,450,585)
167 Construction in Progress	-	-	-	-	-	-	59,184
160 Total Capital Assets, Net of Accumulated Depreciation	215,416	-	-	-	2,307,608	2,523,024	1,972,310
171 Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	-	-
174 Other Assets	-	-	-	-	-	-	-
180 Total Non-Current Assets	215,416	-	-	-	2,307,608	2,523,024	1,972,310
200 Deferred Outflow of Resources	99,304	-	-	-	13,607	112,911	138,768
190 Total Assets and Deferred Outflow of Resources	\$ 2,436,055	\$ -	\$ -	\$ -	\$ 2,945,231	\$ 5,381,286	\$ 2,243,919

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Supplemental Financial Data Schedule
Statement of Net Position
As of June 30, 2018

Line item number & account description	Baker Heights WAA006000100	Grandview Homes WAA006000200	Bakerview Apts WAA006000300	Pineview Apts WAA006000400	Scattered Sites WAA006000500	Total Public Housing Projects	COC
312 Accounts Payable <= 90 Days	17,728	-	-	-	5,070	22,798	299,746
321 Accrued Wages/Payroll Taxes Payable	-	-	-	-	-	-	52,150
322 Accrued Compensated Absences - Current Portion	15,117	-	-	-	1,770	16,887	20,797
325 Accrued Interest Payable	-	-	-	-	-	-	-
331 Accounts Payable - HUD PHA Programs	-	-	-	-	-	-	-
332 Account Payable - PHA Projects	-	-	-	-	-	-	-
333 Accounts Payable - Other Government	-	-	-	-	-	-	-
341 Tenant Security Deposits	-	-	-	-	-	-	161,674
342 Unearned Revenue	29,300	-	-	-	11,800	41,100	-
343 Current Portion of Long-term Debt - Capital	406	-	-	-	874	1,280	-
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-	-
345 Other Current Liabilities	5,904	-	-	-	-	5,904	5,914
346 Accrued Liabilities - Other	57,238	-	-	-	16,063	73,301	129,683
347 Inter Program - Due To	-	-	-	-	-	-	-
310 Total Current Liabilities	125,693	-	-	-	35,577	161,270	689,964
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	-	-	-	-	-	-	-
352 Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-	-
353 Non-current Liabilities - Other	7,877	-	-	-	3,650	11,527	-
354 Accrued Compensated Absences - Non Current	45,352	-	-	-	5,310	50,662	62,392
357 Accrued Pension and OPEB Liabilities	333,982	-	-	-	45,763	379,745	486,709
350 Total Non-Current Liabilities	387,211	-	-	-	54,723	441,934	529,101
300 Total Liabilities	512,904	-	-	-	90,300	603,204	1,199,065
400 Deferred Inflows of Resources	55,411	-	-	-	7,593	63,004	77,431
508.4 Net Investment in Capital Assets	215,416	-	-	-	2,307,608	2,523,024	1,972,310
511.4 Restricted Net Position	-	-	-	-	-	-	-
512.4 Unrestricted Net Position	1,652,324	-	-	-	539,730	2,192,054	(1,004,887)
513 Total Equity - Net Assets / Position	1,867,740	-	-	-	2,847,338	4,715,078	967,423
600 Total Liabilities, Deferred Inflows of Resources and Equity/Net Assets	\$ 2,436,055	\$ -	\$ -	\$ -	\$ 2,945,231	\$ 5,381,286	\$ 2,243,919

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Supplemental Financial Data Schedule
Statement of Net Position
As of June 30, 2018

Line item number & account description	Total Other Programs	Subtotal Housing Authority Projects/Programs	Component Unit Blended	Eliminations	Total Housing Authority	Component Unit Discretely Presented	Memorandum Total
111 Cash - Unrestricted	\$ 16,230,517	\$ 18,845,658	\$ -	\$ -	\$ 18,845,658	\$ 4,379,225	\$ 23,224,883
113 Cash - Other Restricted	204,171	215,698	-	-	215,698	6,078,801	6,294,499
114 Cash - Tenant Security Deposits	23,640	64,740	-	-	64,740	380,143	444,883
115 Cash - Restricted for Payment of Current Liabilities	66,999	72,903	-	-	72,903	-	72,903
100 Total Cash	16,525,327	19,198,999	-	-	19,198,999	10,838,169	30,037,168
121 Accounts Receivable - PHA Projects	-	-	-	-	-	-	-
122 Accounts Receivable - HUD Other Projects	142,165	256,642	-	-	256,642	51,443	308,085
124 Accounts Receivable - Other Government	234,036	234,036	-	-	234,036	-	234,036
125 Accounts Receivable - Miscellaneous	1,573,038	1,573,428	-	-	1,573,428	8,142	1,581,570
126 Accounts Receivable - Tenants	3,799	30,722	-	-	30,722	48,345	79,067
126.1 Allowance for Doubtful Accounts - Tenants	(295)	(2,987)	-	-	(2,987)	(6,650)	(9,637)
126.2 Allowance for Doubtful Accounts - Other	(32,261)	(32,261)	-	-	(32,261)	-	(32,261)
127 Notes, Loans, & Mortgages Receivable - Current	318,231	318,231	-	-	318,231	-	318,231
128 Fraud Recovery	117,952	117,952	-	-	117,952	-	117,952
128.1 Allowance for Doubtful Accounts - Fraud	(32,261)	(32,261)	-	-	(32,261)	-	(32,261)
129 Accrued Interest Receivable	499,414	499,414	-	-	499,414	-	499,414
120 Total Receivables, Net of Allowances for Doubtful Accounts	2,823,818	2,962,916	-	-	2,962,916	101,280	3,064,196
131 Investments - Unrestricted	-	-	-	-	-	-	-
132 Investments - Restricted	-	-	-	-	-	-	-
142 Prepaid Expenses and Other Assets	4,590	11,450	-	-	11,450	234,670	246,120
143 Inventories	-	58,562	-	-	58,562	-	58,562
144 Inter Program Due From	48,416	48,416	-	(48,416)	-	-	-
150 Total Current Assets	19,402,151	22,280,343	-	(48,416)	22,231,927	11,174,119	33,406,046
161 Land	2,283,436	3,403,164	-	-	3,403,164	11,960,510	15,363,674
162 Buildings	5,425,327	23,190,802	-	-	23,190,802	174,181,231	197,372,033
163 Furniture, Equipment & Machinery - Dwellings	8,000	8,000	-	-	8,000	2,824,873	2,832,873
164 Furniture, Equipment & Machinery - Administration	423,649	1,458,716	-	-	1,458,716	651,810	2,110,526
165 Leasehold Improvements	-	-	-	-	-	46,020	46,020
166 Accumulated Depreciation	(1,402,219)	(16,886,339)	-	-	(16,886,339)	(27,972,906)	(44,859,245)
167 Construction in Progress	295,133	354,317	-	-	354,317	3,043,773	3,398,090
160 Total Capital Assets, Net of Accumulated Depreciation	7,033,326	11,528,660	-	-	11,528,660	164,735,311	176,263,971
171 Notes, Loans and Mortgages Receivable - Non-Current	107,465,772	107,465,772	-	-	107,465,772	-	107,465,772
174 Other Assets	5,360,002	5,360,002	-	-	5,360,002	685,201	6,045,203
180 Total Non-Current Assets	119,859,100	124,354,434	-	-	124,354,434	165,420,512	289,774,946
200 Deferred Outflow of Resources	943,986	1,195,665	-	-	1,195,665	-	1,195,665
190 Total Assets and Deferred Outflows of Resources	\$ 140,205,237	\$ 147,830,442	\$ -	\$ (48,416)	\$ 147,782,026	\$ 176,594,631	\$ 324,376,657

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Supplemental Financial Data Schedule
Statement of Net Position
As of June 30, 2018

Line item number & account description	Total Other Programs	Subtotal Housing Authority Projects/Programs	Component Unit Blended	Eliminations	Total Housing Authority	Component Unit Discretely Presented	Memorandum Total
312 Accounts Payable <= 90 Days	79,553	402,097	-	-	402,097	837,378	1,239,475
321 Accrued Wages/Payroll Taxes Payable	-	52,150	-	-	52,150	-	52,150
322 Accrued Compensated Absences - Current Portion	56,783	94,467	-	-	94,467	49,198	143,665
325 Accrued Interest Payable	493,204	493,204	-	-	493,204	540,709	1,033,913
331 Accounts Payable - HUD PHA Programs	16,315	16,315	-	-	16,315	1,052	17,367
332 Account Payable - PHA Projects	-	-	-	-	-	-	-
333 Accounts Payable - Other Government	-	161,674	-	-	161,674	133,090	294,764
341 Tenant Security Deposits	23,640	64,740	-	-	64,740	380,143	444,883
342 Unearned Revenue	524	1,804	-	-	1,804	23,523	25,327
343 Current Portion of Long-term Debt - Capital	54,880	54,880	-	-	54,880	13,413,346	13,468,226
344 Current Portion of Long-term Debt - Operating Borrowings	305,252	305,252	-	-	305,252	-	305,252
345 Other Current Liabilities	66,999	78,817	-	-	78,817	245,337	324,154
346 Accrued Liabilities - Other	17,883	220,867	-	-	220,867	-	220,867
347 Inter Program - Due To	48,416	48,416	-	(48,416)	-	-	-
310 Total Current Liabilities	1,163,449	1,994,683	-	(48,416)	1,946,267	15,623,776	17,570,043
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	2,475,168	2,475,168	-	-	2,475,168	103,263,202	105,738,370
352 Long-term Debt, Net of Current - Operating Borrowings	33,023,998	33,023,998	-	-	33,023,998	610,000	33,633,998
353 Non-current Liabilities - Other	378,953	390,480	-	-	390,480	7,204,964	7,595,444
354 Accrued Compensated Absences - Non Current	170,350	283,404	-	-	283,404	147,591	430,995
357 Accrued Pension and OPEB Liabilities	3,174,851	4,021,305	-	-	4,021,305	-	4,021,305
350 Total Non-Current Liabilities	39,223,320	40,194,355	-	-	40,194,355	111,225,757	151,420,112
300 Total Liabilities	40,386,769	42,189,038	-	(48,416)	42,140,622	126,849,533	168,990,155
400 Deferred Inflows of Resources	526,736	667,171	-	-	667,171	-	667,171
508.4 Net Investment in Capital Assets	4,503,278	8,998,612	-	-	8,998,612	48,058,763	57,057,375
511.4 Restricted Net Position	27,187	27,187	-	-	27,187	6,078,802	6,105,989
512.4 Unrestricted Net Position	94,761,267	95,948,434	-	-	95,948,434	(4,392,467)	91,555,967
513 Total Equity - Net Assets / Position	99,291,732	104,974,233	-	-	104,974,233	49,745,098	154,719,331
600 Total Liabilities, Deferred Inflow of Resources and Equity/Net Assets	\$ 140,205,237	\$ 147,830,442	\$ -	\$ (48,416)	\$ 147,782,026	\$ 176,594,631	\$ 324,376,657

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Supplemental Financial Data Schedule
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 693,232
70400 Tenant Revenue - Other	-	-	-	-	-	9,121
70500 Total Tenant Revenue	-	-	-	-	-	702,353
70600 HUD PHA Operating Grants	-	34,274	32,578,389	144,862	43,898	-
70610 Capital Grants	-	-	-	-	-	-
70710 Management Fee	-	-	-	-	-	-
70720 Asset Management Fee	-	-	-	-	-	-
70730 Book Keeping Fee	-	-	-	-	-	-
70740 Front Line Service Fee	-	-	-	-	-	-
70750 Other Fees	-	-	-	-	-	669,428
70700 Total Fee Revenue	-	-	-	-	-	669,428
70800 Other Government Grants	256,433	-	-	-	-	-
71100 Investment Income - Unrestricted	-	-	3,171	1,510	575	2,663,198
71200 Mortgage Interest Income	-	-	-	-	-	-
71400 Fraud Recovery	-	-	27,739	-	-	-
71500 Other Revenue	-	-	120,570	-	-	3,556,123
71600 Gain or Loss on Sale of Capital Assets	-	-	3,040	-	-	5,863,038
72000 Investment Income - Restricted	-	-	-	-	-	5
70000 Total Revenue	256,433	34,274	32,732,909	146,372	44,473	13,454,145
91100 Administrative Salaries	100	-	952,941	1,309	499	2,213,291
91200 Auditing Fees	-	-	38,928	282	107	1,875
91300 Management Fee	-	-	476,500	2,952	1,092	-
91310 Book-keeping Fee	-	-	262,971	1,845	683	-
91400 Advertising and Marketing	479	-	757	-	-	4,346
91500 Employee Benefit Contributions - Administrative	30	-	398,415	806	307	796,785
91600 Office Expenses	30,070	3,408	187,629	862	329	97,471
91700 Legal Expense	-	-	480	-	-	19,195
91800 Travel	1	1	28,449	10	4	30,862
91900 Other	134	23	7,374	9,083	3,460	7,004
91000 Total Operating - Administrative	30,814	3,432	2,354,444	17,149	6,481	3,170,829
92000 Asset Management Fee	-	-	-	-	-	-
92100 Tenant Services - Salaries	107,993	16,181	17,114	-	-	241,626
92200 Relocation Costs	-	-	-	-	-	76,980

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Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

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
92300 Employee Benefit Contributions - Tenant Services	31,419	9,866	7,735	-	-	72,529
92400 Tenant Services - Other	85,486	4,677	3,675	-	-	6,815
92500 Total Tenant Services	224,898	30,724	28,524	-	-	397,950
93100 Water	-	-	-	-	-	13,709
93200 Electricity	-	-	-	-	-	20,598
93300 Gas	-	-	-	-	-	3,137
93600 Sewer	-	-	-	-	-	26,258
93800 Other Utilities Expense	-	-	-	-	-	553
93000 Total Utilities	-	-	-	-	-	64,255
94100 Ordinary Maintenance and Operations - Labor	-	-	-	-	-	1,062,319
94200 Ordinary Maintenance and Operations - Materials & Other	-	-	1,383	-	-	38,827
94300 Ordinary Maintenance and Operations Contracts	-	-	34,027	-	-	72,683
94500 Employee Benefit Contributions - Ordinary Maintenance	-	-	-	-	-	355,436
94000 Total Maintenance	-	-	35,410	-	-	1,529,265
95200 Protective Services - Other Contract Costs	-	-	-	-	-	-
95000 Total Protective Services	-	-	-	-	-	-
96110 Property Insurance	-	-	-	-	-	6,471
96120 Liability Insurance	-	-	9,032	48	18	4,005
96130 Workmen's Compensation	721	118	5,914	9	3	88,610
96140 All Other Insurance	-	-	1,664	-	-	634
96100 Total Insurance Premiums	721	118	16,610	57	21	99,720
96200 Other General Expenses	-	-	170,353	-	-	133,222
96300 Payments in Lieu of Taxes	-	-	-	-	-	-
96400 Bad Debt - Tenant Rents	-	-	-	-	-	7,486
96600 Bad Debt - Other	-	-	3,445	-	-	5,019
96000 Total Other General Expenses	-	-	173,798	-	-	145,727
96710 Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	60,988
96720 Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	1,969
96730 Amortization of Bond Issue Costs	-	-	-	-	-	-
96700 Total Interest Expense and Amortization Cost	-	-	-	-	-	62,957
96900 Total Operating Expenses	256,433	34,274	2,608,786	17,206	6,502	5,470,703
97000 Excess of Operating Revenue over Operating Expenses	-	-	30,124,123	129,166	37,971	7,983,442

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Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

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	-	-	-	-	-	40,327
97200 Casualty Losses - Non-capitalized	-	-	-	-	-	-
97300 Housing Assistance Payments	-	-	30,353,854	120,299	34,620	-
97350 HAP Portability-In	-	-	111,702	-	-	-
97400 Depreciation Expense	-	-	12,758	-	-	231,173
90000 Total Expenses	256,433	34,274	33,087,100	137,505	41,122	5,742,203
10010 Operating Transfer In	-	-	-	-	-	-
10020 Operating Transfer Out	-	-	-	-	-	-
10030 Operating Transfers from/to Primary Government	-	-	-	-	-	-
10040 Operating Transfers from/to Component Unit	-	-	-	-	-	-
10070 Extraordinary Items, Net Gain/Loss	-	-	-	-	-	591,514
10080 Special Items (Net Gain/Loss)	-	-	-	-	-	2,361,280
10091 Inter Project Excess Cash Transfer In	-	-	-	-	-	-
10092 Inter Project Excess Cash Transfer Out	-	-	-	-	-	-
10100 Total Other Financing Sources (Uses)	-	-	-	-	-	2,952,794
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ -	\$ -	\$ (354,191)	\$ 8,867	\$ 3,351	\$ 10,664,736
11020 Required Annual Debt Principal Payments	-	-	-	-	-	53,464
11030 Beginning Equity	-	-	356,511	96,623	36,044	88,830,733
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	18,008	-	-	(388,950)
11170 Administrative Fee Equity	-	-	4,276	-	-	-
11180 Housing Assistance Payments Equity	-	-	16,052	-	-	-
11190 Unit Months Available	-	-	35,344	252	96	780
11210 Number of Unit Months Leased	-	-	35,063	246	91	768
11270 Excess Cash	-	-	-	-	-	-
11610 Land Purchases	-	-	-	-	-	-
11620 Building Purchases	-	-	-	-	-	-
11640 Furniture & Equipment - Administrative Purchases	-	-	-	-	-	-

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Supplemental Financial Data Schedule
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

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	\$ 753,125	-	-	-	\$ 225,192	\$ 978,317	\$ -
70400 Tenant Revenue - Other	23,605	-	-	-	692	24,297	-
70500 Total Tenant Revenue	776,730	-	-	-	225,884	1,002,614	-
70600 HUD PHA Operating Grants	806,569	-	-	-	134,047	940,616	-
70610 Capital Grants	392,880	-	-	-	41,775	434,655	-
70710 Management Fee	-	-	-	-	-	-	680,287
70720 Asset Management Fee	-	-	-	-	-	-	28,710
70730 Book Keeping Fee	-	-	-	-	-	-	287,032
70740 Front Line Service Fee	-	-	-	-	-	-	-
70750 Other Fees	-	-	-	-	-	-	-
70700 Total Fee Revenue	-	-	-	-	-	-	996,029
70800 Other Government Grants	-	-	-	-	-	-	-
71100 Investment Income - Unrestricted	33,546	-	-	-	226	33,772	-
71200 Mortgage Interest Income	-	-	-	-	-	-	-
71400 Fraud Recovery	-	-	-	-	-	-	-
71500 Other Revenue	-	-	-	-	-	-	7,085
71600 Gain or Loss on Sale of Capital Assets	5,250	-	-	-	-	5,250	6,448
72000 Investment Income - Restricted	-	-	-	-	-	-	-
70000 Total Revenue	2,014,975	-	-	-	401,932	2,416,907	1,009,562
91100 Administrative Salaries	184,628	-	-	-	33,006	217,634	668,403
91200 Auditing Fees	3,305	-	-	-	583	3,888	2,381
91300 Management Fee	171,410	-	-	-	28,333	199,743	-
91310 Book-keeping Fee	17,573	-	-	-	3,960	21,533	-
91400 Advertising and Marketing	-	-	-	-	-	-	2,863
91500 Employee Benefit Contributions - Administrative	81,064	-	-	-	17,376	98,440	206,660
91600 Office Expenses	23,231	-	-	-	4,778	28,009	158,170
91700 Legal Expense	14,621	-	-	-	8,251	22,872	59,863
91800 Travel	3,656	-	-	-	597	4,253	36,316
91900 Other	105,369	-	-	-	109,037	214,406	5,653
91000 Total Operating - Administrative	604,857	-	-	-	205,921	810,778	1,140,309
92000 Asset Management Fee	23,430	-	-	-	5,280	28,710	-

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Year Ended June 30, 2018

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	81,657	-	-	-	137	81,794	-
92200 Relocation Costs	541,766	-	-	-	933	542,699	-
92300 Employee Benefit Contributions - Tenant Services	20,994	-	-	-	56	21,050	-
92400 Tenant Services - Other	5,280	-	-	-	299	5,579	246
92500 Total Tenant Services	649,697	-	-	-	1,425	651,122	246
93100 Water	34,485	-	-	-	22,394	56,879	1,699
93200 Electricity	11,159	-	-	-	337	11,496	11,940
93300 Gas	15,694	-	-	-	-	15,694	4,705
93600 Sewer	119,399	-	-	-	41,468	160,867	3,017
93800 Other Utilities Expense	-	-	-	-	366	366	-
93000 Total Utilities	180,737	-	-	-	64,565	245,302	21,361
94100 Ordinary Maintenance and Operations - Labor	65,299	-	-	-	34,511	99,810	18,577
94200 Ordinary Maintenance and Operations - Materials & Other	48,042	-	-	-	9,660	57,702	10,890
94300 Ordinary Maintenance and Operations Contracts	104,742	-	-	-	21,799	126,541	20,352
94500 Employee Benefit Contributions - Ordinary Maintenance	20,268	-	-	-	18,100	38,368	3,853
94000 Total Maintenance	238,351	-	-	-	84,070	322,421	53,672
95200 Protective Services - Other Contract Costs	-	-	-	-	-	-	-
95000 Total Protective Services	-	-	-	-	-	-	-
96110 Property Insurance	17,258	-	-	-	6,221	23,479	1,764
96120 Liability Insurance	8,082	-	-	-	1,478	9,560	3,045
96130 Workmen's Compensation	6,063	-	-	-	2,785	8,848	3,612
96140 All Other Insurance	1,778	-	-	-	541	2,319	2,905
96100 Total Insurance Premiums	33,181	-	-	-	11,025	44,206	11,326
96200 Other General Expenses	6,182	-	-	-	1,442	7,624	-
96300 Payments in Lieu of Taxes	57,239	-	-	-	16,063	73,302	-
96400 Bad Debt - Tenant Rents	11,587	-	-	-	378	11,965	-
96600 Bad Debt - Other	7,575	-	-	-	-	7,575	-
96000 Total Other General Expenses	82,583	-	-	-	17,883	100,466	-
96710 Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	-	-
96720 Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	-	-

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Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

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
96730 Amortization of Bond Issue Costs	-	-	-	-	-	-	-
96700 Total Interest Expense and Amortization Cost	-	-	-	-	-	-	-
96900 Total Operating Expenses	1,812,836	-	-	-	390,169	2,203,005	1,226,914
97000 Excess of Operating Revenue over Operating Expenses	202,139	-	-	-	11,763	213,902	(217,352)
97100 Extraordinary Maintenance	9,100	-	-	-	2,871	11,971	3,527
97200 Casualty Losses - Non-capitalized	-	-	-	-	-	-	-
97300 Housing Assistance Payments	-	-	-	-	-	-	-
97350 HAP Portability-In	-	-	-	-	-	-	-
97400 Depreciation Expense	56,895	-	-	-	161,224	218,119	129,384
90000 Total Expenses	1,878,831	-	-	-	554,264	2,433,095	1,359,825
10010 Operating Transfer In	-	-	-	-	-	-	-
10020 Operating Transfer Out	-	-	-	-	-	-	-
10030 Operating Transfers from/to Primary Government	(91,953)	-	-	-	-	(91,953)	91,953
10040 Operating Transfers from/to Component Unit	-	-	-	-	-	-	-
10070 Extraordinary Items, Net Gain/Loss	-	-	-	-	-	-	-
10080 Special Items (Net Gain/Loss)	-	-	-	-	-	-	-
10091 Inter Project Excess Cash Transfer In	-	-	-	-	-	-	-
10092 Inter Project Excess Cash Transfer Out	-	-	-	-	-	-	-
10100 Total Other Financing Sources (Uses)	(91,953)	-	-	-	-	(91,953)	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 44,191	\$ -	\$ -	\$ -	\$ (152,332)	\$ (108,141)	\$ (258,310)
11020 Required Annual Debt Principal Payments	-	-	-	-	-	-	-
11030 Beginning Equity	1,798,728	-	-	-	2,969,350	4,768,078	929,932
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	24,821	-	-	-	30,320	55,141	295,801
11170 Administrative Fee Equity	-	-	-	-	-	-	-
11180 Housing Assistance Payments Equity	-	-	-	-	-	-	-
11190 Unit Months Available	2,928	-	-	-	528	3,456	-
11210 Number of Unit Months Leased	2,343	-	-	-	528	2,871	-
11270 Excess Cash	1,836,219	-	-	-	552,064	2,388,283	-
11610 Land Purchases	-	-	-	-	-	-	-
11620 Building Purchases	392,880	-	-	-	41,775	434,655	-
11640 Furniture & Equipment - Administrative Purchases	-	-	-	-	-	-	-

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Supplemental Financial Data Schedule
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

Line item number & account description	Total Other Programs	Subtotal Housing Authority Projects/Programs	Component Unit Blended	Eliminations	Total Housing Authority	Component Unit Discretely Presented	Memorandum Total
70300 Net Tenant Rental Revenue	\$ 693,232	\$ 1,671,549	\$ 551,818	-	\$ 2,223,367	\$ 10,994,489	\$ 13,217,856
70400 Tenant Revenue - Other	9,121	33,418	8,347	-	41,765	136,384	178,149
70500 Total Tenant Revenue	702,353	1,704,967	560,165	-	2,265,132	11,130,873	13,396,005
70600 HUD PHA Operating Grants	32,801,423	33,742,039	-	-	33,742,039	-	33,742,039
70610 Capital Grants	-	434,655	-	-	434,655	-	434,655
70710 Management Fee	-	680,287	-	(680,287)	-	-	-
70720 Asset Management Fee	-	28,710	-	(28,710)	-	-	-
70730 Book Keeping Fee	-	287,032	-	(287,032)	-	-	-
70740 Front Line Service Fee	-	-	-	-	-	-	-
70750 Other Fees	669,428	669,428	-	(38,049)	631,379	-	631,379
70700 Total Fee Revenue	669,428	1,665,457	-	(1,034,078)	631,379	-	631,379
70800 Other Government Grants	256,433	256,433	-	-	256,433	133,222	389,655
71100 Investment Income - Unrestricted	2,668,454	2,702,226	1,484	-	2,703,710	14,994	2,718,704
71200 Mortgage Interest Income	-	-	-	-	-	-	-
71400 Fraud Recovery	27,739	27,739	-	-	27,739	-	27,739
71500 Other Revenue	3,676,693	3,683,778	-	-	3,683,778	14,148,637	17,832,415
71600 Gain or Loss on Sale of Capital Assets	5,866,078	5,877,776	-	-	5,877,776	-	5,877,776
72000 Investment Income - Restricted	5	5	101	-	106	8,353	8,459
70000 Total Revenue	46,668,606	50,095,075	561,750	(1,034,078)	49,622,747	25,436,079	75,058,826
91100 Administrative Salaries	3,168,140	4,054,177	48,430	-	4,102,607	1,124,299	5,226,906
91200 Auditing Fees	41,192	47,461	11,835	-	59,296	119,165	178,461
91300 Management Fee	480,544	680,287	38,049	(718,336)	-	602,622	602,622
91310 Book-keeping Fee	265,499	287,032	-	(287,032)	-	-	-
91400 Advertising and Marketing	5,582	8,445	60	-	8,505	11,076	19,581
91500 Employee Benefit Contributions - Administrative	1,196,343	1,501,443	25,102	-	1,526,545	456,654	1,983,199
91600 Office Expenses	319,769	505,948	18,211	-	524,159	361,027	885,186
91700 Legal Expense	19,675	102,410	513	-	102,923	55,437	158,360
91800 Travel	59,327	99,896	2,047	-	101,943	26,470	128,413
91900 Other	27,078	247,137	1,571	-	248,708	76,979	325,687
91000 Total Operating - Administrative	5,583,149	7,534,236	145,818	(1,005,368)	6,674,686	2,833,729	9,508,415
92000 Asset Management Fee	-	28,710	-	(28,710)	-	-	-
92100 Tenant Services - Salaries	382,914	464,708	20,036	-	484,744	223,526	708,270
92200 Relocation Costs	76,980	619,679	40,518	-	660,197	8,086	668,283

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Supplemental Financial Data Schedule
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

Line item number & account description	Total Other Programs	Subtotal Housing Authority Projects/Programs	Component Unit Blended	Eliminations	Total Housing Authority	Component Unit Discretely Presented	Memorandum Total
92300 Employee Benefit Contributions - Tenant Services	121,549	142,599	5,422	-	148,021	63,342	211,363
92400 Tenant Services - Other	100,653	106,478	1,201	-	107,679	421,312	528,991
92500 Total Tenant Services	682,096	1,333,464	67,177	-	1,400,641	716,266	2,116,907
93100 Water	13,709	72,287	9,829	-	82,116	229,126	311,242
93200 Electricity	20,598	44,034	9,775	-	53,809	318,761	372,570
93300 Gas	3,137	23,536	-	-	23,536	69,860	93,396
93600 Sewer	26,258	190,142	18,288	-	208,430	540,750	749,180
93800 Other Utilities Expense	553	919	-	-	919	4,437	5,356
93000 Total Utilities	64,255	330,918	37,892	-	368,810	1,162,934	1,531,744
94100 Ordinary Maintenance and Operations - Labor	1,062,319	1,180,706	40,751	-	1,221,457	922,753	2,144,210
94200 Ordinary Maintenance and Operations - Materials & Other	40,210	108,802	17,587	-	126,389	305,634	432,023
94300 Ordinary Maintenance and Operations Contracts	106,710	253,603	28,862	-	282,465	851,218	1,133,683
94500 Employee Benefit Contributions - Ordinary Maintenance	355,436	397,657	13,321	-	410,978	309,634	720,612
94000 Total Maintenance	1,564,675	1,940,768	100,521	-	2,041,289	2,389,239	4,430,528
95200 Protective Services - Other Contract Costs	-	-	-	-	-	15,340	15,340
95000 Total Protective Services	-	-	-	-	-	15,340	15,340
96110 Property Insurance	6,471	31,714	6,689	-	38,403	228,436	266,839
96120 Liability Insurance	13,103	25,708	4,083	-	29,791	94,694	124,485
96130 Workmen's Compensation	95,375	107,835	3,100	-	110,935	87,703	198,638
96140 All Other Insurance	2,298	7,522	4,705	-	12,227	41,787	54,014
96100 Total Insurance Premiums	117,247	172,779	18,577	-	191,356	452,620	643,976
96200 Other General Expenses	303,575	311,199	-	-	311,199	38,184	349,383
96300 Payments in Lieu of Taxes	-	73,302	-	-	73,302	-	73,302
96400 Bad Debt - Tenant Rents	7,486	19,451	-	-	19,451	21,701	41,152
96600 Bad Debt - Other	8,464	16,039	-	-	16,039	34,537	50,576
96000 Total Other General Expenses	319,525	419,991	-	-	419,991	94,422	514,413
96710 Interest of Mortgage (or Bonds) Payable	60,988	60,988	68,528	-	129,516	1,511,788	1,641,304
96720 Interest on Notes Payable (Short and Long Term)	1,969	1,969	236	-	2,205	2,374,361	2,376,566
96730 Amortization of Bond Issue Costs	-	-	2,442	-	2,442	127,539	129,981
96700 Total Interest Expense and Amortization Cost	62,957	62,957	71,206	-	134,163	4,013,688	4,147,851
96900 Total Operating Expenses	8,393,904	11,823,823	441,191	(1,034,078)	11,230,936	11,678,238	22,909,174
97000 Excess of Operating Revenue over Operating Expenses	38,274,702	38,271,252	120,559	-	38,391,811	13,757,841	52,149,652

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Supplemental Financial Data Schedule
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

Line item number & account description	Total Other Programs	Subtotal Housing Authority Projects/Programs	Component Unit Blended	Eliminations	Total Housing Authority	Component Unit Discretely Presented	Memorandum Total
97100 Extraordinary Maintenance	40,327	55,825	49,129	-	104,954	138,222	243,176
97200 Casualty Losses - Non-capitalized	-	-	-	-	-	71,763	71,763
97300 Housing Assistance Payments	30,508,773	30,508,773	-	-	30,508,773	-	30,508,773
97350 HAP Portability-In	111,702	111,702	-	-	111,702	-	111,702
97400 Depreciation Expense	243,931	591,434	63,918	-	655,352	4,814,823	5,470,175
90000 Total Expenses	39,298,637	43,091,557	554,238	(1,034,076)	42,611,717	16,703,046	59,314,763
10010 Operating Transfer In	-	-	-	-	-	-	-
10020 Operating Transfer Out	-	-	-	-	-	-	-
10030 Operating Transfers from/to Primary Government	-	-	-	-	-	-	-
10040 Operating Transfers from/to Component Unit	-	-	-	-	-	-	-
10070 Extraordinary Items, Net Gain/Loss	591,514	591,514	-	-	591,514	-	591,514
10080 Special Items (Net Gain/Loss)	2,361,280	2,361,280	(893,575)	-	1,467,705	-	1,467,705
10091 Inter Project Excess Cash Transfer In	-	-	-	-	-	-	-
10092 Inter Project Excess Cash Transfer Out	-	-	-	-	-	-	-
10100 Total Other Financing Sources (Uses)	2,952,794	2,952,794	(893,575)	-	2,059,219	-	2,059,219
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 10,322,763	\$ 9,956,312	\$ (886,063)	\$ -	\$ 9,070,249	\$ 8,733,033	\$ 17,803,282
11020 Required Annual Debt Principal Payments	53,464	53,464	1,520,000	-	1,573,464	15,841,991	17,415,455
11030 Beginning Equity	89,319,911	95,017,921	-	-	95,017,921	41,898,128	136,916,049
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	(350,942)	-	886,063	-	886,063	(886,063)	-
11170 Administrative Fee Equity	4,276	4,276	-	-	4,276	-	4,276
11180 Housing Assistance Payments Equity	16,052	16,052	-	-	16,052	-	16,052
11190 Unit Months Available	36,472	39,928	320	-	40,248	16,115	56,363
11210 Number of Unit Months Leased	36,168	39,039	312	-	39,351	15,836	55,187
11270 Excess Cash	-	2,388,283	-	-	2,388,283	-	2,388,283
11610 Land Purchases	-	-	-	-	-	-	-
11620 Building Purchases	-	434,655	-	-	434,655	-	434,655
11640 Furniture & Equipment - Administrative Purchases	-	-	-	-	-	-	-

Actual Modernization Cost Certificate

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0157 (exp. 01/31/2017)

Capital Fund Program (CFP)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

This collection of information requires that each Housing Authority (HA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

PHA Name:

HOUSING AUTHORITY OF THE CITY OF EVERETT

Modernization Project Number:

WA19P006501-14

The PHA hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Modernization Grant, is as shown below:

A. Funds Approved	\$ 801,229.00
B. Funds Disbursed	\$ 801,229.00
C. Funds Expended (Actual Modernization Cost)	\$ 801,229.00
D. Amount to be Recaptured (A-C)	\$
E. Excess of Funds Disbursed (B-C)	\$

2. That all modernization work in connection with the Modernization Grant has been completed;

3. That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;

4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work;

5. That the time in which such liens could be filed has expired; and

6. That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.

7. Please mark one:

☒ A. This grant will be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

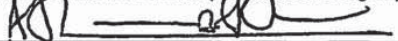
☐ B. This grant will not be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name & Title of Authorized Signatory (type or print clearly):

Signature of Executive Director (or Authorized Designee):

X 

Date:

03-26-18

For HUD Use Only

The Cost Certificate is approved for audit (if box 7A is marked):

Approved for Audit (Director, Office of Public Housing)

X 

Date:

4/11/2018

The costs shown above agree with HUD verified costs (if box 7A or 7B is marked):

Approved: (Director, Office of Public Housing)

X

Date:

Actual Modernization Cost Certificate

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0157 (exp. 01/31/2017)

Capital Fund Program (CFP)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3800. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

This collection of information requires that each Housing Authority (HA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

PHA Name:

HOUSING AUTHORITY OF THE CITY OF EVERETT

Modernization Project Number:

WA19P006501-15

The PHA hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Modernization Grant, is as shown below:

A. Funds Approved	\$ 365,132.00
B. Funds Disbursed	\$ 365,132.00
C. Funds Expended (Actual Modernization Cost)	\$ 365,132.00
D. Amount to be Recaptured (A-C)	\$
E. Excess of Funds Disbursed (B-C)	\$

2. That all modernization work in connection with the Modernization Grant has been completed;

3. That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;

4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work;

5. That the time in which such liens could be filed has expired; and

6. That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.

7. Please mark one:

☐ A. This grant will be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

☐ B. This grant will not be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name & Title of Authorized Signatory (type or print clearly):

Ashley Lommers-Johnson, Executive Director

Signature of Executive Director (or Authorized Designee):

X 

Date:

05-16-2018

For HUD Use Only

The Cost Certificate is approved for audit (if box 7A is marked):

Approved for Audit (Director, Office of Public Housing)

X Digitally signed by HARLAN STEWART

DN: CN = HARLAN STEWART, C = US, O = U.S. Government, OU = Department of Housing and Urban Development, Office of Administration

Date: 2018.05.23 07:32:44 -0500

Date: 05/23/2018

The costs shown above agree with HUD verified costs (if box 7A or 7B is marked):

Approved: (Director, Office of Public Housing)

X

Date:

form HUD-53001 (10/95)
ref Handbooks 7485.1 & 3

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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