



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**

Spokane Housing Authority

For the period January 1, 2017 through December 31, 2017

Published September 20, 2018

Report No. 1022140





**Office of the Washington State Auditor
Pat McCarthy**

September 20, 2018

Board of Commissioners
Spokane Housing Authority
Spokane, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Spokane Housing Authority January 1, 2017 through December 31, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Spokane Housing Authority 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 basic 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	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 \$907,818.

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**

**Spokane Housing Authority
January 1, 2017 through December 31, 2017**

Board of Commissioners
Spokane Housing Authority
Spokane, 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 Spokane Housing Authority, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated September 11, 2018.

Our report includes references to other auditors who audited the financial statements of Cornerstone II – The Borning Building Limited Partnership, Cornerstone II – Helena Apartments Limited Partnership, Martindale Apartments Limited Partnership, Parsons Limited Liability Limited Partnership, Cedar Haven Limited Liability Limited Partnership – Cedar West and Woodhaven Apartments and Wilbur and Cook Affordable Portfolio Limited Liability Limited Partnership (the Partnerships), as described in our report on the Housing Authority's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Partnerships were not audited in accordance with *Governmental Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associate 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 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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy
State Auditor
Olympia, WA

September 11, 2018

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

Spokane Housing Authority **January 1, 2017 through December 31, 2017**

Board of Commissioners
Spokane Housing Authority
Spokane, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Spokane Housing Authority, 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 December 31, 2017. The Housing Authority's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

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

Pat McCarthy
State Auditor
Olympia, WA

September 11, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Spokane Housing Authority January 1, 2017 through December 31, 2017

Board of Commissioners
Spokane Housing Authority
Spokane, 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 Spokane Housing Authority, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Cornerstone II – The Borning Building Limited Partnership, Cornerstone II – Helena Apartments Limited Partnership, Martindale Apartments Limited Partnership, Parsons Limited Liability Limited Partnership, Cedar Haven Limited Liability Limited Partnership – Cedar West and Woodhaven Apartments and Wilbur and Cook Affordable Portfolio Limited Liability Limited Partnership (the Partnerships), which together represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Partnerships, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Partnerships were not audited in accordance with *Governmental 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 business-type activities and the aggregate discretely presented component units of the Spokane Housing Authority, as of December 31, 2017, 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 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 Financial Data Schedule and HUD form 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.

The combining statements for the Housing Authority's programs and tax credit partnerships are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2018 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing,

and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

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Pat McCarthy

State Auditor

Olympia, WA

September 11, 2018

FINANCIAL SECTION

Spokane Housing Authority January 1, 2017 through December 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2017

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2017

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

Statement of Cash Flows – 2017

Notes to Basic Financial Statements – 2017

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportional Share of the Net Pension Liability – PERS 1, PERS2/3 – 2017

Schedule of Employer Contributions – PERS 1, PERS2/3 – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2017

Notes to the Schedule of Expenditures of Federal Awards – 2017

Supplemental Financial Data Schedules – 2017

Actual Modernization Cost Certificate – WA19PO55501-14

Combining Statement of Net Position – 2017

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

Combining Statement of Cash Flows – 2017

Combining Statement of Net Position – Component Units – 2017

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

Combining Statement of Cash Flows – Component Units – 2017

Spokane Housing Authority, Spokane County, Washington

Management's Discussion and Analysis

For the Year Ended December 31, 2017

The Spokane Housing Authority ("SHA" or the "Authority") is pleased to present its basic financial statements for the year ended December 31, 2017 which have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). GAAP requires the inclusion of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The basic financial statements provide both long-term and short-term information about the Authority's overall financial condition. The basic financial statements also include notes that provide additional information and more detailed data.

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

This narrative overview and analysis of the Authority's financial performance during the year ended December 31, 2017 with comparative data for the eighteen-month period ended December 31, 2016 is provided as a supplement to SHA's basic financial statements. It is presented in conformance with the Government Accounting Standards Board (GASB) financial reporting model as set forth in GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. The Authority changed its fiscal year-end date from June to December for the year beginning July 1, 2015. Therefore, the reporting period for this report reflects our first full twelve-month period under the new fiscal year and it is compared to prior audit which was an eighteen-month period beginning July 1, 2015 through December 31, 2016.

Please read it in conjunction with the basic financial statements following this section, and the notes to the basic financial statements. All tables in the Management's Discussion and Analysis feature the Authority only and do not include the component units.

FINANCIAL HIGHLIGHTS

- Total net position increased by \$26.7 million from December 31, 2016 to December 31, 2017. When annualizing 2016 revenues and expenses to a twelve-month period for comparative purposes, the Authority experienced an decrease of \$70,109 in operating revenues and capital contributions in 2017 while operating expenses increased by \$51,413, and nonoperating revenues increased by \$17.8 million. The primary reason for favorable increases in nonoperating revenues was the result of a net gain realized on the sale of three affordable housing apartment complexes to tax credit limited partnerships in which the Authority is the general partner.
- Assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources at December 31, 2017 by \$37.3 million (net position), representing an increase of \$26.7 million over December 31, 2016. Of this amount approximately \$33.4 million (unrestricted net position) may be used to meet ongoing obligations, \$1.6 million is invested in capital assets net of related debt and \$2.2 million is restricted as to its allowable usage.
- The Authority's current ratio that measure liquidity increased during the period from 6.34 to 10.59. Current assets increased by \$1 million as a result of higher cash balances from receipts of developer fees and sales proceeds. Current liabilities decreased by 33.68% or \$484 thousand during the period primarily in unearned revenue related to the Housing Choice Voucher Program.
- Noncurrent assets increased significantly from December 31, 2016 to December 31, 2017 by \$18.1 million. This is the primarily the result of \$18.6 million in sponsor financed notes and developer fee notes, including interest receivable on the notes, issued to tax credit component units.
- Capital assets decreased by \$9.3 million or 71.74% primarily from the sale of three affordable housing properties to tax credit component units. Recognition of depreciation on capital assets also contributes to the decrease.

Spokane Housing Authority, Spokane County, Washington

Management's Discussion and Analysis

For the Year Ended December 31, 2017

- The Authority's noncurrent liabilities decreased by \$14.8 million or 75.2% over the reporting period. The reduction was primarily from the payoffs of revenue bonds for Heritage Heights, Westfall Village and Valley 206 Apartments, as well as the payoffs of two intergovernmental loans with the City of Spokane for Heritage Heights and Westfall Village Apartments. The reduction was offset by a note that was acquired from the City of Spokane to finance rehabilitation of 11 units to ADA standards at Hifumi En Apartments.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Authority'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.

- **Statement of Net Position** - present the assets, liabilities, deferred outflows of resources, deferred inflows of resources and net position of the Authority at the end of the fiscal year. The difference between the total assets and deferred outflow of resources and the total liabilities and deferred inflow of resources equals the Authority's net position. Assets and liabilities are presented in the order of liquidity and are classified as "current" (convertible to cash within one year) and "noncurrent". Over time, increases or decreases in net position may serve as useful indicators of the Authority's financial health.
- **Statement of Revenues, Expenses, and Changes in Net Position** - present information showing how the Authority's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported for some items that will only result in cash flows in future years.
- **Statement of Cash Flows** report how the Authority's cash and cash equivalents were used in and provided by its operating, noncapital financing, capital and related financing, and investing activities during the period reported. The net of these activities is added to the beginning year cash balance to reconcile to the cash and cash equivalents balances as of December 31, 2017. The Authority uses the direct method of presenting cash flows, which includes a reconciliation of operating activities to operating income. These statements provide answers to such questions as where did cash come from, how was cash used, and what was the change in the cash balance during the year.
- **Notes to the Basic Financial Statements** provide financial statement disclosures that are an integral part of the basic financial statements. Such disclosures are essential to a comprehensive understanding of the information provided in the basic financial statements.

Spokane Housing Authority, Spokane County, Washington

Management's Discussion and Analysis

For the Year Ended December 31, 2017

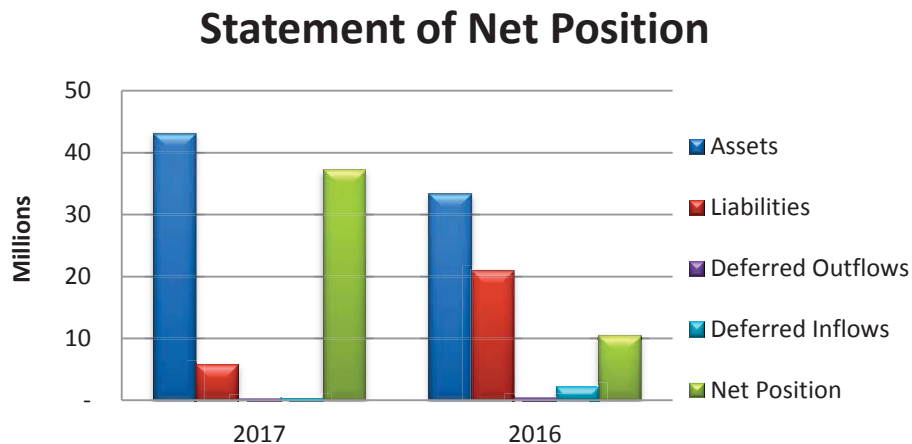
FINANCIAL ANALYSIS

Statement of Net Position

The following table summarizes the Statement of Net Position as of December 31, 2017 and December 31, 2016:

	December 31, 2017	December 31, 2016
Assets		
Current Assets, Unrestricted	\$ 7,956,436	\$ 5,632,197
Other Current Assets, Restricted	2,140,584	3,481,725
Noncurrent Assets, Restricted	136,760	695,658
Other Noncurrent Assets	29,297,433	10,629,329
Capital Assets, Net	3,648,272	12,907,986
Total Assets	43,179,485	33,346,895
Deferred Outflows of Resources	282,874	456,949
Liabilities		
Current Liabilities	953,214	1,437,249
Long-term Liabilities	4,846,446	19,606,445
Total Liabilities	5,799,660	21,043,694
Deferred Inflows of Resources	411,522	2,203,236
Net Position		
Net Investment in Capital Assets	1,644,369	(1,928,325)
Restricted	2,245,920	1,934,084
Unrestricted	33,360,888	10,551,155
Total Net Position	\$ 37,251,177	\$ 10,556,914

The following presents the Statement of Net Position in graphical form:



Spokane Housing Authority, Spokane County, Washington

Management's Discussion and Analysis

For the Year Ended December 31, 2017

The statement of net position presents the 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. The purpose of the statement of net position is to give the financial statement readers a snapshot of the fiscal condition of the Authority as of a certain point in time.

Total assets of the Authority at December 31, 2017 and December 31, 2016 amounts to \$43.2 million and \$33.3 million, respectively, an increase of approximately 29.5%. The significant components of current assets are unrestricted cash, receivables, inventories, prepaid items, current receivables from partnerships, and restricted cash. Capital assets include land, buildings, equipment, leasehold improvements, construction in progress and intangible assets. All capital assets except for land and construction in progress are shown net of accumulated depreciation. The primary changes in assets from December 31, 2016 to December 31, 2017 were increases to cash and long term notes receivable, and decreases to capital assets. Increases in cash were the result of receipts of developer fees and sales proceeds. Increases in long term notes receivable is the result of \$18.6 million in sponsor financed notes and developer fee notes, including interest receivable on the notes, issued to tax credit component units. The reduction in capital assets is primarily from the sale of three affordable housing properties to tax credit component units. Recognition of depreciation on capital assets also contributes to the decrease.

Total liabilities of the Authority were \$5.8 million and \$21 million at December 31, 2017 and December 31, 2016, respectively, representing a decrease of \$15.2 million or 72.4%. Current liabilities include accounts payable, tenant security deposits payable, accrued liabilities, unearned revenue, and current portions of long term debt. A liability is considered to be current if it is due within one year. Current liabilities have decreased during the period by \$484 thousand from reduction in tenant security deposits from the sale of three affordable housing properties previously owned by the Authority and the reduction of unearned revenue for HUD Section 8 subsidies. Noncurrent liabilities are primarily made up of the long term portion of notes and bonds payable along with their accrued interest, net pension liability, and other accrued long term liabilities. Noncurrent liabilities decreased by \$14.8 million or 75.28% from December 31, 2016 to December 31, 2017. The reduction was primarily from the payoff of revenue bonds and assignments of notes in connection with the sale of three properties over the period.

Deferred outflows of resources and deferred inflows of resources are primarily related to pensions as a result of the adoption of Government Accounting Standards Board (GASB) Statement No. 68, *Financial Reporting for Pensions – an amendment of GASB No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, which require governments participating in pension plans for their employees to record their share of net pension liabilities. The deferred outflows of resources primarily relate to contributions made by the Authority subsequent to the measurement date of the collective net pension liability, and deferred inflows of resources primarily relate to the difference between projected and actual earnings on the plan investments. During the period, the Authority's proportionate share of pension related deferred outflows decreased by \$174 thousand and pension related deferred inflows increased by \$280 thousand. However, for December 2016, an additional deferred inflow was realized for \$2.1 million relating to HUD Section 8 Housing Assistance subsidy (not including administrative subsidies) that were for January 2017 but received in December 2016. These resources received are considered deferred inflows as they were received before time requirements were met, but after all other eligibility requirements, per GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Net position represents the Authority's equity, a portion of which is restricted for certain uses. Net position is divided into three major categories. The first category, net investment in capital assets, represents the Authority's equity in land, buildings, construction in progress, and equipment, net of related capital debt outstanding. 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 for any lawful and prudent Authority purpose. Unrestricted net position increased by \$22.9 million during the period from \$10.6 million to \$33.4 million. This was primarily the result of developer fees earned on the rehabilitation of three affordable housing apartment buildings and the net gain realized on the sale of the same complexes to tax credit limited partnerships in which the Authority is the general partner. The following table presents details regarding the changes in unrestricted net position during the year:

Spokane Housing Authority, Spokane County, Washington

Management's Discussion and Analysis

For the Year Ended December 31, 2017

Unrestricted Net Position - December 31, 2016	\$ 10,551,155
Change in Net Position	26,694,263
Adjustments:	
Depreciation (1)	<u>1,125,581</u>
Adjusted Change in Net Position	27,819,844
Payments on Capital Asset Long-Term Debt Borrowings	(12,660,412)
Additions to Capital Asset Long-Term Debt Borrowings	236,403
Modification of Debt Security to Pledge of General Revenues	(408,399)
Capital Asset Additions	(519,864)
Capital Asset Disposals	8,653,997
Decrease in Restricted Net Position	<u>(311,836)</u>
Unrestricted Net Position - December 31, 2017	<u>\$ 33,360,888</u>

(1) Depreciation is treated as an expense and reduces the net investment in capital assets, but does not have an impact on unrestricted net position.

Spokane Housing Authority, Spokane County, Washington

Management's Discussion and Analysis

For the Year Ended December 31, 2017

Revenues, Expenses and Changes in Net Position

The following table compares the revenues and expenses for the current and previous fiscal years:

	(12 months) December 31, 2017	(18 months) December 31, 2016	(12 months) December 31, 2016 Annualized*
Operating Revenues:			
Government Grants	\$ 30,564,887	\$ 43,409,655	\$ 28,939,770
Tenant Revenue	2,530,064	6,548,623	4,365,749
Other Operating Revenue	3,534,188	4,805,060	3,203,373
Total Operating Revenues	36,629,139	54,763,338	36,508,892
Operating Expenses:			
Administrative	3,669,456	5,621,981	3,747,987
Utilities	451,465	1,044,557	696,371
Ordinary Maintenance and Operations	1,496,581	2,921,674	1,947,783
Housing Assistance payments	27,015,000	38,328,189	25,552,126
General Expenses	195,207	542,933	361,955
Depreciation and Amortization	1,125,581	2,393,481	1,595,654
Total Operating Expenses	33,953,290	50,852,815	33,901,877
Operating Income	2,675,849	3,910,523	2,607,015
Nonoperating Revenues (Expenses):			
Gain on Capital Asset Disposition	22,748,935	7,958,951	5,305,967
Interest and Investment Income	400,022	304,730	203,153
Interest Subsidy	59,076	198,948	132,632
Interest Expense and Related Charges	(994,711)	(1,801,147)	(1,200,765)
Total Nonoperating Revenue (Expenses)	22,213,322	6,661,482	4,440,988
Income (Loss) Before Contributions and Special Items	24,889,171	10,572,005	7,048,003
Capital Contributions	29,609	329,948	219,965
Special Items Gain (Loss)	1,775,483	-	-
Change in Net Position	26,694,263	10,901,953	7,267,969
Net Position, Beginning of Year	10,556,914	(345,039)	(345,039)
Net Position, End of Year	\$ 37,251,177	\$ 10,556,914	\$ 6,922,930

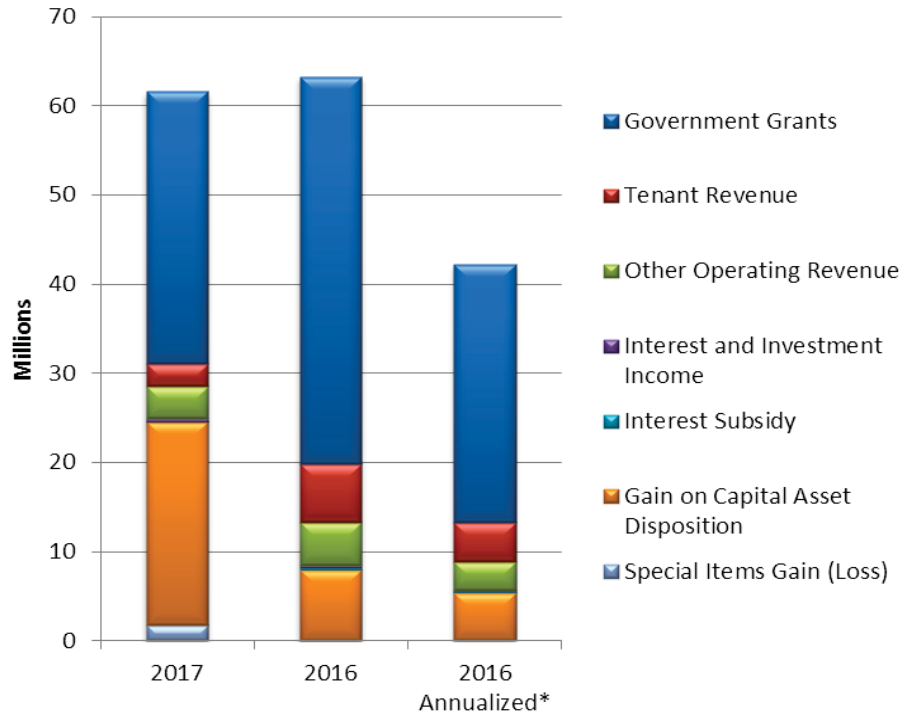
* This column does not provide actual results and is only provided for comparative purposes due to the eighteen-months ended December 31, 2016 being an extended period. The numbers in this column were calculated by dividing the eighteen-months ended December 31, 2016 by 18 (months) then by multiplying the result by 12 (months).

Spokane Housing Authority, Spokane County, Washington

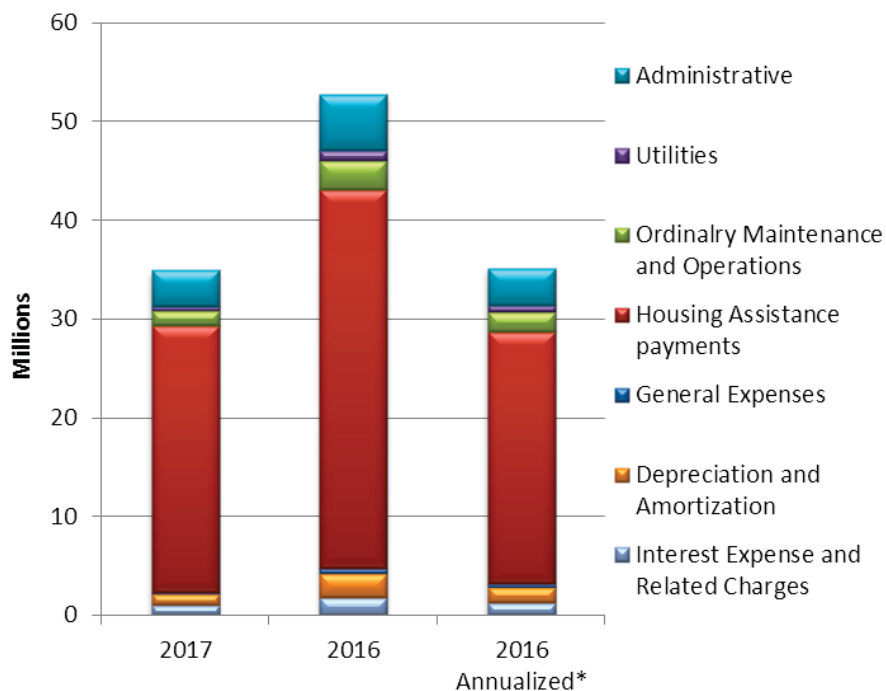
Management's Discussion and Analysis

For the Year Ended December 31, 2017

The following compares the revenues for the current and previous fiscal years in graphical format:



The following compares the expenses for the current and previous fiscal years in graphical format:



Spokane Housing Authority, Spokane County, Washington

Management's Discussion and Analysis

For the Year Ended December 31, 2017

The purpose of the statement of revenues, expenses, and changes in net position is to present the revenues earned by the Authority, both operating and nonoperating revenues, and the expenses incurred through operating and nonoperating expenditures, plus any other revenues expenses, gains, and losses of the Authority. Generally, operating revenues are amounts received for providing housing to the Authority's tenants as well as subsidies and grants received from the U.S. Department of Housing and Urban Development (HUD) that provide significant funding for the operations of the Authority's housing programs. Operating expenses are those incurred to operate, maintain, and repair the housing units. Nonoperating revenues are revenues earned for which goods and services are not provided, for example, interest income. Capital contributions represent revenues earned from HUD for capital repairs and rehabilitation.

The statement of revenues, expenses, and changes in net position reflects the twelve month period ending December 31, 2017 compared to the eighteen-month period ended December 31, 2016. An additional column annualizing the eighteen-month period into a twelve month period for comparative purposes was added. This column does not provide actual results and is only provided for comparative purposes. The numbers in this column were calculated by dividing the eighteen-months ended December 31, 2016 by 18 (months) then by multiplying the result by 12 (months).

When comparing December 31, 2017 with the annualized December 31, 2016, overall, operating revenues increased by approximately .33% or \$120 thousand; operating expenses increased by .15% or approximately \$51 thousand; net nonoperating revenues increased by \$17.8 million; and capital contributions decreased by \$190 thousand. Net position increased by \$26.7 million from December 31, 2016 to December 31, 2017.

The slight increase in operating revenues is primarily attributable to an increase in grant funds by approximately \$1.6 million. This increase was offset by a decrease in tenant revenue related to the sale of affordable housing properties previously owned by the Authority. The most significant increase in operating expenses was the increase in housing assistance payment expense of approximately \$1.5 million. Housing assistance payments increased due to higher voucher payment standards compared to 2016 and higher utilization of the vouchers. All other expense categories decreased in spending from December 31, 2017 compared to December 31, 2016.

Nonoperating revenues (expenses) increased by approximately \$17.8 million during the period. The most significant increase was realized as gains on capital asset dispositions. Heritage Heights Apartments, Westfall Village Apartments and Valley 206 Apartments were sold to the Wilbur and Cook Affordable Portfolio LLLP component unit; Investment income rose by approximately \$95 thousand from interest earned on seller financing and sponsor notes issued by the Authority to components units during the period.

Capital contributions for the period ended December 31, 2017 comprised up of \$30 thousand from Public Housing capital grants for minor capital replacements needed.

The Special Items Gain (loss) of \$1,775,483 for the period ended December 31, 2017 is accrued interest that was forgiven on two intergovernmental loans from the City of Spokane for Heritage Heights Apartments and Westfall Village. Please refer to Note 17 to the Authority's basic financial statements for additional detail regarding this transaction.

Spokane Housing Authority, Spokane County, Washington

Management's Discussion and Analysis

For the Year Ended December 31, 2017

Capital Assets

SHA's capital assets are summarized in the table below:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Land	\$ 1,057,563	\$ 2,080,439
Buildings	7,022,359	19,834,614
Equipment - Dwellings	205,143	1,242,570
Equipment - Administration	486,609	529,946
Leasehold Improvements	2,212,569	4,388,472
Construction In Progress	379,392	526,511
Intangible Assets	<u>156,312</u>	<u>151,060</u>
Total Capital Assets	11,519,947	28,753,612
Less Accumulated Depreciation	<u>(7,871,675)</u>	<u>(15,845,626)</u>
Total Capital Assets	<u>\$ 3,648,272</u>	<u>\$ 12,907,986</u>

At December 31, 2017, the Authority had \$3,648,272 in capital assets, which represents a decrease of \$9.3 million or 72% during the twelve month period. The decrease was primarily the result of the sale of three affordable apartment complexes during the period. The three complexes were sold to a tax credit partnership of which the Authority is the general partner. The following reconciliation summarizes the change in capital assets from December 31, 2016 to December 31, 2017.

Balance at December 31, 2016	\$ 12,907,986
Additions	519,864
Transfers/Retirements - Net	(8,653,997)
Depreciation Expense	<u>(1,125,581)</u>
Total Capital Assets	<u>\$ 3,648,272</u>

Notes 7 and 8 to the Authority's basic financial statements provides additional detail regarding the changes in capital assets during the period.

Spokane Housing Authority, Spokane County, Washington

Management's Discussion and Analysis

For the Year Ended December 31, 2017

Outstanding Debt

As of December 31, 2017 the Authority had outstanding debt of \$2,933,557, a decrease of approximately \$12.4 million. SHA's outstanding debt is summarized in the table below:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Revenue Bonds:		
Cedar West Apartments	\$ -	\$ -
Heritage Heights Apartments	-	1,605,087
Valley 206 Apartments	-	7,522,434
Westfall Village Apartments	-	2,919,381
Woodhaven Apartments	-	-
Promissory Notes:		
Authority Office Building	340,006	362,862
Hifumi En Apartments (2014)	383,733	408,924
Development Line of Credit	-	-
Deferred and Other Debt:		
Heritage Heights Apartments	-	200,000
Westfall Village Apartments	-	350,000
Hifumi En Apartments	223,171	
Valley 206 Apartments	417,727	409,512
SHA - Cedar West Apartments	519,149	528,478
Courtview Apartments	-	-
Hifumi En Apartments	1,049,771	1,044,754
Newark Apartments	-	-
	<u>\$ 2,933,557</u>	<u>\$ 15,351,432</u>

The Authority typically issues various types of debt obligations to finance the acquisition and construction of assets. During the period ended December 31, 2017, the Authority had the following significant changes in outstanding debt.

- Heritage Heights Apartments Housing Build America Revenue bond and Westfall Village Apartments Housing Build America Revenue bonds were paid in full on September 30, 2017 upon sale of the properties to Wilbur and Cook Affordable Portfolio LLLP.
- Valley 2016 Apartments Revenue bond was paid in full on September 30, 2017 upon the sale of the property to Wilbur and Cook Affordable Portfolio LLLP.
- Intergovernmental loans from the City of Spokane to Heritage Heights Apartments and Westfall Village Apartments were paid in full on September 30, 2017 upon the sale of the properties to Wilbur and Cook Affordable Portfolio, LLLP.
- An intergovernmental loan from the City of Spokane funded from HUD's Home program was issued to the Authority for \$330,000 for the conversion of eleven units at Hifumi En Apartments to accessible units for the disabled of which \$223,171 was drawn down as of December 31, 2017.

All debt service payments were made during the period ended December 31, 2017 as scheduled and on time. Additional information on SHA's outstanding debt can be found in Note 10 of the notes to the financial statements.

Spokane Housing Authority, Spokane County, Washington

Management's Discussion and Analysis

For the Year Ended December 31, 2017

ECONOMIC FACTORS AFFECTING SHA'S FUTURE

The majority of SHA's funding is from HUD in the form of operating subsidies, capital fund grants, Housing Choice Vouchers, and other various grants. The Authority earned \$30.2 million in federal dollars for its operating programs and \$33 thousand for its capital projects. HUD funding is dependent on congressional appropriations and related budget priorities. Therefore federal appropriation levels for HUD programs continue to have a major impact on the Authority's budget.

The Authority has successfully weathered the challenges to date of federal budget reduction to non-defense discretionary funding resulting from the approximate \$2 trillion in federal budget cuts to discretionary programs required over a ten year period under the Budget Control Act of 2011 and Sequestration. Congress had enacted a reprieve from Sequestration, and as a result the Authority experienced improvements in federal funding through 2017. Congress had recently completed passage of the FY 2018 Omnibus budget which contained \$63 billion in additional funding for domestic programs and 10 percent increase in spending for HUD. However, there is still considerable uncertainty on the future federal appropriations. Nonetheless, the Authority expects to maintain current service and program levels through 2018 and is well-positioned to respond to moderate changes in the federal budget in 2019.

In 2016 H.R 3700, the Housing Opportunity Through Modernization Act was passed and signed into law. Among other things, this law provides some flexibility to housing authorities in administering their programs. The Authority hopes to experience some financial benefits as it implements the provisions of this legislation. While housing authorities have been underfunded for most of the past decade, the following funding impacts were experienced in 2017:

- The Public Housing Program operating subsidy was funded by HUD at 93.10% of the Authority's eligibility for the calendar year 2017 and 90.21% for calendar year 2016. As of the date of these financial statements calendar year 2018 funding is at 93.28%.
- The administrative portion of the HCV Program funding was funded at 77.99% of eligibility during calendar year 2017 and funded at 83.86% of eligibility for 2016. As of the date of these financial statements the calendar year 2018 funding is at 76% of eligibility.
- The Housing Choice Voucher Housing Assistance Payment funding was funded at 97% of eligibility in 2017 and 100% of eligibility in 2016. It is currently funding at 99.7% of eligibility for 2018.

The Authority continues to pursue its strategy to strengthen its' overall net position by converting the ownership structure on several of its apartment complexes within its portfolio from Authority owned to ownership by limited partnership with the Authority as general managing partner using the Low Income Housing Tax Credit program. The federal income tax credits awarded under the Low Income Tax Credit program allow the limited partnerships to receive equity contributions to fund redevelopment activities and reduce dependency on HUD financing. In September 2017, the Authority converted and sold the Heritage Heights Apartments, Westfall Village Apartments, and Valley 2016 Apartments to the Wilbur and Cook Affordable Portfolio, LLLP with the Authority as general managing partner. Utilizing the Low Income Housing Tax Credit program, the properties are undergoing selective renovation to ensure future sustainability. This renovation is expected to be completed in December 2018.

In May of 2016, the Authority received from HUD a Commitment to enter into a Housing Assistance Payment (CHAP) for the remaining 74 of its public housing units. The Authority expects to convert the HUD operating subsidy on its' remaining 74 public housing units to project based funding under the RAD program, and transfer the RAD funding to other units within the Authority's portfolio or to a non-affiliate non-profit affordable housing project. It is expected that this conversion will be completed within 2018.

Housing authorities across the country continue to be impacted by continued decline in Federal and State support for housing while facing increases in costs of operations and increases in Housing Assistance Payments to landlords. Local inflationary, recessionary and employment trends can affect resident incomes and therefore the amount of rental incomes of the Authority, as well as the amount of HAP paid by the Authority.

The Authority continues to monitor congressional budgetary developments, however it is anticipated that most HUD programs will continue to see decreases in renewal funding including the Housing Choice Voucher Program, which is the

Spokane Housing Authority, Spokane County, Washington

Management's Discussion and Analysis

For the Year Ended December 31, 2017

Authority's largest program, serving over 5,200 households. Strategic focus of maintaining and strengthening existing programs and seeking long term solutions to the decline in federal support while providing housing for low-income residents is continuing.

REQUESTS FOR INFORMATION

This financial report is designed to provide the reader with a general overview of the Authority's finances and to demonstrate the Authority'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 the Chief Financial Officer/Deputy Director of the Spokane Housing Authority. The Authority's offices are located at 55 W. Mission Avenue, Spokane, WA 99201.

Spokane Housing Authority, Spokane County, Washington
Statement of Net Position
December 31, 2017

	Primary Government	Component Units
ASSETS		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 7,299,302	\$ 822,055
Receivables (Net)	311,128	42,517
Inventories	1,681	-
Prepays and Other Assets	76,072	45,285
Receivable from Component Units	268,253	-
<i>Restricted Assets:</i>		
Cash and Cash Equivalents	2,109,160	1,612,866
Tenant Security Deposits	31,424	242,273
Total Current Assets	10,097,020	2,764,996
<i>Noncurrent Assets:</i>		
Restricted Cash and Cash Equivalents	136,760	-
<i>Capital Assets:</i>		
Land	1,057,563	2,576,941
Buildings	7,022,359	81,626,949
Equipment - Dwellings	205,143	1,238,626
Equipment - Administration	486,609	140,712
Leasehold Improvements	2,212,569	1,094,139
Construction In Progress	379,392	7,596,360
Intangible Assets	156,312	-
Accumulated Depreciation	(7,871,675)	(9,965,555)
Total Capital Assets (Net)	3,648,272	84,308,172
Notes Receivable from Component Units	28,508,879	-
Interest Receivable from Component Units	537,705	-
Other Noncurrent Assets	250,849	181,862
Total Noncurrent Assets	33,082,465	84,490,034
TOTAL ASSETS	\$ 43,179,485	\$ 87,255,030
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions	\$ 282,874	\$ -
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 282,874	\$ -

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane County, Washington
Statement of Net Position (Continued)
December 31, 2017

	Primary Government	Component Units
LIABILITIES		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 267,363	\$ 1,657,255
Accounts Payable - Intergovernment	23,760	-
Tenant Security Deposits	31,424	242,273
Accrued Wages and Payroll Taxes	112,449	-
Accrued Compensated Absences, Current Portion	39,442	-
Accrued Interest Payable	3,152	67,848
Unearned Revenue	7,796	27,651
Other Current Liabilities	85,715	183,221
Current Portion of Long-Term Debt	375,544	148,106
Current Portion of Capital Leases	6,569	-
Payable to Housing Authority	-	268,253
Total Current Liabilities	953,214	2,594,607
<i>Noncurrent Liabilities:</i>		
Accrued Compensated Absences, Net of Current	259,082	-
Long-Term Debt, Net of Current	2,558,013	56,037,542
Capital Leases, Net of Current	654	-
Accrued Interest Payable, Net of Current	1,114	721,018
Net Pension Liability	2,027,583	-
Other Noncurrent Liabilities	-	232,501
Total Noncurrent liabilities	4,846,446	56,991,061
TOTAL LIABILITIES	\$ 5,799,660	\$ 59,585,668
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions	\$ 411,522	\$ -
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 411,522	\$ -
NET POSITION		
Net Investment in Capital Assets	\$ 1,644,369	\$ 28,122,524
Restricted For:		
Housing Assistance Payments	23,760	-
Capital Replacement Reserves	-	741,463
Operating and Other Reserves	2,222,160	871,403
Unrestricted	33,360,888	(2,066,028)
TOTAL NET POSITION	\$ 37,251,177	\$ 27,669,362

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane County, Washington
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2017

	Primary Government	Component Units
OPERATING REVENUES:		
Tenant Rental Revenue	\$ 2,454,574	\$ 2,903,232
HUD Operating Subsidies	29,972,714	-
Other Government Grants	592,173	30,900
Other Tenant Revenue	75,490	108,545
Fee Revenue	2,461,323	-
Other Revenue	1,072,865	13,079
TOTAL OPERATING REVENUES	36,629,139	3,055,756
OPERATING EXPENSES:		
<i>Administrative:</i>		
Administrative Wages	2,389,136	214,022
Auditing Fees	81,501	41,100
Employee Benefit Contributions	712,149	94,526
Management and Bookkeeping Fees	-	179,993
Other Operating Expenses	486,039	113,755
Tenant Services	631	1,588
	3,669,456	644,984
<i>Utilities:</i>		
Electricity	118,779	137,463
Natural Gas	17,188	43,143
Water	89,369	51,175
Sewer	224,841	256,011
Other Utilities Expenses	1,288	4,417
	451,465	492,209
<i>Ordinary Maintenance and Operations:</i>		
Contract Costs	702,619	307,269
Maintenance and Operations Wages	493,463	205,641
Employee Benefit Contributions	239,014	100,228
Materials and Other	61,485	81,862
	1,496,581	695,000
<i>General Expenses:</i>		
Housing Assistance Payments	27,015,000	-
Insurance Premiums	78,622	62,587
Other General Expenses	116,585	138,734
Depreciation and Amortization	1,125,581	2,067,356
	28,335,788	2,268,677
TOTAL OPERATING EXPENSES	33,953,290	4,100,870
OPERATING INCOME (LOSS)	\$ 2,675,849	\$ (1,045,114)

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane County, Washington
Statement of Revenues, Expenses and Changes in Net Position (Continued)
For the Year Ended December 31, 2017

	Primary Government	Component Units
NONOPERATING REVENUES (EXPENSES):		
Gain (Losses) on Capital Asset Disposition	22,748,935	-
Interest Expense and Related Charges	(994,711)	(689,622)
Interest Subsidy	59,076	-
Interest and Investment Income	400,022	3,855
TOTAL NONOPERATING REVENUES (EXPENSES)	22,213,322	(685,767)
 <i>Income (Loss) Before Contributions and Special Items</i>	 24,889,171	 (1,730,881)
CAPITAL CONTRIBUTIONS - GRANTS	29,609	-
CAPITAL CONTRIBUTIONS - PARTNERSHIPS	-	11,595,876
SPECIAL ITEMS GAIN (LOSS)	1,775,483	-
 CHANGE IN NET POSITION	 26,694,263	 9,864,995
NET POSITION, BEGINNING OF YEAR	10,556,914	17,804,367
NET POSITION, END OF YEAR	\$ 37,251,177	\$ 27,669,362

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane County Washington
Statement of Cash Flows
For the Year Ended December 31, 2017

	Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Tenants and Others	\$ 2,339,682
Receipts from Government Operating Grants	27,979,220
Payments for Housing Assistance	(26,994,045)
Payments to Employees and on behalf of Employees	(4,019,012)
Payments to Suppliers for Goods and Services	(1,834,339)
Other Receipts	3,456,783
NET CASH PROVIDED BY OPERATING ACTIVITIES	928,289
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Advances - Partnerships	(101,055)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(101,055)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital Contributions	34,686
Purchases and Construction of Capital Assets	(574,889)
Proceeds from Sale of Capital Assets	31,402,933
Proceeds from Issuance of Capital Debt	236,403
Principal Paid on Capital Debt	(12,660,412)
Capital Debt Interest Subsidy Received	59,076
Interest Paid on Capital Debt	(970,017)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	17,527,780
CASH FLOWS FROM INVESTING ACTIVITIES:	
Issuance of Notes - Partnerships	(19,712,540)
Payments Received on Notes - Partnerships	1,347,249
Investment in Partnerships	(100)
Interest Received	132,310
NET CASH PROVIDED (USED) BY INVESTING ACTIVITY	(18,233,081)
NET INCREASE IN CASH AND CASH EQUIVALENTS	121,933
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,454,713
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 9,576,646
RECONCILIATION OF CASH AND CASH EQUIVALENTS	
TO THE STATEMENT OF NET POSITION:	
Cash and Cash Equivalents - Unrestricted	\$ 7,299,302
Cash and Cash Equivalents - Restricted	2,245,920
Tenant Security Deposits	31,424
	\$ 9,576,646

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane County Washington
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2017

	<u>Primary Government</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ 2,675,849
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash</i>	
<i>Provided by Operating Activities:</i>	
Depreciation and Amortization Expense	1,125,581
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in Assets:	
Receivables (Net)	(233,564)
Inventories	(660)
Prepays and Other Assets	13,514
Other Noncurrent Assets	(35,001)
Increase (Decrease) in Liabilities:	
Accounts Payable - Operations	105,637
Accounts Payable - Intergovernment	9,235
Tenant Security Deposits	(139,818)
Accrued Wages and Taxes Payable	(15,680)
Accrued Compensated Absences	22,664
Unearned Revenue	(296,078)
Other Liabilities	(1,434)
Net Pension Liability	(684,317)
Changes in Deferred Outflows and Inflows:	
(Increase) in Deferred Outflows of Resources	174,075
Increase in Deferred Inflows of Resources	(1,791,714)
Total Reconciling Adjustments	<u>(1,747,560)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 928,289</u></u>

Non-Cash Operating, Capital and Related Financing, and Investing Activity:

- 1) Excludes forgiveness of accrued Interest of \$645,630 on the City of Spokane - Heritage Heights intergovernmental note.
- 2) Excludes forgiveness of accrued Interest of \$1,129,853 on the City of Spokane - Westfall Village Intergovernmental note.

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Spokane Housing Authority (“SHA” or the “Authority”) was established in 1972 as a public body corporate and politic pursuant to the provisions of the State Housing Authorities Law (RCW 35.82) and the Housing Cooperation Law (RCW 35.83) in order to provide affordable, safe, and sanitary housing for persons of low income. The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the Public Housing Program under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make loans to assist the authorities in financing the acquisition, construction and/or leasing of housing units and to make annual contributions (subsidies) to the local housing authorities for maintaining the low-rent character of the local housing programs.

In 2003, the Authority became a joint city-county housing authority pursuant to RCW 35.82.300, by authorization of the Cities of Spokane and Spokane Valley, and Spokane County. The Authority serves the geographical area of the cities of Spokane and Spokane Valley and all unincorporated areas of Spokane County. It also serves the cities of Millwood, Deer Park, Medical Lake (effective 1988), Airway Heights (effective 1989), Spangle (effective 1989), and Cheney (effective 1990) within Spokane County and Lincoln, Pend Orielle, Stevens, Whitman, and Ferry counties through cooperative agreements. The Authority can be dissolved if both the Spokane and Spokane Valley city councils and the Spokane County Board of Commissioners all adopt identical resolutions pursuant to RCW 35.82.310.

The basic financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the most significant accounting policies.

A. Reporting Entity:

The Authority is governed by a six member Board of Commissioners, appointed by the Mayors of the Cities of Spokane and Spokane Valley, and the Chairperson of the Spokane County Commissioners. Each member serves a five-year term of office, with terms rotating in such a manner that one appointment is made each year. The Board of Commissioners sets policy of the Authority and hires the Executive Director who directs the daily operation of the Authority.

The Authority is a legally separate entity and is not considered a component unit, nor does the Authority provide a financial benefit to or impose a financial burden on any other entity. However, the Authority cooperates closely with the Cities of Spokane and Spokane Valley, and Spokane County.

As defined by GAAP, the reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the Board of the primary government are financially accountable. 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 Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*, and GASB Statement No. 80, *Blending Requirement for Certain Component Units*. These criteria include 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 government is not financially accountable.

The financial statements present the Spokane Housing Authority (the primary government) and its component units. Component units are reported as part of the reporting entity under either blended or discrete method of presentation. The discrete method presents the financial statements of the component units outside of the basic financial statement totals of the primary government. The Authority has identified six legally separate tax credit limited partnerships that are reported as discretely presented component units in the basic financial statements. There are no blended component units. The six-member board appointed to the Authority governs all six of the tax credit limited partnerships. The sole purpose of the limited partnerships is to provide affordable housing to low income families.

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Discretely Presented Component Units:

The following six component units were formed for the purpose of developing, operating, managing and leasing housing units in a manner that qualifies them for the Low Income Housing Tax Credit program authorized under Section 42 of the Internal Revenue Code of 1986, as amended. The tax credits allocated under this program provide for a major source of funding for the modernization or new construction of these properties.

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 up to specified limits. These component units do not provide services exclusively or almost exclusively to the benefit of the Authority. While there is fiscal dependency, the Authority is not responsible or expected to repay the debt of these component units. Therefore, the component units financial statement are discretely presented in a single column in the accompanying financial statements.

All of the component units described below have a December 31st year end. The financial statements of the component units are audited separately and are presented as of December 31, 2017. Copies of these audited statements can be obtained by contacting the Housing Authority. Although these component units do not follow government accounting standards, for presentation purposes certain transactions and balances may be reflected differently in the Authority's financial statement than in the separately issued statement in order to conform to the presentation and classifications of the Authority's statements.

Cornerstone II – The Borning Building Limited Partnership – A Washington state limited partnership formed on December 20, 2004 to develop and manage the Cornerstone Courtyard Apartments. The 50 affordable units were placed in service February 2008. Pursuant to the Amended and Restated Agreement of Limited Partnership, dated May 22, 2007, the Authority serves as the General Partner with .01% ownership and U.S. Bancorp Community Development Corporation is the Limited Partner with 99.99% ownership.

Cornerstone II – The Helena Apartments, Limited Partnership – A Washington state limited partnership formed on December 13, 2007 to develop and manage the Pearl on Adams Apartments. The 35 affordable units were placed in service in October 2009. Pursuant to the Amended and Restated Agreement of Limited Partnership, dated December 9, 2008 as amended September 25, 2015, the Northwest Housing Group LLC with the Authority as the sole member serves as the General Partner with .01% ownership and USB LIHTC Fund 2015-4, LLC is the Limited Partner with 99.99% ownership.

The Martindale Apartments, Limited Partnership – A Washington state limited partnership formed on December 30, 2008 to develop and manage the Agnes Kehoe Place Apartments. The 51 affordable units were placed in service in January 2012. Pursuant to the Amended and Restated Agreement of Limited Partnership, dated November 12, 2010 as amended December 6, 2013, the Martindale Manager, LLC with the Authority as the sole member serves as the General Partner with .01% ownership and LIHTC Fund 2013-5, LLC is the Limited Partner with 99.99% ownership.

Cedar Haven, Limited Liability Limited Partnership – A Washington state limited liability limited partnership formed on April 3, 2015 to rehabilitate and manage the Cedar West Apartments and Woodhaven Apartments. The 146 affordable units were placed in service in February 2016. Pursuant to the Amended and Restated Agreement of Limited Liability Limited Partnership, dated September 30, 2016, the Authority serves as the General Partner with .01% ownership; CREA Cedarhaven LLC is the Limited Partner with 99.989% ownership; and CREA SLP, LLC is the Special Limited Partner with .001% ownership.

Parsons, Limited Liability Limited Partnership – A Washington state limited liability limited partnership formed on April 3, 2015 to rehabilitate and manage the Parsons Apartments. The sale of the 50 affordable public housing units to Parsons LLLP along with the coinciding conversion to tax credit units and project based voucher units under the HUD Rental Assistance Demonstration Program closed on January 29, 2016 and was placed in service in December 2016. Pursuant to the Amended and Restated Agreement of Limited Liability Limited Partnership, dated January 29, 2016, the Authority serves as the General Partner with .01% ownership; CREA Parsons Apartments, LLC is the Limited Partner with 99.989% ownership; and CREA SLP, LLC is the Special Limited Partner with .001% ownership.

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Wilbur and Cook Affordable Portfolio, Limited Liability Limited Partnership – A Washington state limited liability limited partnership formed on November 29, 2016 to rehabilitate and manage the Heritage Heights Apartments, Westfall Village Apartments and Valley 206 Apartments. The sale of the 379 affordable units to Wilbur and Cook Affordable Portfolio LLLP and coinciding conversion to tax credit units closed on September 14, 2017 and is expected to be placed in service in December 2018. Pursuant to the Agreement of Limited Liability Limited Partnership, dated November 29, 2016, the Authority serves as the General Partner with .01% ownership, BCP/Wilbur Cook, LLC is the Limited Partner with 99.99% ownership; and BCCC, Inc. is the Special Limited Partner with 0% ownership.

See Note 14 for additional information on the tax credit limited partnerships.

Programs Administered by the Spokane Housing Authority:

The accompanying basic financial statements include the activities of several housing programs subsidized by HUD as well as various other agencies. A summary of each significant program is provided below. Each program has a fiscal year ending of December 31st and are reporting twelve months of operations.

Housing Choice Voucher Program

The Authority administers the Housing Choice Voucher Program, Moderate Rehabilitation Single Room Occupancy Program and the Veterans' Affairs Supportive Housing Program, which utilizes existing privately owned family rental housing units to provide decent and affordable housing to low-income families. Funding of the program is provided by federal housing assistance contributions from HUD, pursuant to Section 8 of the U.S. Housing Act. Generally, tenants pay up to 30% of their income towards rent and the Authority pays for the difference between the approved landlord contract rent and the rent paid by the tenants. The Authority received an allocation of 5,234 vouchers from HUD, which equates to 62,808 voucher units months per calendar year. The management of the program is actively monitored and activities are planned to comply with HUD's leasing provisions on a calendar year basis. The Authority has administrative responsibility for the Housing Choice Voucher programs in Spokane, Stevens, Pend Oreille, Whitman, Lincoln and Ferry Counties.

Public Housing Program

The Authority's Public Housing Program consists of a single asset management project ("AMP"), which collects both operating and capital fund subsidy. This AMP is an accumulation of 74 housing units referred to as scattered sites and is located within the City of Spokane, City of Spokane Valley, and Spokane County. This AMP is accounted for as a separate project, and is reported in the Combining Statements.

The purpose of the Public and Indian Housing Program is to provide decent and affordable housing to low income families at reduced rents. The housing units are owned, maintained and managed by the Authority. The units were acquired, developed and modernized under HUD's Development and Capital Fund programs. Funding of the program operations and development is provided by federal annual contributions, operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition and other allowances).

Capital Fund Programs (CFP):

Funds from the CFP provided by HUD are used to maintain and improve the Public Housing portfolio. Substantially all additions to land, structures and equipment for these properties are accomplished through the capital grant funds.

Other Grant Programs:

The Authority administers the following grant programs:

DSHS ALISA Program - The Authority administers a statewide aging and long-term support tenant based rental assistance program for the Washington State Department of Social and Health Services (DSHS), which provides subsidized payments to landlords who rent to DSHS clients.

HOME Entitlement grants – The Authority receives HOME entitlement grant funds from the City of Spokane and Spokane County for tenant based rental assistance.

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

HOPWA Program – The Authority administers a twelve county housing program for persons with AIDS (HOPWA). The Washington State Department of Commerce as a pass-through from HUD provides funding for the program.

Multifamily Housing Service Coordinator Grant – The Authority receives grant funds from HUD to provide housing service coordinators for its multi-family properties.

Affordable Housing:

The Authority has purchased or developed the properties listed below and is responsible for leasing, operating, and maintaining the housing units.

Valley 206 Apartments – Consists of a 207 unit affordable housing property, which was purchased in 1998 through the issuance of housing revenue bonds. The bonds were refinanced through a private placement bond issue in 2009. Valley 206 was sold to the Wilbur and Cook Affordable Portfolio LLLP tax credit limited liability limited partnership on September 14, 2017.

Hifumi En Apartments – Is a 41 unit apartment complex which was purchased in 2004. This property is a multi-family Section 8 project based development for low income senior and/or disabled persons.

Heritage Heights Apartments – Is a 62 unit tax credit apartment complex which was purchased in 2010 from the Heritage Heights Limited Partnership with Build America bonds issued by the Authority. Heritage Heights was sold to the Wilbur and Cook Affordable Portfolio LLLP tax credit limited liability limited partnership on September 14, 2017.

Westfall Village Apartments – Is a 110 unit tax credit apartment complex which was purchased in 2010 from the Heritage Heights Limited Partnership with Build America bonds issued by the Authority. Westfall Village was sold to the Wilbur and Cook Affordable Portfolio LLLP tax credit limited liability limited partnership on September 14, 2017.

B. Basis of Accounting

The financial statements (i.e., the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows) report information on all of the activities of the primary government and its component units.

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

The accounts of the Authority are reported as a single enterprise proprietary fund. Proprietary funds distinguish operating revenues and expenses from non-operating items. An operating activity generally arises from providing services in connection with the fund's principal activity. The operating revenues of the Authority consist primarily of rental charges to tenants, operating subsidies from the U.S. Department of Housing and Urban Development ("HUD"), fee revenue consisting of external property management fees, partnership administrative fees, and developer fees, and to a lesser extent, certain operating amounts of capital grants that offset operating expenses. Operating expenses for the Authority include the cost of administrative, maintenance, utilities, tenant services, general operations, depreciation and amortization, and housing assistance payments. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, except for capital contributions, which are presented separately.

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. The proprietary fund utilizes a flow of economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and deferred outflows and liabilities and deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position. The basis

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

of accounting used is similar to businesses in the private sector; thus, these funds are maintained on the accrual basis of accounting.

Revenues are recognized when earned and expenses are recorded in the period incurred. For financial reporting purposes, the Authority considers its HUD grants associated with operations as operating revenue because these funds more closely represent revenues generated from operating activities rather than non-operating activities. HUD grants associated with capital acquisition and improvements are considered capital contributions and are presented after non-operating activity on the accompanying statement of revenues, expenses and changes in net position.

- C. Cash and Cash Equivalents** — It is the Authority's policy to invest all temporary cash surpluses in low-risk short-term investments of a liquid nature. This amount is classified on the Statement of Net Assets as cash and cash equivalents. Cash held for future payment of long-term liabilities is classified as a noncurrent asset. For purposes of the Statement of Cash Flows, the Authority considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.
- D. Receivables** — Accounts receivable consist primarily of amounts due from tenants for rent and other charges and cost reimbursements due from grantors. Annually, tenant receivable balances are analyzed and the allowance for doubtful accounts is estimated and adjusted in accordance with historical experience. Other receivable allowances are established for uncertain collectibles. No allowances existed at December 31, 2017, other than the allowance for tenant accounts receivable.
- E. Inventories** — Inventories belonging to the Authority as of December 31, 2017 consisted of office supplies of \$1,681. Inventories are valued by the FIFO method, which approximates the market value.
- F. Prepaid and Other Assets** — Prepaid and other assets represent amounts paid in advance of the period which the expenses benefit. Prepaid items consist primarily of the current portion of insurance premiums, ongoing maintenance and service contracts, annual software licenses and postage.
- G. Restricted Assets** — Restricted assets contain cash or cash equivalents that are restricted by federal or state regulation or statute to the use of particular programs or grants. The total of the Authority restricted cash as of December 31, 2017 was \$2,277,344. Component Units as of December 31, 2017 had restricted cash of \$1,855,139. The balances consist of the following:

	Primary Government	Component Units
Section 8 reserves	\$ 23,760	\$ -
Tenant security deposits	31,424	242,273
Capital Replacement Reserves	-	741,463
Operating and Other Reserves	2,222,160	871,403
Total	<u>\$ 2,277,344</u>	<u>\$ 1,855,139</u>

- H. Capital Assets** — Capital assets include property, plant, and equipment and are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year, or, a major appliance with a cost of less than \$1,000, having an estimated useful life in excess of one year. All such assets are recorded at historical cost when purchased or constructed. Donated capital assets are recorded at acquisition value.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

Major outlays of capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Management reviews property, plant, and equipment for possible impairment to determine if a decline in service utility is significant and unexpected. If a capital asset is considered impaired the amount of impairment loss is determined in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, using either the Restoration Cost Approach, the Service Units Approach, or the Deflated Depreciated Replacement Cost Approach. Upon retirement or other disposition of property and equipment the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses are included in non-operating revenues and expenses.

Capital Assets of the primary government, as well as the component units, are generally depreciated using the straight-line method over the following estimated useful lives as follows:

Land	Not Depreciated
Buildings (New Construction & Acquisition)	27-40 years
Furniture, equipment & machinery	3-10 years
Modernization of buildings and improvements	5-25 years
Intangibles	15 years
Construction in progress	Not Depreciated

- I. **Deferred Outflows/Inflows of Resources** — A deferred outflow of resources is not an asset and is defined as a consumption of net position that is applicable to a future reporting period. The Authority has recorded \$282,874 in deferred outflows of resources as of December 31, 2017 related to pensions. A deferred inflow of resources is not a liability and is defined as an acquisition of net position that is applicable to a future reporting period. The Authority has recorded \$411,522 in deferred inflows of resources as of December 31, 2017 related to pensions.
- J. **Compensated Absences** — Compensated absences are absences for which employees will be paid such as vacation and sick leave. The Authority records unpaid leave for compensated absences as an expense and liability when incurred and adjusts the liability and expense at year-end to meet the requirement of GASB Statement No. 16, *Accounting for Compensated Absences*. All regular full-time and part-time employees accrue paid time off leave based on position and the number of years of service. Unused paid time off may accumulate up to a maximum of 1000 hours. Employees are paid for up to 400 hours at the employee's current pay rate upon resignation, retirement, or death. Liabilities for other compensated absences, such as holidays, do not vest and are not considered material. The Authority's liability for future payment of compensated absences as of December 31, 2017 was \$298,524.
- K. **Unearned Revenues** — Unearned revenues are primarily tenant rent payments and operating grant funds that have been received or advanced and have not yet been earned or expended. Under reimbursement agreements, receipts from grantors are not earned until the related expenditures occur. At the time the funds are earned or expended revenue will be recognized. These receipts are recorded as unearned revenue, except for amounts recorded as deferred inflows when the only eligibility requirement not met is the time requirements.
- L. **Long-Term Debt** — See Note 10, Long-Term Debt.
- M. **Pensions** — For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefits 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. **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

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

permitted. Receipts from the Public Housing Capital Grant Program and other reimbursement based grants are recognized when the related expenses are incurred. Tenant revenues are recognized during the period of occupancy.

O. Revenue and Expenses — All revenues and expenses related to the operations of the Authority and its component units are classified as operating revenues and expenses. Non-operating revenues include capital grants and contributions, interest and investment income, interest subsidy, gain (losses) on capital asset disposition, and special items gain (loss). Non-operating expenses include interest expense and related charges.

P. Tax Status — The Authority is qualified as a tax-exempt organization under the provisions of Section 115(1) of the Internal Revenue Code. Under state law (RCW 35.82.210) the Authority is exempt from all taxes imposed by cities, counties, the state or any political subdivision thereof. Accordingly, no provision for income taxes is reflected in the accompanying statements. Pursuant to agreements with the City of Spokane and Spokane County, the Authority makes a Payment in Lieu of Taxes (PILOT) to reimburse the City and County for services provided.

The component units, as partnerships, are required to file IRS form 1065, U.S. Return of Partnership Income and Schedule K-1 which reports the taxable income or loss to be reported by the respective partners allocated in accordance with their percentage of ownership. Management of the partnerships have evaluated the Partnerships' tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of FASB ASC 740-10, regarding the reporting of uncertainty in income taxes. With few exceptions, the Partnerships are no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2012.

Q. Use of Estimates — The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions the Authority may undertake in the future. Actual results may ultimately differ from those estimates.

R. Budgetary Accounting and Control— The Authority prepares an annual budget which is presented to the Board of Commissioners and adopted through the passage of a budget resolution prior to the beginning of the fiscal year. 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 the appropriate approvals. All budget amounts lapse at year-end. Encumbrance accounting is not used as an extension of formal budget control.

NOTE 2 — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

State laws and certain bond and loan covenants require that the Authority maintain occupancy in housing projects at specified numbers of low-income families. During the fiscal year, the Authority satisfied all compliance requirements specified in its bond and loan covenants. There have been no material violations of finance-related legal or contractual provisions.

NOTE 3 — ADOPTION OF NEW ACCOUNTING STANDARDS:

The Governmental Accounting Standards Board (GASB) issued two new statements, which the Authority adopted during the twelve months ended December 31, 2017:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. There were no impacts to the Authority's financial statements as a result of implementing this statement.

Spokane Housing Authority, Spokane County, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 3 — ADOPTION OF NEW ACCOUNTING STANDARDS (continued):

Statement No. 77, *Tax Abatement Disclosures* improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. There was no impact to the Authority's financial statements as a result of this statement.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. There was no impact to the Authority's financial statements as a result of this statement.

Statement No. 81, *Irrevocable Split-Interest Agreements* improves 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 requirements of this Statement are effective for reporting periods beginning after December 15, 2016. There were no impacts to the Authority's financial statements as a result of implementing this statement.

Statement No. 82, *Pensions Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pensions Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirement of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that Circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. There was no impact to the Authority's financial statements because of implementing this statement.

The Government Accounting Standards Board also issued eight new statements, which will be effective for the Authority in subsequent years:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 83, *Certain Asset Retirement Obligations* addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance issued. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 3 — ADOPTION OF NEW ACCOUNTING STANDARDS (continued):

Statement No. 84, *Fiduciary Activities* will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. This Statement is effective for fiscal years beginning after December 15, 2018.

Statement No. 85, *Omnibus 2017* will address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 86, *Certain Debt Extinguishment Issues* will improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources- other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 87, *Leases* will increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for fiscal years beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement is effective for fiscal years beginning after June 15, 2018.

NOTE 4 — Cash and Investments:

A. Deposits

As required by State law, all deposits of the Authority are deposits with Washington State banks. The deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC), established under Chapter 39.58 of the Revised Code of Washington. Deposits that are in excess of the FDIC insured amount are secured by collateral through the Washington State Public Deposit Protection Act, which was adopted in 1969. Under the Washington State Public Deposit Protection Act, each public depository is required to contribute to a common pool of pledged securities. In the event of default of one bank, all participating banks in Washington State will collectively assure that no loss of funds will be suffered by any public treasurer or custodian of public funds. All deposits are insured, registered or held by the Authority or its agent in the Authority's name.

Cash and cash equivalents consist of the following at December 31, 2017 for the Authority and component units:

	Primary Government	Component Units
Cash in demand deposits	\$ 9,124,980	\$ 2,677,194
Local government investment pool	451,666	-
Total deposits	<u>\$ 9,576,646</u>	<u>\$ 2,677,194</u>

Spokane Housing Authority, Spokane County, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 4 — Cash and Investments (Continued):

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 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). The LGIP is an investment pool managed and operated by the Washington State Treasurer's Office for the benefit of government entities in the State of Washington and is not registered with the SEC as an investment company. The assets and liabilities of the LGIP are included in the Comprehensive Annual Financial Report of the State of Washington. The LGIP invests in a portfolio of securities in a manner generally consistent with the Securities and Exchange Commission's Rule 2A-7 of the Investment Company Act of 1940. As such, the LGIP uses amortized cost to report net position. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities to minimize both market and credit risk. All money market securities are required to be rated A-1 by Standard and Poor's Corporation and P-1 by Moody's Investors Services. Investments are restricted to fixed rate securities that mature in 397 days or less, floating and variable rate securities that mature in 762 days or less, and the portfolio maintains a weighted average maturity of 60 days or less.

The LGIP has a minimum transaction amount for both deposits and withdrawals of \$5,000. There is no maximum transaction amount, but the LGIP requests at least one day advance notice for any transaction in the amount of \$10 million or more. For transactions less than \$10 million, LGIP required notification the same business day and transaction are limited to one transaction each business day.

Investments in the LGIP are classified as cash because the investments are not evidenced by securities that exist in physical or book entry form and therefore meet the criteria of cash and cash equivalents.

C. Custodial Risk:

Custodial Credit risk is the risk that, in the event of failure of the counterparty to a transaction, the Authority will not be able to recover the value of the investments. As of December 31, 2017, all deposits and investments 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 investment pools that are not classified since the investments are not evidenced by securities that exist in physical or book entry form deposits may not be returned to it. Therefore, the investments are not exposed to custodial risk. The Authority's policy allows for safekeeping of securities either by the agent or a third party custodian as is the case for the Local Government Investment Pool.

D. Concentration of Credit Risk, 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 (not including investments issued or guaranteed by the U.S. government, investments in a mutual fund, or external investment pools). At December 31, 2017, 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.

Spokane Housing Authority, Spokane County, Washington

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For the Year Ended December 31, 2017

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's policy is to select investments of varied maturities to mitigate this risk. None of the investments of the Authority exceeded one year.

NOTE 5 — RECEIVABLES

Receivables consisted of the following amounts due to the Authority and component units as of December 31, 2017:

	Primary Government	Component Units
HUD - Housing Choice Voucher Program	\$ 185,167	\$ -
HUD - Other programs	10,959	-
Other Governments	67,429	-
Tenants accounts receivable - net	7,296	40,653
Other accounts receivable	40,277	1,864
Total receivables, net of allowance	<u>\$ 311,128</u>	<u>\$ 42,517</u>

NOTE 6 — NOTES AND INTEREST RECEIVABLE FROM COMPONENT UNITS:

Changes in notes and interest receivable from component units to the primary government during the twelve months ended December 31, 2017 are summarized in the following table:

	Balance at January 1, 2017	Additions	Reductions	Balance at December 31, 2017	Due Within One Year
Cedar Haven LLLP					
Developer Fee Note	\$ 2,225,000	\$ -	\$ 852,382	\$ 1,372,618	\$ -
Seller Financed Note	5,000,000	-	-	5,000,000	-
Accrued Interest on Notes	165,000	140,682	-	305,682	-
Accrued Interest on Base Lease Rent	594	792	-	1,386	-
	<u>7,390,594</u>	<u>141,474</u>	<u>852,382</u>	<u>6,679,686</u>	<u>-</u>
Parsons LLLP					
Developer Fee Note	646,100	-	494,867	151,233	-
Seller Financed Note	2,225,000	-	-	2,225,000	-
Sponsor Note A	-	700,000	-	700,000	-
Sponsor Note B	47,488	292,512	-	340,000	-
Accrued Interest on Notes	104,156	82,666	101,979	84,843	-
Accrued Interest on Base Lease Rent	243	530	-	773	-
	<u>3,022,987</u>	<u>1,075,708</u>	<u>596,846</u>	<u>3,501,849</u>	<u>-</u>
Wilbur and Cook Affordable Portfolio LLLP					
Developer Fee Note	-	1,895,028	-	1,895,028	-
Sponsor Note A	-	15,300,000	-	15,300,000	-
Sponsor Note B	-	1,525,000	-	1,525,000	-
Accrued Interest on Notes	-	145,021	-	145,021	-
	<u>-</u>	<u>18,865,049</u>	<u>-</u>	<u>18,865,049</u>	<u>-</u>
Notes Receivable from Component Units	10,143,588	19,712,540	1,347,249	28,508,879	-
Interest Receivable from Component Units	269,993	369,691	101,979	537,705	-
	<u>\$ 10,413,581</u>	<u>\$ 20,082,231</u>	<u>\$ 1,449,228</u>	<u>\$ 29,046,584</u>	<u>\$ -</u>

Cedar Haven LLLP Notes Receivable

- A. Developer Fee Note** – Issued on September 30, 2015 in connection with the acquisition and development of Cedar Haven LLLP. As of December 31, 2017, the balance of the note was \$1,372,618. Any installment of the developer fee not paid when otherwise due shall be deferred with interest at the annual rate of 1% and shall be paid from available cash flows of the Partnership in the priority set forth in the Amended and Restated Agreement of Limited

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 6 — NOTES AND INTEREST RECEIVABLE FROM COMPONENT UNITS (continued):

Liability Limited Partnership. Any unpaid balance shall be unconditionally due and payable on the earlier of December 31, 2029 or the date of liquidation of the Partnership. The note is considered to be non-current since repayment is subject to available cash flow of the partnership. For the year ended December 31 2017 accrued interest on the note was \$3,432.

- B. Seller Financed Note** – A promissory note in the amount of \$5,000,000 dated September 30, 2015 was issued in connection with the acquisition of the leasehold in two apartment complexes with 146 units by Cedar Haven LLLP. No annual payments are required on the principle or the interest that accrues at the compounding rate of 2.64% per annum. The note is considered to be non-current as repayment is subject to available cash flows of the Partnership in the priority set forth in the Amended and Restate Agreement of Limited Liability Limited Partnership. The note shall be due and payable in all events on or before December 31, 2055. For the year ended December 31, 2017 accrued interest on the note was \$302,250.

Parsons LLLP Notes Receivable

- A. Developer Fee Note** – Issued on January 29, 2016 in connection with the acquisition and development of Parsons LLLP. As of December 31, 2017, the balance of the note was \$151,233. Any installment of the developer fee not paid when otherwise due shall be deferred with interest at the annual rate of 1% and shall be paid from available cash flows of the Partnership in the priority set forth in the Amended and Restated Agreement of Limited Liability Limited Partnership. Any unpaid balance shall be unconditionally due and payable on the earlier of December 31, 2029 or the date of liquidation of the Partnership. The note is considered to be non-current since repayment is subject to available cash flow of the partnership. For the year ended December 31, 2017, accrued interest on the note was \$126.
- B. Seller Financed Note** – A promissory note in the amount of \$2,225,000 dated January 29, 2016 was issued in connection with the acquisition of the leasehold in the 50 unit Parsons Apartment complex by Parsons LLLP. No annual payments are required on the principle or the interest that accrues at the compounding rate of 5% annually during the construction period and thereafter at 3.1% compounded annually. The note is considered to be non-current as repayment is subject to available cash flows of the Partnership in the priority set forth in the Amended and Restate Agreement of Limited Liability Limited Partnership. The note shall be due and payable in all events on or before December 31, 2056. For the year ended December 31, 2017, accrued interest on the note was \$72,091.
- C. Sponsor Note A** – A promissory note in the amount of \$700,000 dated January 29, 2016 was issued in connection with the acquisition and development of Parsons LLLP. No annual payments are required on the principle or the interest that accrues at 3.1% compounded annually. The note is considered to be non-current as repayment is subject to available cash flows of the Partnership in the priority set forth in the Amended and Restate Agreement of Limited Liability Limited Partnership. The note shall be due and payable in all events on or before December 31, 2056. For the year ended December 31, 2017 accrued interest on the note was \$8,861.
- D. Sponsor Note B** – A promissory note in the amount of \$340,000 dated January 29, 2016 was issued in connection with the acquisition and development of Parsons LLLP. No annual payments are required on the principle or the interest that accrues at the compounding rate of 3.1% annually. The note is considered to be non-current as repayment is subject to available cash flows of the Partnership in the priority set forth in the Amended and Restate Agreement of Limited Liability Limited Partnership. The note shall be due and payable in all events on or before December 31, 2056. For the year ended December 31, 2017, accrued interest on the note was \$3,765.

Wilbur and Cook Affordable Portfolio LLLP Notes Receivable

- A. Developer Fee Note** – Issued on September 1, 2017 in connection with the acquisition and development of Wilbur and Cook Affordable Portfolio LLLP. As of December 31, 2017, the balance of the note was \$1,895,028. Any installment of the developer fee not paid when otherwise due shall be deferred with no interest and shall be paid from available cash flows of the Partnership in the priority set forth in the Amended and Restated Agreement of Limited Liability Limited Partnership. Any unpaid balance shall be unconditionally due and payable on the earlier of the 14th anniversary of the completion date (yet to be determined) in accordance with the Development Agreement dated September 1, 2017 between the Partnership and the Authority or the date of liquidation of the

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

B. NOTE 6 — NOTES AND INTEREST RECEIVABLE FROM COMPONENT UNITS (continued):

Partnership. The note is considered to be non-current since repayment is subject to available cash flow of the partnership.

C. **Sponsor Note A** – A promissory note in the amount of \$15,300,000 dated September 14, 2017 was issued in connection with the acquisition and development of Wilbur and Cook Affordable Portfolio LLLP. No annual payments are required on the principle or the interest that accrues at 2.9% compounded annually. The note is considered to be non-current as repayment is subject to available cash flows of the Partnership in the priority set forth in the Amended and Restate Agreement of Limited Liability Limited Partnership. The note shall be due and payable in all events on or before December 31, 2057. For the year ended December 31, 2017 accrued interest on the note was \$131,877.

D. **Sponsor Note B** – A promissory note in the amount of \$3,475,000 dated September 14, 2017 was issued in connection with the acquisition and development of Wilbur and Cook Affordable Portfolio LLLP. No annual payments are required on the principle or the interest that accrues at the compounding rate of 2.9% annually. The note is considered to be non-current as repayment is subject to available cash flows of the Partnership in the priority set forth in the Amended and Restate Agreement of Limited Liability Limited Partnership. The note shall be due and payable in all events on or before December 31, 2057. For the year ended December 31, 2017 \$1,525,000 has been drawn on the note and interest of \$13,144 was accrued.

NOTE 7 — CAPITAL ASSETS:

Capital assets are stated at cost less accumulated depreciation. Depreciation is computed for financial reporting purposes by use of the straight-line method. Land and construction in progress are not depreciated.

Primary Government:

Changes in capital assets of the primary government during the period ended December 31, 2017 are shown below:

	January 1, 2017	Additions	Dispositions/ transfers	December 31, 2017
Capital Assets Not Depreciated:				
Land	\$ 2,080,439	\$ -	\$ (1,022,876)	\$ 1,057,563
Construction In Progress	526,511	369,708	(516,827)	379,392
Total Capital Assets Not Depreciated	2,606,950	369,708	(1,539,703)	1,436,955
Capital Assets Being Depreciated:				
Buildings	19,834,614	-	(12,812,255)	7,022,359
Leasehold Improvements	4,388,472	95,709	(2,271,612)	2,212,569
Equipment	1,772,516	49,195	(1,129,959)	691,752
Intangible Assets	151,060	5,252	-	156,312
Total Capital Assets Being Depreciated	26,146,662	150,156	(16,213,826)	10,082,992
Accumulated Depreciation:				
Buildings	11,829,337	662,153	(6,869,062)	5,622,428
Leasehold Improvements	2,464,975	367,252	(1,250,670)	1,581,557
Equipment	1,551,314	80,544	(979,800)	652,058
Intangible Assets	-	15,632	-	15,632
Total Accumulated Depreciation	15,845,626	1,125,581	(9,099,532)	7,871,675
Total Capital Assets	\$ 12,907,986	\$ (605,717)	\$ (8,653,997)	\$ 3,648,272

Spokane Housing Authority, Spokane County, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 7 — CAPITAL ASSETS (continued):

Capital asset additions of \$519,864 are primarily attributable to the conversion of 11 units at Hifumi EN apartments to accessible units, which remains in Construction in Progress; and small improvements made throughout the Authority's property portfolio. Intangible assets acquired of \$5,252 represent commercial software purchases. Net capital asset dispositions and transfers of \$17,753,529 include the sale of Heritage Heights Apartments, Westfall Village Apartments and Valley 206 Apartments to the Wilbur and Cook Affordable Portfolio LLLP in September 2017, as well as retirement of surplus assets. During the twelve-month period ended December 31, 2017 the Authority did not incur interest costs related to the acquisition and construction of capital assets.

Preliminary costs incurred for proposed projects are postponed pending construction of the project. Costs relating to projects ultimately constructed are transferred to the project. Charges that relate to abandoned projects are expensed.

Component Units:

Changes in capital assets of the component units during the period ended December 31, 2017 are shown below:

	January 1, 2017	Additions	Dispositions/ transfers	December 31, 2017
Capital Assets Not Depreciated:				
Land	\$ 626,941	\$ 1,950,000	\$ -	\$ 2,576,941
Construction In Progress	-	7,596,360	-	7,596,360
Total Capital Assets Not Depreciated	626,941	9,546,360	-	10,173,301
Capital Assets Being Depreciated:				
Buildings	52,175,449	29,451,500	-	81,626,949
Leasehold Improvements	1,045,011	49,128	-	1,094,139
Equipment	1,352,344	24,761	2,233	1,379,338
Total Capital Assets Being Depreciated	54,572,804	29,525,389	2,233	84,100,426
Accumulated Depreciation:				
Buildings	7,356,615	1,891,027	-	9,247,642
Leasehold Improvements	94,807	70,042	-	164,849
Equipment	480,937	72,127	-	553,064
Total Accumulated Depreciation	7,932,359	2,033,196	-	9,965,555
Total Capital Assets	\$ 47,267,386	\$ 37,038,553	\$ 2,233	\$ 84,308,172

Capital Assets additions for component units of \$39,071,749 are primarily attributable to the acquisition and rehabilitation of Heritage Heights Apartment, Westfall Village Apartments and Valley 206 Apartments by the Wilbur and Cook Affordable Portfolio LLLP. During the period ended December 31, 2017, component units capitalized \$274,894 of interest costs related to the acquisition and construction of capital assets.

Spokane Housing Authority, Spokane County, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 8 — CONSTRUCTION COMMITMENTS:

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

	Project Authorization	Expended through 12/31/2017	Committed
Public Housing - Scattered Sites - RAD Project	100,000	42,351	57,649
Spokane Housing Authority - 55 W Mission office	40,000	14,627	25,373
Hifumi En - ADA Project	423,452	322,414	101,038
	<u>\$ 563,452</u>	<u>\$ 379,392</u>	<u>\$ 184,060</u>

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

	Project Authorization	Expended through 12/31/2017	Committed
Wilbur and Cook Affordable Portfolio LLLP - Redevelopment	32,297,940	7,596,360	24,701,580
	<u>\$ 32,297,940</u>	<u>\$ 7,596,360</u>	<u>\$ 24,701,580</u>

NOTE 9 — OTHER NONCURRENT ASSETS:

Noncurrent assets consist of the following at December 31, 2017:

	Primary Government	Component Units
Financing Costs, Net of Accumulated Amortization	\$ -	\$ 181,862
Partnership Management Fee Receivable	182,500	-
Base Rent Receivable	50,001	
Other Noncurrent Assets	18,348	
Total Noncurrent Assets	<u>\$ 250,849</u>	<u>\$ 181,862</u>

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Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 10 — LONG-TERM DEBT AND CHANGES IN LONG TERM LIABILITIES:

A. Long-Term Debt and changes in Long Term Liabilities

A summary of changes in long-term debt and long term liabilities for the period ended December 31, 2017 is as follows:

	Balance at January 1 2017	Additions	Reductions	Balance at December 31, 2017	Due Within One Year
Revenue Bonds:					
Heritage Heights Apartments	1,605,087	-	(1,605,087)	-	-
Valley 206 Apartments	7,522,434	-	(7,522,434)	-	-
Westfall Village Apartments	2,919,381	-	(2,919,381)	-	-
Total Bonds Payable	12,046,902	-	(12,046,902)	-	-
Promissory Notes:					
Washington Trust Bank					
Authority Office Building	362,862	-	(22,856)	340,006	340,006
Hifumi En Apartments (2014)	408,924	-	(25,191)	383,733	26,161
Total Promissory Notes	771,786	-	(48,047)	723,739	366,167
Intergovernmental Loans					
City of Spokane:					
Hifumi En Apartments	-	223,171	-	223,171	-
Heritage Heights Apartments	200,000	-	(200,000)	-	-
Westfall Village Apartments	350,000	-	(350,000)	-	-
Spokane County					
SHA - Valley 206	409,512	8,215	-	417,727	-
State of Washington Department of Commerce					
SHA - Cedar West	528,478	-	(9,329)	519,149	9,377
Hifumi En Apartments	1,044,754	5,017	-	1,049,771	-
Total Intergovernmental Loans	2,532,744	236,403	(559,329)	2,209,818	9,377
Total Long-Term Debt	15,351,432	236,403	(12,654,278)	2,933,557	375,544
Capital Leases	13,357	-	(6,134)	7,223	6,569
Accrued Compensated Absences	275,860	368,380	(345,716)	298,524	39,442
Net Pension Liability	2,711,900	-	(684,317)	2,027,583	-
Accrued Interest Payable	1,755,055	1,114	(1,751,903)	4,266	3,152
Total Noncurrent Liabilities	\$20,107,604	\$ 605,897	\$ (15,442,348)	\$ 5,271,153	\$ 424,707

Heritage Heights Build America Revenue Bonds – Issued August 2010 to purchase and rehabilitate the Heritage Heights Apartments, principal amount of \$1,747,895. Quarterly payments of \$33,724 include interest at 6.65% per annum. These are IRS subsidized bonds, where the IRS reimburses the Authority for 35% of the interest payment at the time of debt service payment. Debt service is paid from revenues of the Heritage Heights Apartments and is secured by a deed of trust on the property. The bond matures on August 11, 2025. The Build America Revenue Bonds were redeemed in fiscal year ending December 31, 2017 with the sale to Wilbur and Cook Affordable Portfolio LLLP.

Valley 206 Apartments Housing Revenue Bond, Series 2008 – Issued July 2008 to refund the 1998 Valley 206 Apartments Housing Revenue Series A & B Bonds and rehabilitate Valley 206 Apartments, principal amount of \$9,075,230 with a bond issuance discount of \$113,400. Monthly payments of \$45,641 include interest at 4.40% per annum with debt service paid from revenues of the Valley 206 Apartments and is secured by a deed of trust on the property. The bonds are further secured by a pledge of the Authority's unobligated general revenue. Final payment is due in 2028. The Series 2008 bonds were redeemed in fiscal year ending December 31, 2017 with the sale to Wilbur and Cook Affordable Portfolio LLLP.

Westfall Village Build America Revenue Bonds – Issued August 2010 to purchase and rehabilitate the Westfall Village Apartments, principal amount of \$3,179,125. Quarterly payments of \$61,338 include interest at 6.65% per annum. These are IRS subsidized bonds, where the IRS reimburses the Authority for 35% of the interest payment at the time of debt service payment. Debt service is paid from revenues of the Westfall Village Apartments and is secured by a deed of trust on

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Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 10 — LONG-TERM DEBT AND CHANGES IN LONG TERM LIABILITIES (continued):

the property. The bond matures on August 11, 2025. The Build America Revenue Bonds were redeemed in fiscal year ending December 31, 2017 with the sale to Wilbur and Cook Affordable Portfolio LLLP.

Washington Trust Bank – Housing Authority Office Building – Issued September 1998 in the original amount of \$567,000, to purchase the office building at 55 West Mission for the administrative offices of the Authority with monthly payments of \$3,981 per month at 5.75% interest per annum. On December 23, 2008, an additional \$154,170 was added to the existing note for improvements to the administrative offices of the Authority for total principal due of \$517,167. The interest rate on the new note is the Five-Year Federal Home Loan Bank Long Term Fixed Rate plus 2.75% adjusted at the five year anniversary. As of December 31, 2017, the rate was 4.84% with monthly payments of \$3,326. Debt service is paid from general revenues of the Authority and is secured by a deed of trust on the property. The final payment is due December 23, 2018.

Washington Trust Bank – Hifumi En Apartments (2014) – Issued September 23, 2014 for \$459,780 for the refunding of the Washington Trust Bank – Hifumi En Apartments (2004) note. The interest rate on the new note is the Five-Year Federal Home Loan Bank Intermediate/Long Term, Fixed Rate Advance plus 2.5% adjusted at the five year anniversary. As of December 31, 2017, the rate was 3.77% with monthly payments of \$3,348. Debt service is paid from revenues of the Hifumi En Apartments and is secured by a deed of trust on the property. The final payment is due October 5, 2024. For the year ended December 31, 2017, accrued interest on the note was \$1,206.

City of Spokane – Hifumi EN – Intergovernmental loan issued for the renovation of eleven units at Hifumi EN Apartments; in the amount of \$330,000 of which \$223,171 was drawn as of December 31, 2017. The note bears interest of 3% per annum. Payment of principal and interest shall be deferred during the HOME Affordability Period which is ten (10) years beginning after Project Completion. Principal and interest shall then be payable in equal amortized installments on the first day of each month commencing immediately after the HOME Affordability Period ends in the amount required to fully amortize the outstanding principal and accrued interest on this Note during the remaining City Affordability Period. The City Affordability Period is twenty (20) years beginning after Project Completion. For the year ended December 31, 2017, accrued interest on the note was \$1,114.

City of Spokane – Heritage Heights – Intergovernmental loan issued for the purchase of the land upon which the Heritage Heights Apartments were built; in the amount of \$200,000; interest at 7.13%. Principal and interest payments are deferred until December 31, 2017, after which equal monthly payments in an amount to fully amortize the loan in ten years are required. The Authority purchased the Heritage Heights Apartments in August 2010 and assumed the existing note. Debt service will be paid from revenues of the Heritage Heights Apartments and is secured by a second deed of trust on the property. The loan was satisfied and accrued interest of \$645,630 was forgiven by the City of Spokane in fiscal year ending December 31, 2017 with the sale to Wilbur and Cook Affordable Portfolio LLLP.

City of Spokane – Westfall Village – Intergovernmental loan issued for the purchase of the land upon which the Westfall Village Apartments were built; in the amount of \$350,000; interest at 7.13%. Principal and interest payments may be deferred until December 31, 2017, after which equal monthly payments in an amount to fully amortize the loan in ten years are required. The Authority purchased the Westfall Village Apartments in August 2010 and assumed the existing note. Debt service will be paid from revenues of the Westfall Village Apartments and is secured by a second deed of trust on the property. The loan was satisfied and accrued interest of \$1,129,853 was forgiven by the City of Spokane in fiscal year ending December 31, 2017 with the sale to Wilbur and Cook Affordable Portfolio LLLP.

Spokane County – SHA -Valley 206 Apartments – The initial Intergovernmental loan was issued April 22, 2016 for the renovation of eleven units at Valley 206 Apartments; in the amount of \$441,967. The note bears interest of 0% and is a recoverable grant after ten years if all terms and conditions of the HOME Program Agreement are met. This loan was modified effective February 21, 2017, with an amended principal balance of \$417,726.73 and the Spokane Housing Authority as the Borrower replacing the Valley 206 Apartments. All other terms and conditions in the original loan documents shall remain the same.

State of Washington Department of Commerce – SHA-Cedar West – In the initial amount of \$498,342 to remediate mold at the Cedar West Apartments. The note was amended on April 1, 2016 whereas the second deed of trust held by the State

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Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 10 — LONG-TERM DEBT AND CHANGES IN LONG TERM LIABILITIES (continued):

of Washington Department of Commerce was released and terminated in exchange for a pledge of the Authority's general revenues. The new loan balance was restated as the \$498,342, original loan amount plus \$30,135 accrued interest through March 31, 2016, and shall accrue interest at .5% per annum. Annual payments of \$11,972 shall be made annually on March 31st through the maturity date of March 31, 2066. For the year ended December 31, 2017, accrued interest on the note was \$1,947.

State of Washington Department of Commerce – Hifumi En Apartments – Purchase the Hifumi En Apartments, for \$995,000. A portion of the note, \$450,000, accrues interest at 1.0% compounded quarterly. This portion of the note is deferred for thirty years until July 1, 2036 at which time payments of \$15,971 are due quarterly thereafter. The remainder of the note, \$545,000, is a recoverable grant if after forty years the use of the property does not change from its current use as housing for the low income and disabled. The note is secured by a second deed of trust on the property. Deferred interest totaling \$5,017 was capitalized during the period ended December 31, 2017. No change in the use of the property had taken place as of the end of fiscal year ended December 31, 2017.

The annual requirements to amortize outstanding debt, including interest, are as follows:

Year ended December 31,	Principal	Interest	Total
2018	375,544	32,624	408,168
2019	35,902	16,249	52,151
2020	33,643	18,507	52,150
2021	34,927	17,223	52,150
2022	36,275	15,875	52,150
2023-2027	303,348	32,405	335,753
2028-2032	521,434	11,200	532,634
2033-2037	307,530	17,393	324,923
2038-2042	352,815	26,463	379,278
2043-2047	715,656	112,796	828,452
2048-2052	54,996	4,864	59,860
2053-2057	56,384	3,476	59,860
2058-2062	57,806	2,053	59,859
2063-2067	47,297	593	47,890
	<u>\$ 2,933,557</u>	<u>\$ 311,721</u>	<u>\$ 3,245,278</u>

- B. Arbitrage Compliance** – The Authority periodically monitors for the existence of any rebate of arbitrage interest associated with its tax-exempt debt. The rebate is based on the differential between the interest earnings from the investment of bond proceeds as compared to the interest expense associated with the respective bonds. As of December 31, 2017, the Authority estimates that no arbitrage rebate exists in conjunction with its debt reserve funds, and therefore no liability exists.
- C. Conduit Debt** – RCW 35.82 provides that Housing Authorities are authorized to facilitate the issuance of tax-exempt non-recourse revenue bonds to finance housing projects. Conduit revenue bonds issued by the Authority are payable from revenues derived as a result of the project activities funded by the revenue bonds and are secured by deeds of trust on the underlying projects. The bonds are neither a liability nor contingent liability of the Authority nor a lien on any of its properties or revenues other than for the project for which they are issued. The outstanding revenue bonds are not recorded in the Authority's financial statements, as they represent conduit debt obligation under GASB Interpretation No. 2. The Authority as of December 31, 2017 is not participating in conduit debt transactions.

Spokane Housing Authority, Spokane County, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 10 — LONG-TERM DEBT AND CHANGES IN LONG TERM LIABILITIES (continued):

D. Long Term Debt – Component Units - Long-term debt of the component units includes construction bonds, notes and mortgages payable and intergovernmental loans. The following is a summary of changes in long-term debt for the component units for the two year-period ended December 31, 2017.

	Balance at January 1, 2017	Additions	Reductions	Balance at December 31, 2017	Due Within One Year
Revenue Bonds:					
Cedar Haven LLLP	\$11,102,870	\$ 305,356	\$ (4,958,226)	\$ 6,450,000	\$ 81,868
Parsons LLLP	3,124,313	401,074	(2,525,387)	1,000,000	11,614
Wilbur and Cook LLLP	-	14,849,255	-	14,849,255	-
Total Bonds Payable	14,227,183	15,555,685	(7,483,613)	22,299,255	93,482
Intergovernmental Loans					
City of Spokane:					
Martindale Apartments LP	500,000	-	-	500,000	-
Cornerstone II -The Borning Building LP	234,695	-	(4,387)	230,308	4,624
Cornerstone II -The Borning Building LP	88,477	-	-	88,477	-
Washington State Department of Commerce					
Martindale Apartments LP	2,235,830	-	-	2,235,830	-
Cornerstone II -The Borning Building LP	1,085,000	-	(35,000)	1,050,000	35,000
Cornerstone II - Helena Apartments LP	1,005,000	-	(15,000)	990,000	15,000
Spokane Housing Authority					
Cedar Haven LLLP - Seller Financing Note	5,000,000	-	-	5,000,000	-
Parsons LLLP - Seller Financing Note	2,225,000	-	-	2,225,000	-
Cedar Haven LLLP - Developer Fee Note	2,225,000	-	(852,382)	1,372,618	-
Parsons LLLP - Developer Fee Note	646,100	-	(494,867)	151,233	-
Wilbur and Cook LLLP - Developer Fee Note	-	1,895,028	-	1,895,028	-
Parsons LLLP - Sponser Note A	-	700,000	-	700,000	-
Parsons LLLP - Sponser Note B	47,488	292,512	-	340,000	-
Wilbur and Cook LLLP - Sponser Note A	-	15,300,000	-	15,300,000	-
Wilbur and Cook LLLP - Sponser Note B	-	1,525,000	-	1,525,000	-
Federal Home Loan Bank			-		
Cornerstone II -The Borning Building LP	200,000	-	-	200,000	-
Washington State HFC					
Martindale Apartments LP	663,532	-	-	663,532	-
Total Intergovernmental Loans	16,156,122	19,712,540	(1,401,636)	34,467,026	54,624
Debt Issuance Cost	(531,328)	(137,655)	88,350	(580,633)	
Total long-term debt	29,851,977	35,130,570	(8,796,899)	56,185,648	148,106
Accrued Interest Payable	457,389	467,709	(136,232)	788,866	67,848
Non-current liabilities - Other	197,500	82,501	(47,500)	232,501	-
Total noncurrent liabilities	\$30,506,866	\$ 35,680,780	\$ (8,980,631)	\$ 57,207,015	\$ 215,954

Cedar Haven LLLP – Revenue Bond – Per the original Promissory Note dated September 30, 2015, the original Interim Renovation Loan (\$11,500,000) which was issued for acquisition and development of the Cedar Haven LLLP, was converted upon completion of the renovation, into a Term Loan in the amount of \$6,450,000 on October 31, 2017. An interest-only payment was due on the first day of the first full calendar month following date of conversion followed by monthly payments of principal and interest commencing the first day of the second full month following the Conversion Date with an interest rate of 4.25% with a final payment of principal and interest due October 1, 2034. The final payment will be for all principal and accrued interest not yet paid, together with any other unpaid amounts under the Note. The note is

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 10 — LONG-TERM DEBT AND CHANGES IN LONG TERM LIABILITIES (continued):

secured by a deed of trust on the partnership's leasehold interest in Cedar West Apartments and Woodhaven Apartments. For the year ended December 31, 2017, accrued interest on the note was \$22,844.

Parsons LLLP – Revenue Bond – Per the original Promissory Note dated January 26, 2016, the original Interim Renovation Loan (\$3,100,000) which was issued for acquisition and development of the Parsons LLLP, was converted upon completion of the renovation, into a Term Loan in the amount of \$1,000,000 on December 15, 2017. An interest-only payment was due on the first day of the first full calendar month following date of conversion followed by monthly payments of principal and interest commencing the first day of the second full month following the Conversion Date with an interest rate of 4.25% with a final payment of principal and interest due February 1, 2035. The final payment will be for all principal and accrued interest not yet paid, together with any other unpaid amounts under the Note. The note is secured by a deed of trust on the partnership's leasehold interest in Parsons Apartments. For the year ended December 31, 2017, accrued interest on the note was \$3,791.

Wilbur and Cook Affordable Portfolio LLLP – Construction Bond – Issued September 14, 2017 by the Authority on behalf of the component unit to fund the renovation of the Wilbur and Cook Affordable Portfolio LLLP properties. The note amount will equal the total outstanding incremental loan draws and is not to exceed \$33,350,000. The note bears interest at a fixed rate of 3.25% per annum through the Conversion Date and thereafter, 3.625% per annum with interest only payments to be made on the first day of each month beginning October 1, 2017 until the loan converts to permanent financing no later than June 1, 2020 subject to a six-month extension. The note will be paid down with tax credit equity to a final permanent note of \$18,000,000. The note is secured by a deed of trust on the partnership's leasehold interest in Heritage Heights Apartments, Westfall Village Apartments and Valley 206 Apartments and has full guaranty by the Authority until permanent loan conversion. For the year ended December 31, 2017, accrued interest on the bond was \$40,206.

City of Spokane – Martindale Apartments LP – Intergovernmental loan issued in 2010 in the amount of \$500,000 for remediation of lead based paint at the Agnes Kehoe Apartments, with simple interest rate of 0.75%. Payments of principal and interest are deferred until forty-one years from January 31, 2012. One payment of \$500,000 will be due and payable on January 31, 2053. The loan is secured by a deed of trust on the partnership's leasehold interest in Agnes Kehoe Place. For the year ended December 31, 2017, accrued interest on the bond was \$25,639.

City of Spokane – Cornerstone II – The Borning Building LP – Intergovernmental loan issued in 2006 in the amount of \$250,000 for rehabilitation of the Cornerstone Courtyard, interest rate at 5.32%. Payments of principal and interest were deferred until December 1, 2007, after which time monthly payments of \$1,397 began for the 30-year term of the note. The loan is secured by a deed of trust on the partnership's leasehold interest in the Cornerstone Courtyard Apartments. For the year ended December 31, 2017, accrued interest on the bond was \$1,007.

City of Spokane – Cornerstone II – The Borning Building LP – Intergovernmental loan issued in 2007 in the amount of \$88,477 for the purpose of lead abatement during the development of the Cornerstone Courtyard Apartments, at 0% interest, deferred for 41 years, due and payable in full on December 31, 2048. The loan is secured by a deed of trust on the partnership's leasehold interest in the Cornerstone Courtyard Apartments.

State of Washington Department of Commerce – Martindale Apartments LP – Intergovernmental loan issued in 2010 in the amount of \$2,500,000 for rehabilitation of the Agnes Kehoe Place. The loan shall be deferred for forty years at 0.75% simple interest. The full amount shall be due and payable on or before December 31, 2052. The loan is secured by a deed of trust on the partnership's leasehold interest in Agnes Kehoe Place. A payment of \$314,170 was made on December 14, 2012 utilizing capital contributions received from the Limited Partner. For the year ended December 31, 2017, accrued interest on the bond was \$36,730.

State of Washington Department of Commerce – Cornerstone II – The Borning Building LP – Intergovernmental loan issued in 2006 in the amount of \$1,400,000 for rehabilitation of the Cornerstone Courtyard Apartments, at 0% interest. The loan is secured by a deed of trust on the partnership's leasehold interest in the Cornerstone Courtyard Apartments. Quarterly payments in the amount of \$8,750 began on June 30, 2008 for a total of 40 years. The final payment will be due on December 31, 2047.

State of Washington Department of Commerce Housing Trust Fund – Cornerstone II – Helena Apartments LP – Intergovernmental loan issued in 2008 in the amount of \$1,395,000 for rehabilitation of the Pearl on Adams, at 0% interest.

Spokane Housing Authority, Spokane County, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 10 — LONG-TERM DEBT AND CHANGES IN LONG TERM LIABILITIES (continued):

The first portion of the loan, \$600,000, shall require quarterly payments in the amount of \$3,750 which began on June 30, 2011 for a total of 40 years. The second portion of the loan, \$795,000, is deferred for 40 years, at which point the full principal amount will be due on December 31, 2049. The loan is secured by a deed of trust on the partnership's leasehold interest in the Pearl on Adams.

Spokane Housing Authority – Cedar Haven LLLP – Seller Financing Note – Intergovernmental loan in the amount of \$5,000,000 dated September 30, 2015 was issued to Cedar Haven LLLP in connection with the acquisition of the leasehold in two apartment complexes with 146 units. No annual payments are required on the principle or the interest that accrues at the compounding rate of 2.64% per annum. The note is considered to be non-current as repayment is subject to available cash flows of the Partnership in the priority set forth in the Amended and Restated Agreement of Limited Liability Limited Partnership. The note shall be due and payable in all events on or before December 31, 2055. For the year ended December 31, 2017, accrued interest on the note was \$302,250.

Spokane Housing Authority – Parsons LLLP – Seller Financing Note – Intergovernmental loan in the amount of \$2,225,000 dated January 29, 2016 was issued to Parsons LLLP in connection with the acquisition of the leasehold in the 50 unit Parsons Apartment complex. No annual payments are required on the principle or the interest that accrues at the compounding rate of 5% annually during the construction period and thereafter at 3.1% compounded annually. The note is considered to be non-current as repayment is subject to available cash flows of the Partnership in the priority set forth in the Amended and Restated Agreement of Limited Liability Limited Partnership. The note shall be due and payable in all events on or before December 31, 2056. For the year ended December 31, 2017, accrued interest on the note was \$72,091.

Spokane Housing Authority – Cedar Haven LLLP – Developer Fee Note - Issued on September 30, 2015 in connection with the acquisition and development of Cedar Haven LLLP. As of December 31, 2016, the balance of the note was \$2,225,000. Any installment of the developer fee not paid when otherwise due shall be deferred with interest at the annual rate of 1% and shall be paid from available cash flows of the Partnership in the priority set forth in the Amended and Restated Agreement of Limited Liability Limited Partnership. Any unpaid balance shall be unconditionally due and payable on the earlier of December 31, 2029 or the date of liquidation of the Partnership. The note is considered to be non-current since repayment is subject to available cash flow of the partnership. For the year ended December 31, 2017, accrued interest on the note was \$3,432.

Spokane Housing Authority Parsons LLLP – Developer Fee Note - Issued on January 29, 2016 in connection with the acquisition and development of Parsons LLLP. As of December 31, 2016, the balance of the note was \$646,100. Any installment of the developer fee not paid when otherwise due shall be deferred with interest at the annual rate of 1% and shall be paid from available cash flows of the Partnership in the priority set forth in the Amended and Restated Agreement of Limited Liability Limited Partnership. Any unpaid balance shall be unconditionally due and payable on the earlier of December 31, 2029 or the date of liquidation of the Partnership. The note is considered to be non-current since repayment is subject to available cash flow of the partnership. For the year ended December 31, 2017, accrued interest on the note was \$126.

Spokane Housing Authority Wilbur and Cook Affordable Portfolio LLLP – Developer Fee Note - Issued on September 1, 2017 in connection with the acquisition and development of Wilbur and Cook Affordable Portfolio LLLP. As of December 31, 2017, the balance of the note was \$1,895,028. Any installment of the developer fee not paid when otherwise due shall be deferred with no interest and shall be paid from available cash flows of the Partnership in the priority set forth in the Amended and Restated Agreement of Limited Liability Limited Partnership. Any unpaid balance shall be unconditionally due and payable on the earlier of the 14th anniversary of the completion date (yet to be determined) in accordance with the Development Agreement dated September 1, 2017 between the Partnership and the Authority or the date of liquidation of the Partnership. The note is considered to be non-current since repayment is subject to available cash flow of the partnership.

Spokane Housing Authority Parsons LLLP – Sponsor Note A – promissory note in the amount of \$700,000 dated January 29, 2016 was issued in connection with the acquisition and development of Parsons LLLP. No annual payments are required on the principle or the interest that accrues at 3.1% compounded annually. The note is considered to be non-current as repayment is subject to available cash flows of the Partnership in the priority set forth in the Amended and Restate

Spokane Housing Authority, Spokane County, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 10 — LONG-TERM DEBT AND CHANGES IN LONG TERM LIABILITIES (continued):

Agreement of Limited Liability Limited Partnership. The note shall be due and payable in all events on or before December 31, 2056. For the year ended December 31, 2017 accrued interest on the note was \$8,861.

Spokane Housing Authority Parsons LLLP – Sponsor Note B – Intergovernmental loan in the amount of \$340,000 dated January 29, 2016 was issued in connection with the acquisition and development of Parsons LLLP. No annual payments are required on the principle or the interest that accrues at the compounding rate of 3.1% annually. The note is considered to be non-current as repayment is subject to available cash flows of the Partnership in the priority set forth in the Amended and Restated Agreement of Limited Liability Limited Partnership. The note shall be due and payable in all events on or before December 31, 2056. For the year ended December 31, 2017 accrued interest on the note was \$3,765.

Spokane Housing Authority Wilbur and Cook Affordable Portfolio LLLP – Sponsor Note A – A promissory note in the amount of \$15,300,000 dated September 14, 2017 was issued in connection with the acquisition and development of Wilbur and Cook Affordable Portfolio LLLP. No annual payments are required on the principle or the interest that accrues at 2.9% compounded annually. The note is considered to be non-current as repayment is subject to available cash flows of the Partnership in the priority set forth in the Amended and Restate Agreement of Limited Liability Limited Partnership. The note shall be due and payable in all events on or before December 31, 2057. For the year ended December 31, 2017 accrued interest on the note was \$131,877.

Spokane Housing Authority Wilbur and Cook Affordable Portfolio LLLP – Sponsor Note B – A promissory note in the amount of \$3,475,000 dated September 14, 2017 was issued in connection with the acquisition and development of Wilbur and Cook Affordable Portfolio LLLP. No annual payments are required on the principle or the interest that accrues at the compounding rate of 2.9% annually. The note is considered to be non-current as repayment is subject to available cash flows of the Partnership in the priority set forth in the Amended and Restate Agreement of Limited Liability Limited Partnership. The note shall be due and payable in all events on or before December 31, 2057. For the year ended December 31, 2017 \$1,525,000 has been drawn on the note and interest of \$13,144 was accrued.

Federal Home Loan Bank – Cornerstone II – The Borning Building LP – Intergovernmental loan issued July 31, 2006 in the amount of \$200,000 for rehabilitation of the Cornerstone Courtyard, with the interest rate of 1.5%. Principal and interest payments are deferred for 40 years, until July 31, 2046 at which time the entire unpaid principal balance and accrued interest is due. The loan is secured by a deed of trust on the partnership's leasehold interest in the Cornerstone Courtyard Apartments. For the year ended December 31, 2017 accrued interest on the note was \$37,100.

Washington State Housing Finance Commission – Martindale Apartments LP – Issued in 2008 in the amount of \$663,532 refinancing the Washington Trust Loan used to acquire the property. The loan is issued at 0% interest with payments deferred for 40 years. Accordingly, payment will be due on December 31, 2048. The loan is secured by a deed of trust on the partnership's leasehold interest in Agnes Kehoe Place.

Spokane Housing Authority, Spokane County, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 10 — LONG-TERM DEBT AND CHANGES IN LONG TERM LIABILITIES (continued):

The annual requirements to amortize outstanding debt, including interest, are as follows:

Year ended December 31,	Principal	Interest	Total
2018	\$ 148,105	\$ 323,437	\$ 471,542
2019	15,002,742	322,634	15,325,376
2020	158,023	318,098	476,121
2021	162,769	313,353	476,122
2022	167,714	308,407	476,121
2023-2027	920,746	1,459,861	2,380,607
2028-2032	4,500,394	1,491,460	5,991,854
2033-2037	5,818,030	437,730	6,255,760
2038-2042	254,642	9,312	263,954
2043-2047	450,000	162,970	612,970
2048-2052	3,466,200	861,860	4,328,060
2053-2057	25,136,283	17,327,407	42,463,690
	<u>\$ 56,185,648</u>	<u>\$ 23,336,529</u>	<u>\$ 79,522,177</u>

NOTE 11 — GENERAL REVENUE PLEDGE:

The Authority issues certain bonds and notes that are secured by the general revenues of the Authority. The Authority also secures certain bonds issued by its discretely presented component units. For some borrowings, revenues from the properties are intended to be the primary source of repayment and the revenues of the Authority would be used only if those revenues are not sufficient to cover the required payments. For the period ended December 31, 2017 general revenues were \$5,101,714 and the total pledged revenues are as follows:

	Principal balance at December 31, 2017	Total Future Revenues Pledged	Proportion of Annual Debt Service Pledged to 2017 General Revenues	Term of Commitment	Average Annual Debt Service
General revenues are primary repayment source:					
State of Washington Department of Commerce: Cedar West	\$ 519,149	\$ 586,629	0.23%	2066	\$ 11,972
Promissory Note: Authority Office Building	340,006	354,637	0.80%	2018	40,615
	<u>\$ 859,155</u>	<u>\$ 941,266</u>			<u>\$ 52,587</u>

General Revenues Calculation: \$ 5,101,714

Spokane Housing Authority, Spokane County, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 12 — LEASES:

A. Operating Leases

The Authority leases various office equipment under non-cancelable operating leases. The total costs for such leases for the Authority was \$17,946 for the period ended December 31, 2017 and \$11,730 for the component units for the period ended December 31, 2017. Future lease commitments are as follows:

Operating Leases		
Year Ending Dec 31,	Primary Government	Component Units
2018	\$ 16,140	\$ 11,664
2019	16,140	11,664
2020	15,570	11,664
2021	13,860	11,664
2022	1,574	10,692
	<u>\$ 63,284</u>	<u>\$ 57,348</u>

B. Capital Leases

The Authority has entered into a lease agreement for the financing of an office telephone system. The lease agreement qualifies as a capital lease for accounting purposes, therefore had been recorded at the present value of the future minimum lease payments as of the inception date. The recorded value of the telephone system is \$27,986 less accumulated depreciation of \$21,456.

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2017 were as follows:

Year Ending Dec 31,	
2018	\$ 6,924
2019	577
2020	-
Total Minimum Lease Payments	<u>\$ 7,501</u>
Less: Interest	<u>\$ (278)</u>
Present Value of Minimum Lease Payments	<u>\$ 7,223</u>

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 13 — PENSION PLANS:

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB 68 for the period ended December 31, 2017:

Aggregate Pension Amounts - All Plans		
Pension liabilities	\$	2,027,583
Pension assets	\$	-
Deferred outflows of resources	\$	282,874
Deferred inflows of resources	\$	411,522
Pension expense/expenditures	\$	100,937

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publically 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. 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:

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 13 — PENSION PLANS (continued):

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 consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

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

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:

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 13 — PENSION PLANS (continued):

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 Spokane Housing Authority's actual PERS plan contributions were \$137,343 to PERS Plan 1 and \$190,127 to PERS Plan 2/3 for the period ended December 31, 2017.

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 Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime. There were minor changes in methods and assumptions since the last valuation.

- For all plans 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.
- For all plans, the average expected remaining service lives calculation was revised.

Spokane Housing Authority, Spokane County, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 13 — PENSION PLANS (continued):

Discount Rate

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on 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 at 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 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	20.00%	1.70%
Tangible Assets	5.00%	4.90%
Real Estate	15.00%	5.80%
Global Equity	37.00%	6.30%
Private Equity	23.00%	9.30%
	<u>100.00%</u>	

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 13 — PENSION PLANS (continued):

Sensitivity of NPL

The table below presents the Spokane Housing Authority's proportionate share* of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Spokane Housing Authority's proportionate share of the net pension liability would be if 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	\$ 1,271,980	\$ 1,044,154	\$ 846,809
PERS 2/3	2,649,460	983,429	(381,637)
	<u>\$ 3,921,440</u>	<u>\$ 2,027,583</u>	<u>\$ 465,172</u>

Pension Plan Fiduciary Net Position

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

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

At June 30, 2017, the Spokane Housing Authority reported a total pension liability of \$2,027,583 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 1,044,154
PERS 2/3	983,429
TOTAL	<u>\$ 2,027,583</u>

At June 30, the Spokane 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	0.022955%	0.022005%	-0.000950%
PERS 2/3	0.029377%	0.028304%	-0.001073%

Employer contribution transmittals received and processed by 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 DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contribution to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.65 percent of employer contributions.

Spokane Housing Authority, Spokane County, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 13 — PENSION PLANS (continued):

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 period ended December 31, 2017, the Spokane Housing Authority recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 14,277
PERS 2/3	86,660
TOTAL	\$ 100,937

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, the Spokane 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	\$ -	\$ 38,965
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 69,974	\$ -
TOTAL	\$ 69,974	\$ 38,965

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 99,645	\$ 32,343
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 262,158
Changes of assumptions	\$ 10,446	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 672	\$ 78,056
Contributions subsequent to the measurement date	\$ 102,137	\$ -
TOTAL	\$ 212,900	\$ 372,557

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 13 — PENSION PLANS (continued):

Total All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 99,645	\$ 32,343
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 301,123
Changes of assumptions	\$ 10,446	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 672	\$ 78,056
Contributions subsequent to the measurement date	\$ 172,111	\$ -
TOTAL	\$ 282,874	\$ 411,522

Deferred outflows of resources related to pensions resulting from the Spokane Housing Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	PERS 1	PERS 2/3
2018	\$ (26,338)	\$ (141,573)
2019	8,315	14,528
2020	(1,931)	(28,999)
2021	(19,012)	(111,710)
2022	-	2,591
Thereafter	-	3,370
TOTAL	\$ (38,966)	\$ (261,793)

NOTE 14— COMPONENT UNITS:

Pursuant to Statement No. 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, (GASB-14), the limited partnerships are defined as component units and are discretely presented in the financial statements of the Authority. The fiscal year end of all the tax credit limited partnerships is December 31st. Accordingly, the financial results included in the accompanying financial statements are for the year ended December 31, 2017.

The discretely presented component units of the Authority were formed to take advantage of the Low Income Housing Tax Credit (LIHTC) program authorized under Section 42 of the Internal Revenue Code. This program allows investors certain tax incentives for investing in low-income housing and to deduct any losses pass through to them from the partnerships. The tax code required that the buildings continue to serve the targeted low-income population for 15 years. The Authority has the option to purchase these projects at the expiration of this compliance period.

Cornerstone II – The Borning Building Limited Partnership – was formed on December 20, 2004 for the purpose of acquiring, developing, leasing, operating and managing the Cornerstone Courtyard Apartments. The partnership was formed pursuant to the provisions of the Washington Uniform Limited Partnership Act, RCW 25.10. Spokane Housing Authority is the general partner, with a .01% share of the ownership, and the initial limited partner was Washington Housing Equity Alliance, with ownership of 99.99%. On May 22, 2007, U.S. Bancorp Community Development Corporation was admitted as the new limited partner.

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 14— COMPONENT UNITS (continued):

The partnership is organized to comply with Section 42 of the IRS Tax Code and applicable federal, state and local regulations and with loan conditions required by the project documents in order to obtain low income housing tax credits, cash income, long-term appreciation, and tax deductions from depreciation.

The Cornerstone Courtyard Apartments (formerly the Borning Building) comprising of 50 units was completed in February 2008. Funding was provided by Low-Income Housing Tax Credits, Federal Historic Rehabilitation Tax Credits, the Washington State Housing Trust Fund, the City of Spokane, and the Federal Home Loan Bank.

The Spokane Housing Authority holds legal title to the property, and on June 7, 2006 a financing lease agreement was entered into between the Authority and Cornerstone II – The Borning Building Limited Partnership. The lease allows the limited partnership to remain the owner for federal income tax purposes, and gives it an equity interest in all improvements to the property plus debt service payments.

The partnership agreement for the Cornerstone II – The Borning Building LP stipulates that partnership management fees be paid to the Authority in the amount of \$15,000 annually for services rendered in managing the business of the partnership. The fee is to be paid to the extent cash flow is available and if net cash flow is not available, the fee shall accrue. For the year ended December 31, 2017, the partnership management fee expense was \$15,000. Total partnership management fees owed as of December 31, 2017 were \$150,000.

Pursuant to the Property Management and Operating Agreement for the Cornerstone Courtyard, the partnership is required to pay the Authority a monthly management fee for its daily operation of the project. Effective June 2008, the fee equals 8% of the project's monthly gross rental income excluding vacancies and concessions. For the period ended December 31, 2017 the property management fee incurred and paid was \$27,298.

Cornerstone II – Helena Apartments Limited Partnership – was formed on December 7, 2007 for the purpose of acquiring, developing, leasing, operating and managing the Pearl on Adams Apartments. The partnership was formed pursuant to the provisions of the Washington Uniform Limited Partnership Act, RCW 25.10. The initial general partner was the Spokane Housing Authority with .01% share of ownership in the project, and the initial limited partner was the Washington Housing Equity Alliance, with ownership of 99.99%. On December 31, 2007, the Northwest Housing Group LLC, of which Spokane Housing Authority is the sole member, was admitted as the general partner, with a .01% share of ownership in the project. On December 9, 2008, U.S. Bancorp Community Investment Corporation was admitted as the new limited partner. On September 25, 2015, U.S. Bancorp Community Development Corporation withdrew from the partnership and USB LIHTC Fund 2015-4, LLC was admitted as the replacement limited partner.

The partnership is organized to comply with Section 42 of the IRS Tax Code and applicable federal, state and local regulations and with loan conditions required by the project documents in order to obtain low income housing tax credits, cash income, and tax deductions from depreciation.

The Pearl on Adams Apartments was completed November 2009 and has 35 one-bedroom units for low income, homeless and disabled tenants. Funding was provided by Low-Income Housing Tax Credits, Federal Historic Rehabilitation Tax Credits, the Washington State Housing Trust Fund, the City of Spokane, U.S. Bank National Association, and Bank of America.

The Spokane Housing Authority holds legal title to the property, and on September 9, 2008 a financing lease agreement was entered into between the Authority and Cornerstone II – Helena Apartments, LP. The lease allows the limited partnership to remain the owner for federal income tax purposes, and gives it an equity interest in all improvements to the property plus debt service payments.

The partnership agreement for the Cornerstone II – Helena Apartments LP stipulates that partnership management fees be paid to the Authority in the amount of \$7,500 annually for services rendered in managing the business of the partnership. The fee is to be paid to the extent cash flow is available and if net cash flow is not available, the fee shall not accrue. For the period ended December 31, 2017 the partnership management fee expense was \$7,500. Total partnership management fees owed as of December 31, 2017 were \$7,500.

Pursuant to the Property Management and Operating Agreement for the Pearl on Adams, the partnership is required to pay the Authority a monthly management fee for its daily operation of the project. Effective in 2009, the fee equals 7% of the

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 14— COMPONENT UNITS (continued):

project's monthly gross rental income excluding vacancies and concessions. For the period ended December 31, 2017 the property management fee incurred and paid was \$14,720.

Martindale Apartments Limited Partnership – was formed on December 23, 2008 for the purpose of acquiring, developing, leasing, operating and managing the Agnes Kehoe Place Apartments. The partnership was formed pursuant to the provisions of the Washington Uniform Limited Partnership Act, RCW 25.10. Martindale Manager LLC, of which Spokane Housing Authority is the sole member, is the general partner, with a .01% share of the ownership, and the initial limited partner was Washington Housing Equity Alliance, with ownership of 99.99%. On November 12, 2010, U.S. Bancorp Community Development Corporation was admitted as the new limited partner. On December 6, 2013, U.S. Bancorp Community Development Corporation withdrew from the partnership and LIHTC Fund 2013-5, LLC was admitted as the replacement limited partner.

The partnership is organized to comply with Section 42 of the IRS Tax Code and applicable federal, state and local regulations and with loan conditions required by the project documents in order to obtain low income housing tax credits, cash income, and tax deductions from depreciation.

The Agnes Kehoe Place Apartments comprising of 51 units was completed in January 2012. Funding was provided by Low-Income Housing Tax Credits, Federal Historic Rehabilitation Tax Credits, the Washington State Housing Trust Fund, the City of Spokane, and U.S. Bank National Association.

The Spokane Housing Authority holds legal title to the property, and on June 22, 2010 a financing lease agreement was entered into between the Authority and Martindale Apartments Limited Partnership. The lease allows the limited partnership to remain the owner for federal income tax purposes, and gives it an equity interest in all improvements to the property plus debt service payments.

The partnership agreement for the Martindale Apartments, LP dated November 12, 2010, stipulates that an annual noncumulative partnership management fee be paid to the Authority in an amount up to \$25,000 annually for services rendered in managing the business of the partnership. The fee is to be paid to the extent cash flow is available and if net cash flow is not available, the fee shall not accrue. For the period ended December 31, 2017 the partnership management fee expense was \$25,000. Total partnership management fees owed as of December 31, 2017 were \$25,000.

Pursuant to the Property Management and Operating Agreement for the Agnes Kehoe Place, the partnership is required to pay the Authority a monthly management fee for its daily operation of the project. Effective in 2012, the fee equals 7.5% of the project's monthly gross rental income excluding vacancies and concessions. For the period ended December 31, 2017 the property management fee incurred and paid was \$26,415.

Cedar Haven, LLLP – was formed on April 3, 2015 for the purpose of acquiring, developing, leasing, operating and managing the Cedar West Apartments and Woodhaven Apartments. The partnership was formed pursuant to the provisions of the Washington Uniform Limited Partnership Act, RCW 25.10. The initial general partner was the Spokane Housing Authority with .01% share of ownership in the project, and the initial limited partner was SHA Initial Limited Party LLC, of which Spokane Housing Authority is the sole member, with ownership of 99.99%. On September 30, 2015, CREA Cedar Haven, LLC was admitted as the new limited partner with 99.989% ownership, and CREA SLP, LLC was admitted as the special limited partner with .001% ownership.

The partnership is organized to comply with Section 42 of the IRS Tax Code and applicable federal, state and local regulations and with loan conditions required by the project documents in order to obtain low income housing tax credits, cash income, and tax deductions from depreciation.

The rehabilitation of the Cedar West Apartments and Woodhaven Apartments was completed December 31, 2016. Combined the properties have 146 units for low-income households. Funding was provided by Low-Income Housing Tax Credits bonds issued by the Authority on behalf of the partnership purchased by Banner Bank, and an Authority issued seller financed note.

The Spokane Housing Authority holds legal title to the property, and on September 30, 2005 a financing lease agreement was entered into between the Authority and Cedar Haven, LLLP which required an initial capitalized rent of \$9,025,000. Of this amount, \$4,025,000 was paid in cash and the remainder was paid through the issuance of an Authority issued seller

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 14— COMPONENT UNITS (continued):

financed note. Annual base rent of \$10,000 per year is payable each January 1 through December 31, 2114 unless terminated earlier. The annual base rent will increase 5% commencing on January 1, 2026 and every tenth January 1 thereafter. The annual base rent is to be paid to the extent cash flow is available and shall accrue annually. Any unpaid amounts shall bear interest at 2.64%. For the period ended December 31, 2017, the annual base rent expense was \$10,000. Total base rent payable to the Authority along with accrued interest as of December 31, 2017 were \$30,000 and \$1,386 respectively. The lease allows the limited partnership to remain the owner for federal income tax purposes, and gives it an equity interest in all improvements to the property plus debt service payments.

Pursuant to the Property Management and Operating Agreement for Cedar West Apartments and Woodhaven Apartments, the partnership is required to pay the Authority a monthly management fee for its daily operation of the project. Effective in 2015, the fee equals 5% of the project's monthly effective gross income excluding vacancies, concessions and allowances. For the period ended December 31, 2017 the property management fee incurred and paid was \$59,597.

Pursuant to the Development Agreement for Cedar Haven, LLLP, the Authority is entitled to a development fee in the amount of \$2,350,000. As of December 31, 2017, the developer fee payable to the Authority was \$1,372,618. The development fee was paid down with the 3rd and 4th installments on October 2017 and the remaining development fee not paid by the fourth installment of the Limited Partner's capital contribution will bear interest at 1% per annum and will be paid from available cash flow as defined in the Partnership Agreement for Cedar Haven LLLP. The unpaid balance of development fee must be paid in full by December 31, 2029. As of December 31, 2017 interest payable on the developer fee was \$3,432.

Parsons, Limited Liability Limited Partnership – was formed on April 3, 2015 for the purpose of acquiring, developing, leasing, operating and managing the Parsons Apartments. The partnership was formed pursuant to the provisions of the Washington Uniform Limited Partnership Act, RCW 25.10. The initial general partner was the Spokane Housing Authority with .01% share of ownership in the project, and the initial limited partner was SHA Initial Limited Party LLC, of which Spokane Housing Authority is the sole member, with ownership of 99.99%. On January 29, 2016, CREA Parsons Apartments, LLC was admitted as the new limited partner with 99.989% ownership, and CREA SLP, LLC was admitted as the special limited partner with .001% ownership.

The partnership is organized to comply with Section 42 of the IRS Tax Code and applicable federal, state and local regulations and with loan conditions required by the project documents in order to obtain low income housing tax credits, cash income, and tax deductions from depreciation.

The rehabilitation of the 50 unit Parsons Apartments was completed December 31, 2016. Funding was provided by Low-Income Housing Tax Credits, a bond issued by the Authority on behalf of the partnership purchased by Banner Bank, an Authority issued seller financed note and sponsor note.

The Spokane Housing Authority holds legal title to the property, and on January 29, 2016 a financing lease agreement was entered into between the Authority and Parsons, LLLP which required an initial capitalized rent of \$2,925,000. Of this amount, \$700,000 was paid in cash and the remainder was paid through the issuance of an Authority issued seller financed note. Annual base rent of \$10,000 per year is payable each January 1 through December 31, 2115 unless terminated earlier. The annual base rent will increase 5% commencing on January 1, 2027 and every tenth January 1 thereafter. The annual base rent is to be paid to the extent cash flow is available and shall accrue annually. Any unpaid amounts shall bear interest at 2.65%. For the period ended December 31, 2017, the annual base rent expense was \$10,000. Total base rent payable to the Authority along with accrued interest as of December 31, 2017 were \$20,000 and \$773 respectively. The lease allows the limited partnership to remain the owner for federal income tax purposes, and gives it an equity interest in all improvements to the property plus debt service payments.

Pursuant to the Property Management and Operating Agreement for the Parsons Apartments, the partnership is required to pay the Authority a monthly management fee for its daily operation of the project. Effective in 2016, the fee equals 5% of the project's monthly effective gross income excluding vacancies, concessions and allowances. For the period ended December 31, 2017 the property management fee incurred and paid was \$17,952.

Pursuant to the Development Agreement for Parsons, LLLP, the Authority is entitled to a development fee in the amount of \$725,000. The development fee was paid down with the 3rd and 4th installments in December 2017 and as of December 31,

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 14— COMPONENT UNITS (continued):

2017, the developer fee payable to the Authority was \$151,233. Any development fee not paid by the fourth installment of the Limited Partner's capital contribution will bear interest at 1% per annum and will be paid from available cash flow as defined in the Partnership Agreement for Parsons LLLP. The unpaid balance of development fee must be paid in full by December 31, 2029. As of December 31, 2017 interest payable on the developer fee was \$126.

Wilbur and Cook Affordable Portfolio, Limited Liability Limited Partnership – was formed on November 29, 2016 for the purpose of acquiring, developing, leasing, operating and managing the Heritage Heights Apartments, Westfall Village Apartments and Valley206 Apartments. The partnership was formed pursuant to the provisions of the Washington Uniform Limited Partnership Act, RCW 25.10. The initial general partner was the Spokane Housing Authority with .01% share of ownership in the project, and the initial limited partner was SHA Initial Limited Party LLC, of which Spokane Housing Authority is the sole member, with ownership of 99.99%. On September 1, 2017, BCP/Wilbur Cook, LLC was admitted as the new limited partner with 99.99% ownership, and BCCC, Inc. was admitted as the special limited partner with 0% ownership.

The partnership is organized to comply with Section 42 of the IRS Tax Code and applicable federal, state and local regulations and with loan conditions required by the project documents in order to obtain low income housing tax credits, cash income, and tax deductions from depreciation.

The rehabilitation of the 379 affordable units is expected to be complete as of December 31, 2018. Funding is provided by Low-Income Housing Tax Credits, a bond issued by the Authority on behalf of the partnership purchased by Banner Bank, an Authority issued seller financed note and two sponsor notes.

The Spokane Housing Authority holds legal title to the property, and on September 14, 2017 a financing lease agreement was entered into between the Authority and Wilbur and Cook Affordable Portfolio, LLLP which required an initial capitalized rent of \$31,400,000. Of this amount, \$16,100,000 was paid in cash and the remainder was paid through the issuance of an Authority issued seller financed note. Annual base rent of \$1 per year is payable each January 1 through December 31, 2116 unless terminated earlier. The annual base rent will increase 5% commencing on January 1, 2028 and every tenth January 1 thereafter. The annual base rent is to be paid to the extent cash flow is available and shall accrue annually. Any unpaid amounts shall bear interest at 2.60%. For the period ended December 31, 2017, the annual base rent expense was \$1. Total base rent payable to the Authority along with accrued interest as of December 31, 2017 were \$1. The lease allows the limited partnership to remain the owner for federal income tax purposes, and gives it an equity interest in all improvements to the property plus debt service payments.

Pursuant to the Property Management and Operating Agreement for Heritage Heights Apartments, Westfall Village Apartments and Valley 206 Apartments, the partnership is required to pay the Authority a monthly management fee for its daily operation of the project. Effective in 2017, the fee equals 6% of the project's monthly effective gross income excluding vacancies, concessions and allowances. For the period ended December 31, 2017 the property management fee incurred and paid was \$34,011.

Pursuant to the Development Agreement for Wilbur and Cook Affordable Portfolio, LLLP, the Authority is entitled to a development fee in the amount of \$7,700,000 of which \$2,145,028 had been earned as of December 31, 2017. As of December 31, 2017, the developer fee payable to the Authority was \$1,895,028. Any development fee not paid by the fourth installment of the Limited Partner's capital contribution will be paid from available cash flow as defined in the Partnership Agreement for Wilbur and Cook Affordable Portfolio, LLLP and will bear no interest. The unpaid balance of development fee must be paid in full on the earlier of the 14th anniversary of the completion date (yet to be determined) in accordance with the Development Agreement dated September 1, 2017 between the Partnership and the Authority or the date of liquidation of the Partnership.

Spokane Housing Authority, Spokane County, Washington

Notes to Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 15 — RISK MANAGEMENT:

The Authority is exposed to all of the common perils associated with the ownership and rental of real estate property. A risk management program is currently in place to minimize loss occurrence and to transfer risk through various levels of insurance. All common risks relating to property, casualty, employee and public official's liability are covered by insurance, subject to appropriate deductibles. Claims that the Authority have settled have not exceeded insurance coverage during the past three years.

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

New members are underwritten at their original membership and thereafter automatically renew on an annual basis. Members may quit upon giving notice to HARRP prior to their renewal date. Members terminating membership are not eligible to rejoin HARRP for three years. HARRP can terminate members after giving a sixty (60) day notice prior to the renewal date. Termination does not relieve a former member from its unresolved losses incurred during membership.

General and Automobile Liability coverage's are written on an occurrence basis, without member deductibles. Errors & Omissions coverage (which includes Employment Practices Liability) is written on a claims made basis, and the members are responsible for 10% of the incurred cost of the claims. The Property coverage offered by HARRP is on a replacement cost basis with deductibles ranging from \$1,000 to \$25,000. (Due to special underwriting circumstances, some members may be subject to greater deductibles and E&O co-payments). Fidelity coverage is also offered, with limits of \$100,000 (with options up to \$500,000) for employee dishonesty and forgery or alteration and \$10,000 for theft with deductibles the similar to the retention of Property.

Coverage limits for General Liability, Errors & Omissions and Property are \$2,000,000 per occurrence with no annual aggregate. Property limits are offered on an agreed amount, based on each structure's value. Limits for Automobile Liability are covered at \$2,000,000, with no aggregate. HARRP self-insures the first \$1 million of coverage for liability lines and purchases an additional \$1 million in reinsurance for a total of \$2 million. For property, HARRP retains \$1,000,000 and purchase an additional \$1 million reinsurance policy and then purchases \$45 million of excess insurance from Munich Reinsurance for a combined total of \$47,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

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

HARRP is fully funded by member contributions that are adjusted by the HARRP Board on the basis of independent actuarial studies. These assessments cover loss, loss adjustment expenses, excess insurance, reinsurance and other administrative expenses. HARRP does not have the right to assess the membership for any shortfall in its funding. Such shortfalls are made up through future rate adjustments.

NOTE 16 — CONTINGENCIES AND LITIGATION:

The Authority has recorded in its financial statements all material liabilities. There are no material contingent liabilities to record. In the opinion of management, the Authority's insurance policies are adequate to pay all known or pending claims.

The Authority participates in a number of federal assisted programs. These grants are subject to audit by the grantors or their representatives. Such audit could result in requests for reimbursement to grantor agencies for expenditures disallowed under terms of the grants. The Authority's management believes that such disallowance, if any, would be immaterial.

Spokane Housing Authority, Spokane County, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 17 — SPECIAL ITEM:

Significant transactions or events that are either unusual in nature or infrequent in occurrence, and are within the control of management are classified as special items. On September 14, 2017, the Authority paid the outstanding principal amount of \$550,000 on four notes issued by the City of Spokane to the Authority in 1996 to finance the development of Westfall Village Apartments and Heritage Heights Apartments. Upon payment in full, the City of Spokane forgave \$1,775,483 in outstanding accrued interest. This gain is considered unusual in nature and therefore was presented as a special item in the Statement of Revenues, Expenses and Changes in Net Position.

NOTE 18 — EXTRAORDINARY ITEMS:

Significant transactions or events that are either unusual in nature or infrequent in occurrence, and are also not within the control of management are classified as extraordinary items. During the period ending December 31, 2017 there were no extraordinary items to report.

NOTE 19 — SUBSEQUENT EVENTS:

Management has evaluated events and transactions occurring after December 31, 2017 through the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. On April 4, 2018, the Authority entered into a Purchase and Sale Agreement for the purchase of an administration facility for \$1,864,250 in which earnest money of \$10,000 was placed in escrow. The purchase is contingent upon the Authority's acceptance of both a feasibility contingency and financing contingency within 60 days and 90 days of the date of the agreement, respectively. The Authority shall receive a full refund of the earnest money if it does not waive the contingencies.

Spokane Housing Authority, Spokane County, Washington
Schedule of Proportional Share of the Net Pension Liability
As of June 30, 2017 (measurement date)
Last 10 Fiscal Years*

PERS # 1	2013	2014	2015	2016	2017
Employer's proportion of the net pension liability (asset)	0.026766%	0.024856%	0.022717%	0.022955%	0.022005%
Employer's proportionate share of the net pension liability	\$ 1,564,005	\$ 1,252,133	\$ 1,188,310	\$ 1,232,792	\$ 1,044,154
Covered payroll**	\$ 2,858,418	\$ 2,733,973	\$ 2,603,865	\$ 2,765,005	\$ 2,774,922
Employer's proportionate share of the net pension liability as a percentage of covered payroll	54.72%	45.80%	45.64%	44.59%	37.63%
Plan fiduciary net position as a percentage of the total pension liability		61.19%	59.10%	57.03%	61.24%
PERS # 2/3	2013	2014	2015	2016	2017
Employer's proportion of the net pension liability (asset)	0.033966%	0.031303%	0.029346%	0.029377%	0.028304%
Employer's proportionate share of the net pension liability	\$ 1,450,353	\$ 632,747	\$ 1,048,549	\$ 1,479,109	\$ 983,429
Covered Payroll**	\$ 2,858,418	\$ 2,733,973	\$ 2,603,865	\$ 2,765,005	\$ 2,774,922
Employer's proportionate share of the net pension liability as a percentage of covered payroll	50.74%	23.14%	40.27%	53.49%	35.44%
Plan fiduciary net position as a percentage of the total pension liability		93.29%	82.20%	85.82%	90.97%

*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.

**Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)

Notes to the Schedule of Proportional Share of the Net Pension Liability:

NOTE 1 — CHANGES OF BENEFIT TERMS:

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

NOTE 2 — CHANGES OF ASSUMPTIONS:

There were no changes in methods and assumption since the last valuation:

Spokane Housing Authority, Spokane County, Washington
Schedule of Employer Contributions
For the Year Ended December 31, 2017

PERS # 1	2013	2014	2015	2016****	2017
Contractually required contributions	\$ 69,414	\$ 110,020	\$ 104,473	\$ 195,173	\$ 137,343
Contributions in relation to the contractually required contributions	<u>\$ (69,414)</u>	<u>\$ (110,020)</u>	<u>\$ (104,473)</u>	<u>\$ (195,173)</u>	<u>\$ (137,343)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll**	\$ 2,858,418	\$ 2,733,973	\$ 2,603,865	\$ 4,127,567	\$ 2,815,675
Contributions as a percentage of covered payroll	2.43%	4.02%	4.01%	4.73%	4.88%

PERS # 2/3	2013	2014	2015	2016****	2017
Contractually required contributions	\$ 131,809	\$ 132,238	\$ 130,657	\$ 254,480	\$ 190,127
Contributions in relation to the contractually required contributions	<u>\$ (131,809)</u>	<u>\$ (132,238)</u>	<u>\$ (130,657)</u>	<u>\$ (254,480)</u>	<u>\$ (190,127)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll**	\$ 2,858,418	\$ 2,733,973	\$ 2,603,865	\$ 4,127,567	\$ 2,815,675
Contributions as a percentage of covered payroll	4.61%	4.84%	5.02%	6.17%	6.75%

*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.

**Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)

***Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par. 8).

****2016 is an 18-month reporting period. The Authority's fiscal year end was changed from June 30 to December 31.

Notes to the Schedule of Employer Contributions:

NOTE 1 — CHANGES OF BENEFIT TERMS:

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

NOTE 2 — CHANGES OF ASSUMPTIONS:

There were no changes in methods and assumption since the last valuation:

NOTE 3 — CHANGE OF FISCAL YEAR END:

For the Schedule of Employer Contributions, 2016 is reporting an eighteen-month reporting period (July 1, 2015 – December 31, 2016) The fiscal year end of the Authority was changed from June 30 to December 31.

Spokane Housing Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
Office Of Housing-federal Housing Commissioner, Department Of Housing And Urban Development	Multifamily Housing Service Coordinators	14.191	WA19HS10006	-	33,106	33,106	-	1, 2
Office Of Community Planning And Development, Department Of Housing And Urban Development (via City of Spokane)	Home Investment Partnerships Program	14.239	OPR2014-0550	15,317	-	15,317	-	1, 2
Office Of Community Planning And Development, Department Of Housing And Urban Development (via City of Spokane)	Home Investment Partnerships Program	14.239	OPR2015-0352	51,516	-	51,516	-	1, 2
Office Of Community Planning And Development, Department Of Housing And Urban Development (via City of Spokane)	Home Investment Partnerships Program	14.239	OPR2015-0353	52,633	-	52,633	-	1, 2
		Total CFDA 14.239:		119,466	-	119,466	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Washington Department of Commerce)	Housing Opportunities for Persons with AIDS	14.241	14-46203-11	138,124	-	138,124	-	1, 2
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Washington Department of Commerce)	Housing Opportunities for Persons with AIDS	14.241	15-46201-01	182,220	-	182,220	-	1, 2
		Total CFDA 14.241:		320,344	-	320,344	-	

Section 8 Project-Based Cluster

The accompanying notes are an integral part of this schedule.

Spokane Housing Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	WA055SRO003	-	122,533	122,533	-	1, 2
Office Of Community Planning And Development, Department Of Housing And Urban Development	Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	WA055SRO006	-	289,469	289,469	-	1, 2
Total Section 8 Project-Based Cluster:				-	412,002	412,002	-	
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Public and Indian Housing	14.850	WA055-000002	-	256,087	256,087	-	1, 2
Housing Voucher Cluster								
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Section 8 Housing Choice Vouchers	14.871	WA055VO/WA0 55AF	-	29,086,682	29,086,682	-	1, 2,
Total Housing Voucher Cluster:				-	29,086,682	29,086,682	-	
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Public Housing Capital Fund	14.872	WA19P055501- 15/WA19P0555 01-16	-	32,899	32,899	-	1, 2
Total Federal Awards Expended:				439,810	29,820,776	30,260,586	-	

Spokane Housing Authority, Spokane County, Washington
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

NOTE 1 — BASIS OF ACCOUNTING:

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") presents the activity of all federal financial assistance programs of the Spokane Housing Authority ("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 from other governmental agencies is required to be included on the Schedule.

The Schedule is prepared on the same basis of accounting as the Authority's financial statements. The Authority uses GAAP basis to report on the Schedule. For the purposes of the Schedule, depreciation expense is not recorded and the cost of fixed asset additions are included as an expenditure.

NOTE 2 — PROGRAM COSTS:

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

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.

NOTE 3 — INDIRECT COST RATE:

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

Spokane Housing Authority, Spokane County, Washington
Supplemental Financial Data Schedule
December 31, 2017

Line Item #	Account description	Low Rent Scattered Sites WA055000002	14.871Housing Choice Vouchers	6.1Component Units - Discretely Presented	2 State/ Local	1Business Activities
111	Cash-unrestricted	\$ 424,772	\$ 1207,239	\$ 822,055	\$ 70,447	\$ 3,632,350
112	Cash-restricted-modernization and development	135,400	-	-	-	1950,000
113-030	Cash-other restricted	-	-	1612,866	-	-
114	Cash-tenant security deposits	25,054	-	242,273	-	6,370
115	Cash - Restricted for payment of current liability	-	748	-	-	-
100	Total Cash	585,226	1207,987	2,677,194	70,447	5,588,720
121	Accounts receivable - PHA projects	-	4,264	-	-	-
122-020	Accounts receivable - HUD other projects - Capital fund	-	-	-	-	-
122-030	Accounts receivable - HUD other projects - Other	-	185,167	-	-	-
124	Account receivable - other government	-	-	-	8,965	2,844
125-040	Account receivable - miscellaneous - Tax Credit	-	-	1034	-	-
125-050	Account receivable - miscellaneous - Other	698	1,505	830	-	36,332
126.0	Accounts receivable - tenants	4,484	-	43,583	-	2,812
126.1	Allowance for doubtful accounts - tenants	-	-	(2,930)	-	-
127	Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-
128	Fraud recovery	-	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	537,705
120	Total receivables, net of allowance for doubtful accounts	5,182	190,936	42,517	8,965	579,693
131	Investments - unrestricted	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-
135	Investments - Restricted for payment of current liability	-	-	-	-	-
142	Prepaid expenses and other assets	9,193	9,251	45,285	-	2,614
143	Inventories	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-
144-010	Inter program - due from	-	-	-	-	-
145	Assets held for sale	-	-	-	-	-
150	Total Current Assets	599,601	1408,174	2,764,996	79,412	6,171,027
161	Land	740,000	-	2,576,941	-	50,000
162	Buildings	4,454,916	-	81626,949	-	1395,820
163	Furniture, equipment and machinery - dwellings	157,030	-	1238,626	-	48,113
164	Furniture, equipment and machinery - administration	54,383	13,885	140,712	-	41,597
165	Leasehold improvements	1,827,887	54,091	1,094,139	-	193,728
166	Accumulated depreciation	(5,731,563)	(25,046)	(9,965,555)	-	(902,073)
167	Construction in progress	42,351	9,215	7,596,360	-	322,414
168	Infrastructure	-	-	-	-	-
160	Total capital assets, net of accumulated depreciation	1,545,004	52,145	84,308,172	-	1,149,599
171	Notes, Loans, & mortgages receivable – Non-current	-	-	-	-	28,508,879
172	Notes, Loans, & mortgages receivable – Non-current - past due	-	-	-	-	-
173	Grants receivable – Non-current	-	-	-	-	-
174	Other assets	-	-	181,862	-	50,001
176	Investment in joint venture	-	-	-	-	-
180	Total Non-current Assets	1,545,004	52,145	84,490,034	-	29,708,479
190	Total Assets	2,144,605	1460,319	87,255,030	79,412	35,879,506
200	Deferred outflow of Resources	8,486	99,006	-	-	16,972
290	Total Assets and Deferred Outflow of Resources	\$ 2,153,091	\$ 1,559,325	\$ 87,255,030	\$ 79,412	\$35,896,478

Spokane Housing Authority, Spokane County, Washington
Supplemental Financial Data Schedule (Continued)
December 31, 2017

14.239 HOME Investment Partnerships Program	14.241 Housing Opportunities for Person with Aids	8 Other Federal Program 1	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.191 Multifamily Housing Service Coordinators	COCC	Subtotal	ELIM	Total
\$ -	\$ -	\$ 163,097	\$ 73,794	\$ 12	\$ 1,727,491	\$ 8,121,357	\$ -	\$ 8,121,357
-	-	-	-	-	-	2,085,400	-	2,085,400
-	-	-	-	-	136,760	1,749,626	-	1,749,626
-	-	-	-	-	-	273,697	-	273,697
-	-	16,255	6,757	-	-	23,760	-	23,760
-	-	179,352	80,551	12	1,864,251	12,253,840	-	12,253,840
-	-	-	-	-	-	4,264	-	4,264
-	-	-	-	-	-	-	-	-
-	-	2,266	630	8,063	-	196,126	-	196,126
24,862	26,494	-	-	-	-	63,165	-	63,165
-	-	-	-	-	268,253	269,287	-	269,287
-	-	1,742	-	-	-	41,107	-	41,107
-	-	-	-	-	-	50,879	-	50,879
-	-	-	-	-	-	(2,930)	-	(2,930)
-	-	-	-	-	2,726	2,726	2,726	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	537,705	-	537,705
24,862	26,494	4,008	630	8,063	270,979	1,162,329	2,726	1,169,603
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	55,014	121,357	-	121,357
-	-	-	-	-	1,681	1,681	-	1,681
-	-	-	-	-	-	-	-	-
-	-	-	-	-	102,523	102,523	102,523	-
-	-	-	-	-	-	-	-	-
24,862	26,494	183,360	81,181	8,175	2,294,448	13,641,730	105,249	13,536,481
-	-	-	-	-	267,563	3,634,504	-	3,634,504
-	-	-	-	-	1,171,623	88,649,308	-	88,649,308
-	-	-	-	-	-	1443,769	-	1,443,769
-	-	-	-	-	376,744	627,321	-	627,321
-	-	-	-	-	293,175	3,463,020	-	3,463,020
-	-	-	-	-	(1212,993)	(17,837,230)	-	(17,837,230)
-	-	-	-	-	5,412	7,975,752	-	7,975,752
-	-	-	-	-	-	-	-	-
-	-	-	-	-	901,524	87,956,444	-	87,956,444
-	-	-	-	-	10,213	28,519,092	10,213	28,508,879
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	200,848	432,711	-	432,711
-	-	-	-	-	-	-	-	-
-	-	-	-	-	1,112,585	116,908,247	10,213	116,898,034
24,862	26,494	183,360	81,181	8,175	3,407,033	130,549,977	115,462	130,434,515
-	-	-	-	-	158,410	282,874	-	282,874
\$ 24,862	\$ 26,494	\$ 183,360	\$ 81,181	\$ 8,175	\$ 3,565,443	\$ 130,832,851	\$ 115,462	\$ 130,717,389

Spokane Housing Authority, Spokane County, Washington
Supplemental Financial Data Schedule (Continued)
December 31, 2017

Line Item #	Account description	Low Rent Scattered Sites WA055000002	14.871Housing Choice Vouchers	6.1Component Units - Discretely Presented	2 State/ Local	1Business Activities
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable <= 90 days	10,897	50,994	1,925,508	617	79,254
313	Accounts payable > 90 days past due	-	-	-	-	-
321	Accrued wage/payroll taxes payable	-	-	-	-	-
322	Accrued compensated absences - current portion	2,610	14,725	-	-	1,702
324	Accrued contingency liability	-	-	-	-	-
325	Accrued interest payable	-	-	788,866	-	4,266
331	Accounts payable - HUD PHA Programs	-	748	-	-	-
332	Accounts payable - PHA Projects	-	-	-	-	-
333	Accounts payable - other government	-	-	-	-	-
341	Tenant security deposits	25,054	-	242,273	-	6,370
342	Unearned Revenue	3,633	-	27,651	-	4,163
343	Current portion of long-term debt - capital projects/mortgage revenue bonds	-	-	148,106	-	26,161
344	Current portion of long-term debt - operating borrowings	-	-	-	-	12,103
345	Other current liabilities	625	-	183,221	-	30,217
346	Accrued liabilities - other	-	-	-	-	-
347	Inter program - due to	-	-	-	-	36,091
348	Loan liability - current	-	-	-	-	-
310	Total Current Liabilities	42,819	66,467	3,315,625	617	200,327
351	Capital Projects/ Mortgage Revenue Bonds	-	-	56,037,542	-	1,630,513
352	Long-term debt, net of current - operating borrowings	-	-	-	-	937,713
353	Non-current liabilities - other	-	-	232,501	-	-
354	Accrued compensated absences- Non-current	3,916	78,263	-	-	18,021
355	Loan liability - Non-current	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-
357-010	Accrued Pension and OPEB Liability	60,827	709,654	-	-	121,655
350	Total Non-Current Liabilities	64,743	787,917	56,270,043	-	2,707,902
300	Total Liabilities	107,562	854,384	59,585,668	617	2,908,229
400	Deferred Inflow of Resources	12,346	144,033	-	-	24,691
508.4	Net Investment in Capital Assets	1,545,004	52,145	28,122,524	-	(507,075)
511.4	Restricted Net Position	135,400	748	1612,866	-	1,950,000
512.4	Unrestricted Net Position	352,779	508,015	(2,066,028)	78,795	315,206,333
513	Total Equity - Net Assets/Position	2,033,183	560,908	27,669,362	78,795	32,963,558
600	Total Liabilities, Deferred Inflow of Resources, and Equity - Net Assets/Position	\$ 2,153,091	\$ 1,559,325	\$ 87,255,030	\$ 79,412	\$ 35,896,478

Spokane Housing Authority, Spokane County, Washington
Supplemental Financial Data Schedule (Continued)
December 31, 2017

14.239 HOME Investment Partnerships Program	14.241 Housing Opportunities for Person with Aids	8 Other Federal Program 1	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.191 Multifamily Housing Service Coordinators	COCC	Subtotal	ELIM	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
668	335	56	-	3,792	120,750	2,192,871	-	2,192,871
-	-	-	-	-	-	-	-	-
-	-	-	-	-	12,449	12,449	-	12,449
-	-	-	-	-	20,405	39,442	-	39,442
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	793,132	-	793,132
-	-	16,255	6,757	-	-	23,760	-	23,760
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	273,697	-	273,697
-	-	-	-	-	-	35,447	-	35,447
-	-	-	-	-	346,575	520,842	-	520,842
-	-	-	-	-	-	12,103	2,726	9,377
-	-	-	-	-	3,262	217,325	-	217,325
-	-	-	-	-	51611	51611	-	51611
43,273	23,159	-	-	-	-	102,523	102,523	-
-	-	-	-	-	-	-	-	-
43,941	23,494	16,311	6,757	3,792	655,052	4,375,202	105,249	4,269,953
-	-	-	-	-	654	57,668,709	-	57,668,709
-	-	-	-	-	-	937,713	10,213	927,500
-	-	-	-	-	-	232,501	-	232,501
-	-	-	-	-	158,882	259,082	-	259,082
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	1,135,447	2,027,583	-	2,027,583
-	-	-	-	-	1294,983	61,125,588	10,213	61,115,375
43,941	23,494	16,311	6,757	3,792	1950,035	65,500,790	115,462	65,385,328
-	-	-	-	-	230,452	411,522	-	411,522
-	-	-	-	-	554,295	29,766,893	-	29,766,893
-	-	16,255	6,757	-	136,760	3,858,786	-	3,858,786
(19,079)	3,000	150,794	67,667	4,383	693,901	31294,860	-	31294,860
(19,079)	3,000	167,049	74,424	4,383	1384,956	64,920,539	-	64,920,539
\$ 24,862	\$ 26,494	\$ 183,360	\$ 81,181	\$ 8,175	\$ 3,565,443	\$ 130,832,851	\$ 115,462	\$ 130,717,389

Spokane Housing Authority, Spokane County, Washington
Supplemental Financial Data Schedule (Continued)
December 31, 2017

Line		Low Rent	14.871Housing	6.1Component	2 State/	1Business
Item #	Account description	Scattered Sites WA055000002	Choice Vouchers	Units - Discretely Presented	Local	Activities
70300	Net tenant rental revenue	\$ 220,409	\$ -	\$ 2,903,232	\$ -	\$ 2,234,165
70400	Tenant revenue - other	6,847	-	108,545	-	68,643
70500	Total Tenant Revenue	227,256	-	3,011,777	-	2,302,808
70600-000	HUD PHA operating grants	259,377	29,228,964	-	-	-
70610	Capital grants	29,609	-	11,595,876	-	-
70710	Management Fee	-	-	-	-	-
70720	Asset Management Fee	-	-	-	-	-
70730	Book-Keeping Fee	-	-	-	-	-
70740	Front Line Service Fee	-	-	-	-	-
70750	Other Fees	-	-	-	-	2,232,165
70700	Total Fee Revenue	-	-	-	-	2,232,165
70800	Other government grants	-	-	30,900	15,456	-
71100-000	Investment income - unrestricted	2,060	5,011	3,855	-	40,596
71200	Mortgage interest income	-	-	-	-	339,675
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-
71310	Cost of sale of assets	-	-	-	-	-
71400	Fraud recovery	-	85,484	-	-	-
71500	Other revenue	-	117,300	13,079	-	249,847
71600	Gain or loss on sale of capital assets	(391)	-	-	-	22,749,326
72000	Investment income - restricted	-	-	-	-	-
70000	Total Revenue	\$ 517,911	\$ 29,436,759	\$ 14,655,487	\$ 15,456	\$ 27,914,417

Spokane Housing Authority, Spokane County, Washington
Supplemental Financial Data Schedule (Continued)
December 31, 2017

14.239 HOME Investment Partnerships Program	14.241 Housing Opportunities for Person with Aids	8 Other Federal Program 1	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.191 Multifamily Housing Service Coordinators	COCC	Subtotal	ELIM	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,357,806	\$ -	\$ 5,357,806
-	-	-	-	-	-	184,035	-	184,035
-	-	-	-	-	-	5,541,841	-	5,541,841
-	-	314,800	135,446	34,127	-	29,972,714	-	29,972,714
-	-	-	-	-	-	11,625,485	-	11,625,485
-	-	-	-	-	965,265	965,265	965,265	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	469,507	469,507	469,507	-
-	-	-	-	-	3,038	3,038	3,038	-
-	-	-	-	-	229,158	2,461,323	-	2,461,323
-	-	-	-	-	1666,968	3,899,133	1,437,810	2,461,323
119,426	321,291	-	-	-	-	623,073	-	623,073
-	-	579	259	-	12,273	64,633	431	64,202
-	-	-	-	-	-	339,675	-	339,675
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	714	128	-	-	86,326	-	86,326
-	-	-	-	-	619,392	999,618	-	999,618
-	-	-	-	-	-	22,748,935	-	22,748,935
-	-	-	-	-	-	-	-	-
\$ 119,426	\$ 321,291	\$ 316,093	\$ 135,833	\$ 34,127	\$ 2,298,633	\$ 75,901,433	\$ 1,438,241	\$ 74,463,192

Spokane Housing Authority, Spokane County, Washington
Supplemental Financial Data Schedule (Continued)
December 31, 2017

Line		Low Rent	14.871Housing	6.1Component	2 State/	1Business
Item #	Account description	Scattered Sites WA055000002	Choice Vouchers	Units - Discretely Presented	Local	Activities
91100	Administrative salaries	\$ 24,738	\$ 877,906	\$ 195,316	\$ 3,349	\$ 248,981
91200	Auditing fees	685	60,369	41,100	-	2,300
91300	Management Fee	50,350	729,600	179,993	-	175,239
91310	Book-Keeping Fee	6,577	456,000	-	-	-
91400	Advertising and Marketing	-	-	9,763	-	7,346
91500	Employee benefit contributions - administrative	(20,040)	188,040	90,347	1,322	159,293
91600	Office Expenses	5,146	78,896	62,396	3,585	77,864
91700	Legal Expense	14,12	6,740	15,304	-	7,272
91800	Travel	-	13,773	11,033	376	7,338
91810	Allocated Overhead	-	-	-	-	-
91900	Other	1871	-	15,259	-	37,590
91000	Total Operating-Administrative	70,739	2,411,324	620,511	8,632	723,223
92000	Asset Management Fee	-	-	-	-	-
92100	Tenant services - salaries	-	-	-	-	-
92200	Relocation Costs	-	-	-	-	-
92300	Employee benefit contributions - tenant services	-	-	-	-	-
92400	Tenant services - other	200	-	1,588	-	431
92500	Total Tenant Services	200	-	1,588	-	431
93100	Water	23,977	-	51,175	-	64,494
93200	Electricity	1,580	-	137,463	-	97,203
93300	Gas	176	-	43,143	-	13,977
93400	Fuel	-	-	-	-	-
93500	Labor	-	-	-	-	-
93600	Sewer	47,899	-	256,011	-	175,727
93700	Employee benefit contributions - utilities	-	-	-	-	-
93800	Other utilities expense	-	-	4,417	-	1,288
93000	Total Utilities	73,632	-	492,209	-	352,689
94100	Ordinary maintenance and operations - labor	38,777	-	191,741	-	162,509
94200	Ordinary maintenance and operations - materials and other	13,350	-	81,862	-	48,135
94300-000	Ordinary Maintenance and Operations Contracts	44,626	298,078	301,594	174	235,303
94500	Employee benefit contribution - ordinary maintenance	25,336	-	91,113	-	78,844
94000	Total Maintenance	122,089	298,078	666,310	174	524,791
95100	Protective services - labor	-	-	-	-	-
95200	Protective services - other contract costs	-	-	5,675	-	2,886
95300	Protective services - other	-	-	-	-	-
95500	Employee benefit contributions - protective services	-	-	-	-	-
95000	Total Protective Services	-	-	5,675	-	2,886
96110	Property Insurance	7,732	-	36,509	-	28,238
96120	Liability Insurance	1,474	-	16,985	-	6,781
96130	Workmen's Compensation	2,707	12,329	13,294	23	11,370
96140	All other Insurance	2,953	13,340	9,093	-	5,509
96100	Total Insurance Premiums	14,866	25,669	75,881	23	51,898

Spokane Housing Authority, Spokane County, Washington
Supplemental Financial Data Schedule (Continued)
December 31, 2017

14.239 HOME Investment Partnerships Program	14.241 Housing Opportunities for Person with Aids	8 Other Federal Program 1	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.191 Multifamily Housing Service Coordinators	COCC	Subtotal	ELIM	Total
\$ 2,547	\$ 5,673	\$ 1,968	\$ 1,228	\$ 63	\$ 948,054	\$ 2,309,823	\$ -	\$ 2,309,823
-	-	-	-	-	18,147	122,601	-	122,601
-	-	7,488	2,588	-	-	1,145,258	965,265	179,993
-	-	4,680	2,250	-	-	469,507	469,507	-
-	-	-	-	-	-	17,109	-	17,109
1,055	2,470	881	539	38	360,568	784,513	-	784,513
3,129	8,713	4,444	2,136	-	142,627	388,936	-	388,936
-	-	-	-	-	32,714	63,442	-	63,442
-	2,376	-	-	-	39,005	73,901	-	73,901
-	-	-	-	-	-	-	-	-
-	-	-	-	-	1,686	56,406	-	56,406
6,731	19,232	19,461	8,741	101	1,542,801	5,431,496	1434,772	3,996,724
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,219	-	2,219
-	-	-	-	-	-	2,219	-	2,219
-	-	-	-	-	898	140,544	-	140,544
-	-	-	-	-	19,996	256,242	-	256,242
-	-	-	-	-	3,035	60,331	-	60,331
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	1215	480,852	-	480,852
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	5,705	-	5,705
-	-	-	-	-	25,144	943,674	-	943,674
-	-	-	-	-	236,029	629,056	-	629,056
-	-	-	-	-	-	143,347	-	143,347
392	2,762	222	89	32,970	48,006	964,216	3,038	961,178
-	-	-	-	-	108,234	303,527	-	303,527
392	2,762	222	89	32,970	392,269	2,040,146	3,038	2,037,108
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	8,561	-	8,561
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	8,561	-	8,561
-	-	-	-	-	2,226	74,705	-	74,705
-	-	-	-	-	56	25,296	-	25,296
14	31	11	6	-	18,092	57,877	-	57,877
-	-	-	-	-	10,313	41,208	-	41,208
14	31	11	6	-	30,687	199,086	-	199,086

Spokane Housing Authority, Spokane County, Washington
Supplemental Financial Data Schedule (Continued)
December 31, 2017

Line		Low Rent	14.871Housing	6.1Component	2 State/	1Business
Item #	Account description	Scattered Sites WA055000002	Choice Vouchers	Units - Discretely Presented	Local	Activities
96200	Other general expenses	\$ -	\$ 62,513	\$ 99,990	\$ 1,626	\$ 4,225
96210	Compensated absences	18,458	129,357	32,606	335	41,471
96300	Payments in lieu of taxes	9,827	-	1,343	-	2,641
96400	Bad debt - tenant rents	(249)	-	37,401	-	36,002
96500	Bad debt - mortgages	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-
96800	Severance expense	-	-	-	-	-
96000	Total Other General Expenses	28,036	191,870	171,340	1,961	84,339
96710	Interest of Mortgage (or Bonds) Payable	-	-	664,028	-	917,780
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	-	431
96730	Amortization of Bond Issue Costs	-	-	25,594	-	-
96700	Total Interest Expense and Amortization Cost	-	-	689,622	-	918,211
96900	Total Operating Expenses	309,562	2,926,941	2,723,136	10,790	2,658,468
97000	Excess Revenue Over Operating Expenses	208,349	26,509,818	11,932,351	140,666	25,255,949
97100	Extraordinary maintenance	-	-	-	-	40,149
97200	Casualty losses- Non-capitalized	-	-	-	-	-
97300-000	Housing assistance payments	-	26,053,999	-	61,402	-
97350	HAP Portability-in	-	105,742	-	-	-
97400	Depreciation expense	388,270	4,770	2,067,356	-	640,852
97500	Fraud losses	-	-	-	-	-
97600	Capital Outlays - Governmental Funds	-	-	-	-	-
97700	Debt Principal Payments - Governmental Funds	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-
90000	Total Expenses	697,832	29,091,452	4,790,492	72,192	3,339,469
10010	Operating transfer in	-	-	-	-	-
10020	Operating transfer out	-	-	-	-	-
10030	Operating transfers from / to primary government	-	-	-	-	-
10040	Operating transfers from / to component unit	-	-	-	-	-
10050	Proceeds from Notes, Loans & Bonds	-	-	-	-	-
10060	Proceeds from Property Sales	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-
10080	Special items, net gain/loss	-	-	-	-	1,775,483
10091	Inter Project Excess Cash Transfer In	-	-	-	-	-
10092	Inter Project Excess Cash Transfer Out	-	-	-	-	-
10093	Transfers between Programs and Projects - in	-	-	-	-	-
10094	Transfers between Programs and Projects - out	-	-	-	-	-
10100	Total other financing sources (uses)	-	-	-	-	1,775,483
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	\$ (179,921)	\$ 345,307	\$ 9,864,995	\$ 79,264	\$ 26,350,431

Spokane Housing Authority, Spokane County, Washington
Supplemental Financial Data Schedule (Continued)
December 31, 2017

14.239 HOME Investment Partnerships Program	14.241 Housing Opportunities for Person with Aids	8 Other Federal Program 1	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.191 Multifamily Housing Service Coordinators	COCC	Subtotal	ELIM	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 168,354	\$ -	\$ 168,354
-	-	173	90	35	140,858	363,383	-	363,383
-	-	-	-	-	-	13,811	-	13,811
-	-	-	-	-	-	73,154	-	73,154
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	173	90	35	140,858	618,702	-	618,702
-	-	-	-	-	17,855	1,599,663	-	1,599,663
-	-	-	-	-	-	431	431	-
-	-	-	-	-	-	25,594	-	25,594
-	-	-	-	-	17,855	1,625,688	431	1,625,257
7,137	22,025	19,867	8,926	33,106	2,149,614	10,869,572	1438,241	9,431,331
112,289	299,266	296,226	126,907	1,021	149,019	65,031,861	-	65,031,861
-	-	-	-	-	-	40,149	-	40,149
-	-	-	-	-	-	-	-	-
112,329	298,319	269,602	113,607	-	-	26,909,258	-	26,909,258
-	-	-	-	-	-	105,742	-	105,742
-	-	-	-	-	91,689	3,192,937	-	3,192,937
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
119,466	320,344	289,469	122,533	33,106	2,241,303	41,117,658	1438,241	39,679,417
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,775,483	-	1,775,483
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,775,483	-	1,775,483
\$ (40)	\$ 947	\$ 26,624	\$ 13,300	\$ 1,021	\$ 57,330	\$ 36,559,258	\$ -	\$ 36,559,258

Spokane Housing Authority, Spokane County, Washington
Supplemental Financial Data Schedule (Continued)
December 31, 2017

Line		Low Rent	14.871Housing	6.1Component	2 State/	1Business
Item #	Account description	Scattered Sites WA055000002	Choice Vouchers	Units - Discretely Presented	Local	Activities
11020	Required Annual Debt Principal Payments	\$ -	\$ -	\$ 54,387	\$ -	\$ 329,589
11030	Beginning equity	2,213,104	215,601	17,804,367	(469)	6,613,127
11040	Prior period adjustments, equity transfers, and correction of errors	-	-	-	-	-
11170	Administrative Fee Equity	-	560,160	-	-	-
11180	Housing Assistance Payments Equity	-	748	-	-	-
11190	Number of Unit Months Available	888	61,884	5,121	100	3,903
11210	Unit Months Leased	877	60,800	4,840	100	3,655
11270	Excess Cash	386,666	-	-	-	-
11610	Land Purchases	-	-	-	-	-
11620	Building Purchases	-	-	-	-	-
11630	Furniture & Equipment-Dwelling Purchases	3,761	-	-	-	-
11640	Furniture & Equipment-Administrative Purchases	-	-	-	-	-
11650	Leasehold Improvements Purchases	34,224	-	-	-	-
11660	Infrastructure Purchases	-	-	-	-	-
13510	CFFP Debt Service Payments	-	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-

Spokane Housing Authority, Spokane County, Washington
Supplemental Financial Data Schedule (Continued)
December 31, 2017

14.239 HOME Investment Partnerships Program	14.241 Housing Opportunities for Person with Aids	8 Other Federal Program 1	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.191 Multifamily Housing Service Coordinators	COCC	Subtotal	ELIM	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,430	\$ 407,406	\$ -	\$ 407,406
(19,039)	2,053	140,425	61,124	3,362	1,327,626	28,361,281	-	28,361,281
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	560,160	-	560,160
-	-	-	-	-	-	748	-	748
216	682	624	300	-	-	73,718	-	73,718
216	682	591	280	-	-	72,041	-	72,041
-	-	-	-	-	-	386,666	-	386,666
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	3,761	-	3,761
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	34,224	-	34,224
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-

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: Spokane Housing Authority	Modernization Project Number: WA19PO55501-14
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The PHA hereby certifies to the Department of Housing and Urban Development as follows:

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

A. Funds Approved	\$ 145,553.00
B. Funds Disbursed	\$ 145,553.00
C. Funds Expended (Actual Modernization Cost)	\$ 145,553.00
D. Amount to be Recaptured (A-C)	\$
E. Excess of Funds Disbursed (B-C)	\$
- That all modernization work in connection with the Modernization Grant has been completed;
- That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;
- 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;
- That the time in which such liens could be filed has expired; and
- 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.
- Please mark one:
 - This grant will be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.
 - ☐ 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):

Pamela Tietz, Executive Director

Signature of Executive Director (or Authorized Designee): X 	Date: 7/17/17
--	------------------

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: 07.17.2017
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The costs shown above agree with HUD verified costs (if box 7A or 7B is marked): Approved: (Director, Office of Public Housing) X	Date:
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form HUD-53001 (10/96)
ref Handbooks 7485.1 & 3

Spokane Housing Authority, Spokane County Washington
Combining Statement of Net Position
December 31, 2017

	Section 8	Public Housing - Scattered Sites	Valley 206 Apts	Hifumi En Apts	Heritage Heights
ASSETS					
<i>Current Assets:</i>					
Cash and Cash Equivalents	\$ 1,444,130	\$ 424,772	\$ 2,300	\$ 121,436	\$ -
Receivables (Net)	195,574	5,182	-	2,812	-
Inventories	-	-	-	-	-
Prepays and Other Assets	9,251	9,193	-	2,250	-
Receivable from Component Units	-	-	-	-	-
Interprogram Due From	-	-	-	-	-
<i>Restricted Assets:</i>					
Cash and Cash Equivalents	23,760	135,400	-	-	-
Tenant Security Deposits	-	25,054	-	6,370	-
Total Current Assets	1,672,715	599,601	2,300	132,868	-
<i>Noncurrent Assets:</i>					
Restricted Cash and Cash Equivalents	-	-	-	-	-
<i>Capital Assets:</i>					
Land	-	740,000	-	50,000	-
Buildings	-	4,454,916	-	1,395,820	-
Equipment - Dwellings	-	157,030	-	48,113	-
Equipment - Administration	13,885	54,383	-	41,597	-
Leasehold Improvements	6,391	1,827,887	-	193,728	-
Construction In Progress	9,215	42,351	-	322,414	-
Intangible Assets	47,700	-	-	-	-
Accumulated Depreciation	(25,046)	(5,731,563)	-	(902,073)	-
Total Capital Assets (Net)	52,145	1,545,004	-	1,149,599	-
Notes Receivable from Component Units	-	-	-	-	-
Interest Receivable from Component Units	-	-	-	-	-
Other Noncurrent Assets	-	-	-	-	-
Total Noncurrent Assets	52,145	1,545,004	-	1,149,599	-
TOTAL ASSETS	\$ 1,724,860	\$ 2,144,605	\$ 2,300	\$ 1,282,467	\$ -
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows Related to Pensions	\$ 99,006	\$ 8,486	\$ -	\$ -	\$ -
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 99,006	\$ 8,486	\$ -	\$ -	\$ -

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane County Washington
Combining Statement of Net Position (Continued)
December 31, 2017

Westfall Village	Grants	Development	Other Business Activities	Central Office Cost Center	Subtotal	Eliminating Entries	Total
\$ 26,033	\$ 70,559	\$ 3,482,581	\$ -	\$ 1,727,491	\$ 7,299,302	\$ -	\$ 7,299,302
-	68,384	36,332	2,844	2,726	313,854	(2,726)	311,128
-	-	-	-	1,681	1,681	-	1,681
-	-	364	-	55,014	76,072	-	76,072
-	-	-	-	268,253	268,253	-	268,253
-	-	-	-	102,523	102,523	(102,523)	-
-	-	1,950,000	-	-	2,109,160	-	2,109,160
-	-	-	-	-	31,424	-	31,424
26,033	138,943	5,469,277	2,844	2,157,688	10,202,269	(105,249)	10,097,020
-	-	-	-	136,760	136,760	-	136,760
-	-	-	-	267,563	1,057,563	-	1,057,563
-	-	-	-	1,171,623	7,022,359	-	7,022,359
-	-	-	-	-	205,143	-	205,143
-	-	-	-	376,744	486,609	-	486,609
-	-	-	-	184,563	2,212,569	-	2,212,569
-	-	-	-	5,412	379,392	-	379,392
-	-	-	-	108,612	156,312	-	156,312
-	-	-	-	(1,212,993)	(7,871,675)	-	(7,871,675)
-	-	-	-	901,524	3,648,272	-	3,648,272
-	-	28,508,879	-	-	28,508,879	-	28,508,879
-	-	537,705	-	-	537,705	-	537,705
-	-	50,001	-	211,061	261,062	(10,213)	250,849
-	-	29,096,585	-	1,249,345	33,092,678	(10,213)	33,082,465
\$ 26,033	\$ 138,943	\$ 34,565,862	\$ 2,844	\$ 3,407,033	\$ 43,294,947	\$ (115,462)	\$ 43,179,485
\$ -	\$ -	\$ 16,972	\$ -	\$ 158,410	\$ 282,874	\$ -	\$ 282,874
\$ -	\$ -	\$ 16,972	\$ -	\$ 158,410	\$ 282,874	\$ -	\$ 282,874

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane County Washington
Combining Statement of Net Position (Continued)
December 31, 2017

	Section 8	Public Housing - Scattered Sites	Valley 206 Apts	Hifumi En Apts	Heritage Heights
LIABILITIES					
<i>Current Liabilities:</i>					
Accounts Payable	\$ 51,050	\$ 10,897	\$ 2,300	\$ 50,920	\$ -
Accounts Payable - Intergovernment	23,760	-	-	-	-
Tenant Security Deposits	-	25,054	-	6,370	-
Accrued Wages and Payroll Taxes	-	-	-	-	-
Accrued Compensated Absences, Current Portion	14,725	2,610	-	-	-
Accrued Interest Payable	-	-	-	1,205	-
Unearned Revenue	-	3,633	-	4,163	-
Other Current Liabilities	-	625	-	30,217	-
Current Portion of Long-Term Debt	-	-	-	28,887	-
Current Portion of Capital Leases	-	-	-	-	-
Interprogram Due To	-	-	-	33,247	-
Total Current Liabilities	89,535	42,819	2,300	155,009	-
<i>Noncurrent Liabilities:</i>					
Accrued Compensated Absences, Net of Current	78,263	3,916	-	-	-
Long-Term Debt, Net of Current	-	-	-	1,640,727	-
Capital Leases, Net of Current	-	-	-	-	-
Accrued Interest Payable, Net of Current	-	-	-	1,114	-
Net Pension Liability	709,654	60,827	-	-	-
Total Noncurrent Liabilities	787,917	64,743	-	1,641,841	-
TOTAL LIABILITIES	\$ 877,452	\$ 107,562	\$ 2,300	\$ 1,796,850	\$ -
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows Related to Pensions	\$ 144,033	\$ 12,346	\$ -	\$ -	\$ -
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 144,033	\$ 12,346	\$ -	\$ -	\$ -
NET POSITION					
Net Investment in Capital Assets	\$ 52,145	\$ 1,545,004	\$ -	\$ (507,075)	\$ -
Restricted For:					
Housing Assistance Payments	23,760	-	-	-	-
Operating and Other Reserves	-	135,400	-	-	-
Unrestricted	726,476	352,779	-	(7,308)	-
TOTAL NET POSITION	\$ 802,381	\$ 2,033,183	\$ -	\$ (514,383)	\$ -

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane County Washington
Combining Statement of Net Position (Continued)
December 31, 2017

Westfall Village	Grants	Development	Other Business Activities	Central Office Cost Center	Subtotal	Eliminating Entries	Total
\$ 26,033	\$ 5,412	\$ 1	\$ -	\$ 120,750	\$ 267,363	\$ -	\$ 267,363
-	-	-	-	-	23,760	-	23,760
-	-	-	-	-	31,424	-	31,424
-	-	-	-	112,449	112,449	-	112,449
-	-	1,702	-	20,405	39,442	-	39,442
-	-	1,947	-	-	3,152	-	3,152
-	-	-	-	-	7,796	-	7,796
-	-	-	-	54,873	85,715	-	85,715
-	-	9,377	-	340,006	378,270	(2,726)	375,544
-	-	-	-	6,569	6,569	-	6,569
-	66,432	-	2,844	-	102,523	(102,523)	-
26,033	71,844	13,027	2,844	655,052	1,058,463	(105,249)	953,214
-	-	18,021	-	158,882	259,082	-	259,082
-	-	927,499	-	-	2,568,226	(10,213)	2,558,013
-	-	-	-	654	654	-	654
-	-	-	-	-	1,114	-	1,114
-	-	121,655	-	1,135,447	2,027,583	-	2,027,583
-	-	1,067,175	-	1,294,983	4,856,659	(10,213)	4,846,446
\$ 26,033	\$ 71,844	\$ 1,080,202	\$ 2,844	\$ 1,950,035	\$ 5,915,122	\$ (115,462)	\$ 5,799,660
\$ -	\$ -	\$ 24,691	\$ -	\$ 230,452	\$ 411,522	\$ -	\$ 411,522
\$ -	\$ -	\$ 24,691	\$ -	\$ 230,452	\$ 411,522	\$ -	\$ 411,522
\$ -	\$ -	\$ -	\$ -	\$ 554,295	\$ 1,644,369	\$ -	\$ 1,644,369
-	-	-	-	-	23,760	-	23,760
-	-	1,950,000	-	136,760	2,222,160	-	2,222,160
-	67,099	31,527,941	-	693,901	33,360,888	-	33,360,888
\$ -	\$ 67,099	\$ 33,477,941	\$ -	\$ 1,384,956	\$ 37,251,177	\$ -	\$ 37,251,177

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane County, Washington
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2017

	Section 8	Public Housing - Scattered Sites	Valley 206 Apts	Hifumi En Apts	Heritage Heights
OPERATING REVENUES:					
Tenant Rental Revenue	\$ -	\$ 220,409	\$ 1,106,031	\$ 282,812	\$ 293,099
HUD Operating Subsidies	29,679,210	259,377	-	-	-
Other Government Grants	-	-	-	-	-
Other Tenant Revenue	-	6,847	43,550	5,397	9,149
Fee Revenue	-	-	-	-	-
Other Revenue	203,626	-	7,799	-	1,576
TOTAL OPERATING REVENUES	29,882,836	486,633	1,157,380	288,209	303,824
OPERATING EXPENSES:					
<i>Administrative:</i>					
Administrative Wages	1,010,722	27,055	56,376	15,721	16,575
Auditing Fees	60,369	685	2,300	-	-
Employee Benefit Contributions	201,806	(19,916)	25,753	6,293	6,556
Management & Bookkeeping Fees	1,202,606	56,927	79,671	19,276	26,631
Other Operating Expenses	105,989	8,429	25,463	8,487	9,852
Tenant Services	-	200	150	144	-
	2,581,492	73,380	189,713	49,921	59,614
<i>Utilities:</i>					
Electricity	-	1,580	24,855	45,428	17,397
Natural Gas	-	176	7,595	643	4,910
Water	-	23,977	34,324	3,084	6,304
Sewer	-	47,899	57,728	28,997	32,090
Other Utilities Expenses	-	-	629	74	540
	-	73,632	125,131	78,226	61,241
<i>Ordinary Maintenance and Operations:</i>					
Contract Costs	298,389	44,626	89,633	33,140	31,003
Maintenance and Operations Wages	-	54,918	65,568	16,381	18,650
Employee Benefit Contributions	-	27,919	32,627	7,854	9,986
Materials and Other	-	13,350	21,607	6,368	5,011
	298,389	140,813	209,435	63,743	64,650
<i>General Expenses:</i>					
Housing Assistance Payments	26,542,950	-	-	-	-
Insurance Premiums	13,340	12,159	19,842	4,028	5,394
Other General Expenses	62,513	9,578	25,789	2,733	8,252
Depreciation and Amortization	4,770	388,270	346,957	74,843	85,563
	26,623,573	410,007	392,588	81,604	99,209
TOTAL OPERATING EXPENSES	29,503,454	697,832	916,867	273,494	284,714
OPERATING INCOME (LOSS)	\$ 379,382	\$ (211,199)	\$ 240,513	\$ 14,715	\$ 19,110

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane County, Washington
Combining Statement of Revenues, Expenses, and Changes in Net Position (Continued)
For the Year Ended December 31, 2017

Westfall Village	Grants	Development	Other Business Activities	Central Office Cost Center	Subtotal	Eliminating Entries	Total
\$ 552,223	\$ -	\$ -	\$ -	\$ -	\$ 2,454,574	\$ -	\$ 2,454,574
-	34,127	-	-	-	29,972,714	-	29,972,714
-	592,173	-	-	-	592,173	-	592,173
10,547	-	-	-	-	75,490	-	75,490
-	-	2,232,165	-	1,666,968	3,899,133	(1,437,810)	2,461,323
41,630	-	176,372	22,470	619,392	1,072,865	-	1,072,865
604,400	626,300	2,408,537	22,470	2,286,360	38,066,949	(1,437,810)	36,629,139
26,805	12,002	154,091	-	1,069,789	2,389,136	-	2,389,136
-	-	-	-	18,147	81,501	-	81,501
10,623	4,953	111,308	-	364,773	712,149	-	712,149
48,191	-	-	1,470	-	1,434,772	(1,434,772)	-
14,822	18,179	78,786	-	216,032	486,039	-	486,039
137	-	-	-	-	631	-	631
100,578	35,134	344,185	1,470	1,668,741	5,104,228	(1,434,772)	3,669,456
9,523	-	-	-	19,996	118,779	-	118,779
829	-	-	-	3,035	17,188	-	17,188
20,782	-	-	-	898	89,369	-	89,369
56,912	-	-	-	1,215	224,841	-	224,841
45	-	-	-	-	1,288	-	1,288
88,091	-	-	-	25,144	451,465	-	451,465
82,195	36,298	21,367	21,000	48,006	705,657	(3,038)	702,619
47,394	-	35,400	-	255,152	493,463	-	493,463
25,252	-	13,255	-	122,121	239,014	-	239,014
15,149	-	-	-	-	61,485	-	61,485
169,990	36,298	70,022	21,000	425,279	1,499,619	(3,038)	1,496,581
-	472,050	-	-	-	27,015,000	-	27,015,000
10,710	-	554	-	12,595	78,622	-	78,622
6,094	1,626	-	-	-	116,585	-	116,585
133,489	-	-	-	91,689	1,125,581	-	1,125,581
150,293	473,676	554	-	104,284	28,335,788	-	28,335,788
508,952	545,108	414,761	22,470	2,223,448	35,391,100	(1,437,810)	33,953,290
\$ 95,448	\$ 81,192	\$ 1,993,776	\$ -	\$ 62,912	\$ 2,675,849	\$ -	\$ 2,675,849

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane County, Washington
Combining Statement of Revenues, Expenses, and Changes in Net Position (Continued)
For the Year Ended December 31, 2017

	Section 8	Public Housing - Scattered Sites	Valley 206 Apts	Hifumi En Apts	Heritage Heights
NONOPERATING REVENUES (EXPENSES):					
Gain (Losses) on Capital Asset Disposition	-	(391)	13,312,164	-	2,552,071
Interest Expense and Related Charges	-	-	(650,038)	(21,471)	(109,186)
Interest Subsidy	-	-	-	-	19,616
Interest and Investment Income	5,849	2,060	4,301	89	787
TOTAL NONOPERATING REVENUES (EXPENSES)	5,849	1,669	12,666,427	(21,382)	2,463,288
<i>Income (Loss) Before Contributions, Special Items, and Transfers</i>	<u>385,231</u>	<u>(209,530)</u>	<u>12,906,940</u>	<u>(6,667)</u>	<u>2,482,398</u>
CAPITAL CONTRIBUTIONS - GRANTS	-	29,609	-	-	-
SPECIAL ITEMS GAIN (LOSS)	-	-	-	-	645,630
TRANSFERS	-	-	(10,399,440)	-	(2,601,100)
 CHANGE IN NET POSITION	 385,231	 (179,921)	 2,507,500	 (6,667)	 526,928
NET POSITION, BEGINNING OF YEAR	417,150	2,213,104	(2,507,500)	(507,716)	(526,928)
NET POSITION, END OF YEAR	<u>\$ 802,381</u>	<u>\$ 2,033,183</u>	<u>\$ -</u>	<u>\$ (514,383)</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane County, Washington
Combining Statement of Revenues, Expenses, and Changes in Net Position (Continued)
For the Year Ended December 31, 2017

Westfall Village	Grants	Development	Other Business Activities	Central Office Cost Center	Subtotal	Eliminating Entries	Total
6,885,091	-	-	-	-	22,748,935	-	22,748,935
(195,966)	-	(626)	-	(17,855)	(995,142)	431	(994,711)
39,460	-	-	-	-	59,076	-	59,076
3,020	-	372,074	-	12,273	400,453	(431)	400,022
6,731,605	-	371,448	-	(5,582)	22,213,322	-	22,213,322
6,827,053	81,192	2,365,224	-	57,330	24,889,171	-	24,889,171
-	-	-	-	-	29,609	-	29,609
1,129,853	-	-	-	-	1,775,483	-	1,775,483
(7,261,479)	-	20,262,019	-	-	-	-	-
695,427	81,192	22,627,243	-	57,330	26,694,263	-	26,694,263
(695,427)	(14,093)	10,850,698	-	1,327,626	10,556,914	-	10,556,914
\$ -	\$ 67,099	\$ 33,477,941	\$ -	\$ 1,384,956	\$ 37,251,177	\$ -	\$ 37,251,177

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane County, Washington
Combining Statement of Cash Flows
For the Year Ended December 31, 2017

	Section 8	Public Housing - Scattered Sites	Valley 206 Apts	Hifumi En Apts	Heritage Heights
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Tenants and Others	\$ -	\$ 223,538	\$ 1,031,251	\$ 285,681	\$ 277,297
Receipts from Government Operating Grants	27,120,918	259,377	-	-	-
Payments for Housing Assistance	(26,491,780)	-	-	-	-
Payments to Employees and on behalf of Emplo	(1,420,780)	(129,511)	(180,324)	(46,249)	(51,767)
Payments to Suppliers for Goods and Services	(1,741,021)	(217,662)	(380,664)	(109,794)	(137,088)
Other Receipts	198,712	-	7,799	-	1,576
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(2,333,951)	135,742	478,062	129,638	90,018
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers	-	-	(10,817,167)	-	(2,601,100)
Principal on Operating Debt Received	-	-	-	-	-
Advances - Partnerships	-	-	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	-	(10,817,167)	-	(2,601,100)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital Contributions	-	34,686	-	-	-
Purchase and Construction of Capital Assets	-	(67,482)	(62,921)	(305,176)	(60,355)
Proceeds from Sale of Capital Assets	-	-	17,500,000	-	4,200,700
Proceeds from Issuance of Capital Debt	-	-	8,215	228,188	-
Principal Paid on Capital Debt	-	-	(7,522,434)	(27,839)	(1,805,087)
Capital Debt Interest Subsidy Received	-	-	-	-	19,616
Interest Paid on Capital Debt	-	-	(678,786)	(20,436)	(88,947)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(32,796)	9,244,074	(125,263)	2,265,927
CASH FLOWS FROM INVESTING ACTIVITIES:					
Issuance of Notes - Partnerships	-	-	-	-	-
Payments Received on Notes - Partnerships	-	-	-	-	-
Investment in Partnerships	-	-	-	-	-
Interest Received	5,849	2,060	4,301	89	787
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	5,849	2,060	4,301	89	787
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,328,102)	105,006	(1,090,730)	4,464	(244,368)
CASH AND CASH EQUIVALENTS AT BEGINNING OF Y	3,795,992	480,220	1,093,030	123,342	244,368
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,467,890	\$ 585,226	\$ 2,300	\$ 127,806	\$ -

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane County, Washington
Combining Statement of Cash Flows (Continued)
For the Year Ended December 31, 2017

Westfall Village	Grants	Development	Other Business Activities	Central Office Cost Center	Subtotal	Eliminating Entries	Total
\$ 521,915	\$ -	\$ -	\$ -	\$ -	\$ 2,339,682	\$ -	\$ 2,339,682
-	598,925	-	-	-	27,979,220	-	27,979,220
-	(471,365)	(30,900)	-	-	(26,994,045)	-	(26,994,045)
(110,074)	(16,955)	(248,331)	-	(1,815,021)	(4,019,012)	-	(4,019,012)
(231,261)	(43,263)	(69,981)	(21,312)	(312,895)	(3,264,941)	1,430,602	(1,834,339)
41,630	-	2,352,204	21,312	2,264,152	4,887,385	(1,430,602)	3,456,783
222,210	67,342	2,002,992	-	136,236	928,289	-	928,289
(7,261,479)	-	20,679,746	-	-	-	-	-
-	-	-	-	2,648	2,648	(2,648)	-
-	-	-	-	(101,055)	(101,055)	-	(101,055)
(7,261,479)	-	20,679,746	-	(98,407)	(98,407)	(2,648)	(101,055)
-	-	-	-	-	34,686	-	34,686
(30,999)	-	-	-	(47,956)	(574,889)	-	(574,889)
9,702,233	-	-	-	-	31,402,933	-	31,402,933
-	-	-	-	-	236,403	-	236,403
(3,269,381)	-	(9,329)	-	(28,990)	(12,663,060)	2,648	(12,660,412)
39,460	-	-	-	-	59,076	-	59,076
(161,781)	-	(2,643)	-	(17,855)	(970,448)	431	(970,017)
6,279,532	-	(11,972)	-	(94,801)	17,524,701	3,079	17,527,780
-	-	(19,712,540)	-	-	(19,712,540)	-	(19,712,540)
-	-	1,347,249	-	-	1,347,249	-	1,347,249
-	-	-	-	(100)	(100)	-	(100)
3,020	-	104,362	-	12,273	132,741	(431)	132,310
3,020	-	(18,260,929)	-	12,173	(18,232,650)	(431)	(18,233,081)
(756,717)	67,342	4,409,837	-	(44,799)	121,933	-	121,933
782,750	3,217	1,022,744	-	1,909,050	9,454,713	-	9,454,713
\$ 26,033	\$ 70,559	\$ 5,432,581	\$ -	\$ 1,864,251	\$ 9,576,646	\$ -	\$ 9,576,646

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane County, Washington

Combining Statement of Cash Flows (Continued)

For the Year Ended December 31, 2017

	Section 8	Public Housing - Scattered Sites	Valley 206 Apts	Hifumi En Apts	Heritage Heights
RECONCILIATION OF CASH AND CASH EQUIVALENTS					
<i>TO THE STATEMENT OF NET POSITION:</i>					
Cash and Cash Equivalents - Unrestricted	\$ 1,444,130	\$ 424,772	\$ 2,300	\$ 121,436	\$ -
Cash and Cash Equivalents - Restricted	23,760	135,400	-	-	-
Tenant Security Deposits	-	25,054	-	6,370	-
	<u>\$ 1,467,890</u>	<u>\$ 585,226</u>	<u>\$ 2,300</u>	<u>\$ 127,806</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH					
PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 379,382	\$ (211,199)	\$ 240,513	\$ 14,715	\$ 19,110
Adjustments to Reconcile Operating Income (Loss) to Net Cash					
Provided (Used) by Operating Activities:					
Depreciation and Amortization Expense	4,770	388,270	346,957	74,843	85,563
Changes in Operating Assets and Liabilities:					
(Increase) Decrease in Assets:					
Receivables (Net)	(192,539)	(3,639)	3,821	(806)	8,605
Inventories	-	-	-	-	-
Prepays and Other Assets	(2,641)	(68)	12,545	(231)	4,507
Other Noncurrent Assets	-	-	-	-	-
Increase (Decrease) in Liabilities:					
Accounts Payable - Operations	56,807	2,418	(22,993)	40,106	(6,963)
Accounts Payable - Intergovernment	9,235	-	-	-	-
Tenant Security Deposits	-	246	(83,583)	(1,085)	(18,483)
Accrued Wages and Taxes Payable	-	-	-	-	-
Accrued Compensated Absences	5,504	(8,777)	-	-	-
Unearned Revenue	(274,919)	(751)	(15,420)	2,096	(2,078)
Other Liabilities	-	-	(3,778)	-	(243)
Net Pension Liability	(429,344)	(47,649)	-	-	-
Changes in Deferred Outflows and Inflows:					
(Increase) in Deferred Outflows of Resources	92,913	9,792	-	-	-
Increase in Deferred Inflows of Resources	(1,983,119)	7,099	-	-	-
Total Reconciling Adjustments	<u>(2,713,333)</u>	<u>346,941</u>	<u>237,549</u>	<u>114,923</u>	<u>70,908</u>
NET CASH PROVIDED (USED) BY					
OPERATING ACTIVITIES	<u>\$ (2,333,951)</u>	<u>\$ 135,742</u>	<u>\$ 478,062</u>	<u>\$ 129,638</u>	<u>\$ 90,018</u>

Non-cash operating, capital and related financing, and investing activity:

- 1) Excludes transfer of the Spokane County - Valley 206 intergovernmental note of \$417,727 from Valley 206 to the Development business activity in September 2017.
- 2) Excludes forgiveness of accrued Interest of \$645,630 on the City of Spokane - Heritage Heights intergovernmental note.
- 3) Excludes forgiveness of accrued Interest of \$1,129,853 on the City of Spokane - Westfall Village Intergovernmental note.

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane County, Washington
Combining Statement of Cash Flows (Continued)
For the Year Ended December 31, 2017

Westfall Village	Grants	Development	Other Business Activities	Central Office Cost Center	Subtotal	Eliminating Entries	Total
\$ 26,033	\$ 70,559	\$ 3,482,581	\$ -	\$ 1,727,491	\$ 7,299,302	\$ -	\$ 7,299,302
-	-	1,950,000	-	136,760	2,245,920	-	2,245,920
-	-	-	-	-	31,424	-	31,424
<u>\$ 26,033</u>	<u>\$ 70,559</u>	<u>\$ 5,432,581</u>	<u>\$ -</u>	<u>\$ 1,864,251</u>	<u>\$ 9,576,646</u>	<u>\$ -</u>	<u>\$ 9,576,646</u>
\$ 95,448	\$ 81,192	\$ 1,993,776	\$ -	\$ 62,912	\$ 2,675,849	\$ -	\$ 2,675,849
133,489	-	-	-	91,689	1,125,581	-	1,125,581
15,859	(27,375)	(36,332)	(1,158)	(7,208)	(240,772)	7,208	(233,564)
-	-	-	-	(660)	(660)	-	(660)
7,058	-	(174)	-	(7,482)	13,514	-	13,514
-	-	(20,001)	-	(15,000)	(35,001)	-	(35,001)
11,756	13,525	-	1,158	17,031	112,845	(7,208)	105,637
-	-	-	-	-	9,235	-	9,235
(36,913)	-	-	-	-	(139,818)	-	(139,818)
-	-	-	-	(15,680)	(15,680)	-	(15,680)
-	-	7,933	-	18,004	22,664	-	22,664
(5,006)	-	-	-	-	(296,078)	-	(296,078)
519	-	-	-	2,068	(1,434)	-	(1,434)
-	-	40,298	-	(247,622)	(684,317)	-	(684,317)
-	-	(3,264)	-	74,634	174,075	-	174,075
-	-	20,756	-	163,550	(1,791,714)	-	(1,791,714)
<u>126,762</u>	<u>(13,850)</u>	<u>9,216</u>	<u>-</u>	<u>73,324</u>	<u>(1,747,560)</u>	<u>-</u>	<u>(1,747,560)</u>
<u>\$ 222,210</u>	<u>\$ 67,342</u>	<u>\$ 2,002,992</u>	<u>\$ -</u>	<u>\$ 136,236</u>	<u>\$ 928,289</u>	<u>\$ -</u>	<u>\$ 928,289</u>

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane Count, Washington
Combining Statement of Net Position – Component Units
December 31, 2017

	Cornerstone II - The Borning Building LP (Cornerstone Courtyard)	Cornerstone II - Helena Apartments LP (Pearl on Adams)	Martindale Apartments LP (Agnes Kehoe Place)	Parsons LLLP (Parsons Apts)	Cedar Haven LLLP (Cedar West Apt & Woodhaven Apts)	Wilbur and Cook Affordable Portfolio LLLP (Heritage Heights, Valley 206 & Westfall Village)	Total
ASSETS							
<i>Current Assets:</i>							
Cash and Cash Equivalents	\$ 15,181	\$ 143,364	\$ 117,434	\$ 108,219	\$ 269,399	\$ 168,458	\$ 822,055
Receivables (Net)	6,557	2,338	3,397	2,347	13,370	14,508	42,517
Prepays and Other Assets	1,284	4,577	6,161	11,366	20,944	953	45,285
<i>Restricted Assets:</i>							
Cash and Cash Equivalents	174,703	502,399	541,455	106,634	250,247	37,428	1,612,866
Tenant Security Deposits	18,475	10,347	18,756	14,472	63,103	117,120	242,273
Total Current Assets	216,200	663,025	687,203	243,038	617,063	338,467	2,764,996
<i>Noncurrent Assets:</i>							
<i>Capital Assets:</i>							
Land	285,532	225,835	115,574	-	-	1,950,000	2,576,941
Buildings	10,442,344	6,702,274	10,919,833	6,206,194	17,906,304	29,450,000	81,626,949
Equipment - Dwellings	139,212	88,784	138,241	271,415	600,974	-	1,238,626
Equipment - Administration	73,419	13,642	48,727	1,276	3,648	-	140,712
Leasehold Improvements	140,879	114,688	14,753	56,705	767,114	-	1,094,139
Construction In progress	-	-	-	-	-	7,596,360	7,596,360
Accumulated Depreciation	(3,987,049)	(2,134,582)	(2,536,584)	(251,901)	(787,712)	(267,727)	(9,965,555)
Total Capital Assets (Net)	7,094,337	5,010,641	8,700,544	6,283,689	18,490,328	38,728,633	84,308,172
Other Noncurrent Assets	3,628	11,024	56,672	33,220	77,318	-	181,862
Total Noncurrent Assets	7,097,965	5,021,665	8,757,216	6,316,909	18,567,646	38,728,633	84,490,034
TOTAL ASSETS	\$ 7,314,165	\$ 5,684,690	\$ 9,444,419	\$ 6,559,947	\$ 19,184,709	\$ 39,067,100	\$ 87,255,030

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane Count, Washington
Combining Statement of Net Position – Component Units (Continued)
December 31, 2017

	Cornerstone II - Building LP (Cornerstone Courtyard)	Cornerstone II - Apartments LP (Pearl on Adams)	Martindale Apartments LP (Agnes Kehoe Place)	Parsons LLLP (Parsons Apts)	Cedar Haven LLLP (Cedar West Apt & Woodhaven Apts)	Wilbur and Cook Valley 2016) (Westfall Village)	Total
LIABILITIES							
<i>Current Liabilities:</i>							
Accounts Payable	\$ 19,662	\$ 15,039	\$ 21,672	\$ 16,566	\$ 23,933	\$ 1,560,383	\$ 1,657,255
Tenant Security Deposits	18,475	10,347	18,756	14,472	63,103	117,120	242,273
Accrued Interest Payable	1,007	-	-	3,791	22,844	40,206	67,848
Unearned Revenue	5,598	998	1,879	2,052	7,259	9,865	27,651
Other Current Liabilities	2,750	2,246	2,900	-	148	175,177	183,221
Current Portion of Long-Term Debt Payable to Housing Authority	39,624 49,071	15,000 7,584	- 8,175	11,614 12,194	81,868 87,368	- 103,861	148,106 268,253
Total Current Liabilities	136,187	51,214	53,382	60,689	286,523	2,006,612	2,594,607
<i>Noncurrent Liabilities:</i>							
Long-Term Debt, Net of Current	1,463,885	913,361	3,372,222	4,171,273	12,547,518	33,569,283	56,037,542
Accrued Interest Payable, Net of Current	37,100	-	146,213	85,616	307,068	145,021	721,018
Other Noncurrent Liabilities	150,000	7,500	25,000	20,000	30,000	1	232,501
Total Noncurrent Liabilities	1,650,985	920,861	3,543,435	4,276,889	12,884,586	33,714,305	56,991,061
TOTAL LIABILITIES	\$ 1,787,172	\$ 972,075	\$ 3,596,817	\$ 4,337,578	\$ 13,171,109	\$ 35,720,917	\$ 59,585,668
NET POSITION							
Net Investment in Capital Assets	\$ 5,590,828	\$ 4,082,280	\$ 5,328,322	\$ 2,100,802	\$ 5,860,942	\$ 5,159,350	\$ 28,122,524
Restricted For:							
Capital Replacement Reserves	40,392	142,205	164,557	106,634	250,247	37,428	741,463
Operating and Other Reserves	134,311	360,194	376,898	-	-	-	871,403
Unrestricted	(238,538)	127,936	(22,175)	14,933	(97,589)	(1,850,595)	(2,066,028)
TOTAL NET POSITION	\$ 5,526,993	\$ 4,712,615	\$ 5,847,602	\$ 2,222,369	\$ 6,013,600	\$ 3,346,183	\$ 27,669,362

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane County, Washington

Combining Statement of Revenues, Expenses and Changes in Net Position—Component Units

For the Year Ended December 31, 2017

	Cornerstone II - The Borning Building LP (Cornerstone Courtyard)	Cornerstone II - Helena Apartments LP (Pearl on Adams)	Martindale Apartments LP (Agnes Kehoe Place)	Parsons LLLP (Parsons Apts)	Cedar Haven LLLP (Cedar West Apt & Woodhaven Apts)	Wilbur and Cook Affordable Portfolio LLLP (Heritage Heights, Valley 206 & Westfall Village)	Total
OPERATING REVENUES:							
Tenant Rental Revenue	\$ 334,696	\$ 205,121	\$ 340,654	\$ 308,273	\$ 1,159,277	\$ 555,211	\$ 2,903,232
Other Government Grants	-	-	-	30,900	-	-	30,900
Other Tenant Revenue	8,414	4,451	13,969	6,636	63,113	11,962	108,545
Other Revenue	186	-	123	12,442	-	328	13,079
TOTAL OPERATING REVENUES	343,296	209,572	354,746	358,251	1,222,390	567,501	3,055,756
OPERATING EXPENSES:							
<i>Administrative:</i>							
Administrative Wages	24,750	15,331	40,130	22,314	79,981	31,516	214,022
Auditing Fees	8,500	8,500	8,500	7,800	7,800	-	41,100
Employee Benefit Contributions	11,425	7,096	15,554	9,943	32,808	17,700	94,526
Management & Bookkeeping Fees	27,298	14,720	26,415	17,952	59,597	34,011	179,993
Other Operating Expenses	15,190	8,732	15,052	19,098	41,151	14,532	113,755
Tenant Services	24	7	40	1,288	131	98	1,588
	87,187	54,386	105,691	78,395	221,468	97,857	644,984
<i>Utilities:</i>							
Electricity	22,866	10,701	29,219	21,615	29,207	23,855	137,463
Natural Gas	11,771	3,481	10,582	6,285	5,686	5,338	43,143
Water	3,614	2,416	3,196	2,355	24,511	15,083	51,175
Sewer	35,205	24,169	35,203	34,511	78,008	48,915	256,011
Other Utilities Expenses	924	779	792	719	788	415	4,417
	74,380	41,546	78,992	65,485	138,200	93,606	492,209
<i>Ordinary Maintenance and Operations:</i>							
Contract Costs	36,088	27,438	44,492	35,303	106,926	57,022	307,269
Maintenance and Operations Wages	22,286	14,604	19,348	15,515	82,447	51,441	205,641
Employee Benefit Contributions	10,276	6,738	10,149	7,911	41,413	23,741	100,228
Materials and Other	14,913	8,959	15,339	8,332	25,025	9,294	81,862
	83,563	57,739	89,328	67,061	255,811	141,498	695,000
<i>General Expenses:</i>							
Insurance Premiums	11,267	5,823	7,773	8,619	29,105	-	62,587
Other General Expenses	22,838	10,870	34,798	15,056	55,171	1	138,734
Depreciation and Amortization	414,405	259,210	408,763	187,239	530,012	267,727	2,067,356
	448,510	275,903	451,334	210,914	614,288	267,728	2,268,677
TOTAL OPERATING EXPENSES	693,640	429,574	725,345	421,855	1,229,767	600,689	4,100,870
OPERATING INCOME (LOSS)	\$ (350,344)	\$ (220,002)	\$ (370,599)	\$ (63,604)	\$ (7,377)	\$ (33,188)	\$ (1,045,114)

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority, Spokane County, Washington
Combining Statement of Revenues, Expenses and Changes in Net Position—Component Units
(Continued)
For the Year Ended December 31, 2017

	Cornerstone II - The Boring Building LP (Cornerstone Courtyard)	Cornerstone II - Helena Apartments LP (Pearl on Adams)	Martindale Apartments LP (Agnes Kehoe Place)	Parsons LLLP (Parsons Apts)	Cedar Haven LLLP (Cedar West Apt & Woodhaven Apts)	Wilbur and Cook Affordable Portfolio LLLP (Heritage Heights, Valley 206 & Westfall Village)	Total
NONOPERATING REVENUES (EXPENSES):							
Interest Expense and Related Charges	(18,028)	(1,943)	(26,291)	(169,350)	(474,010)	-	(689,622)
Interest and Investment Income	810	591	2,454	-	-	-	3,855
TOTAL NONOPERATING REVENUES (EXPENSES)	(17,218)	(1,352)	(23,837)	(169,350)	(474,010)	-	(685,767)
<i>Income (Loss) Before Contributions</i>							
	(367,562)	(221,354)	(394,436)	(232,954)	(481,387)	(33,188)	(1,730,881)
CAPITAL CONTRIBUTIONS - PARTNERSHIP	-	-	-	2,280,898	5,935,607	3,379,371	11,595,876
CHANGE IN NET POSITION	(367,562)	(221,354)	(394,436)	2,047,944	5,454,220	3,346,183	9,864,995
NET POSITION, BEGINNING OF YEAR	5,894,555	4,933,969	6,242,038	174,425	559,380	-	17,804,367
NET POSITION, END OF YEAR	\$ 5,526,993	\$ 4,712,615	\$ 5,847,602	\$ 2,222,369	\$ 6,013,600	\$ 3,346,183	\$ 27,669,362

The notes to the financial statements are an integral part of these statements.

Spokane Housing Authority

Combining Statement of Cash Flows – Component Units

For the Year Ended December 31, 2017

	Cornerstone II - Building LP (Cornerstone Courtyard)	Cornerstone II - Apartments LP (Pearl on Adams)	Martindale Apartments LP (Agnes Kehoe Place)	Parsons LLLP (Parsons Apts)	Cedar Haven LLLP (Cedar West Apt & Woodhaven Apts)	Wilbur and Cook Affordable Portfolio LLLP (Heritage Heights, Valley 206 & Westfall Village)	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from Tenants and Others	\$ 343,508	\$ 208,239	\$ 348,363	\$ 317,311	\$ 1,188,455	\$ 679,650	\$ 3,085,526
Receipts from Government Operating Grants	-	-	-	30,900	-	-	30,900
Payments to Employees and on behalf of Employees	(68,737)	(43,769)	(85,181)	(55,683)	(236,649)	(124,398)	(614,417)
Payments to Suppliers for Goods and Services	(205,242)	(125,050)	(228,083)	(222,998)	(477,467)	(98,616)	(1,357,456)
Other Receipts	186	-	123	12,442	-	328	13,079
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	69,715	39,420	35,222	81,972	474,339	456,964	1,157,632
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Capital Contributions	-	-	-	2,280,898	5,935,607	3,379,371	11,595,876
Purchase and Construction of Capital Assets	(18,814)	(7,576)	(7,458)	(327,396)	(331,533)	(36,992,947)	(37,685,724)
Proceeds from Issuance of Capital Debt	-	-	-	1,393,586	304,458	33,569,283	35,267,327
Principal Paid on Capital Debt	(39,387)	(15,000)	-	(3,094,254)	(5,810,609)	-	(8,959,250)
Interest Paid on Capital Debt	(12,376)	-	-	(181,065)	(324,338)	(89,665)	(607,444)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(70,577)	(22,576)	(7,458)	71,769	(226,415)	(133,958)	(389,215)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest Received	810	591	2,454	-	-	-	3,855
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	810	591	2,454	-	-	-	3,855
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(52)	17,435	30,218	153,741	247,924	323,006	772,272
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	208,411	638,675	647,427	75,584	334,825	-	1,904,922
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 208,359	\$ 656,110	\$ 677,645	\$ 229,325	\$ 582,749	\$ 323,006	\$ 2,677,194
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:							
Cash and Cash Equivalents - Unrestricted	\$ 15,181	\$ 143,364	\$ 117,434	\$ 108,219	\$ 269,399	\$ 168,458	\$ 822,055
Cash and Cash Equivalents - Restricted	174,703	502,399	541,455	106,634	250,247	37,428	1,612,866
Tenant Security Deposits	18,475	10,347	18,756	14,472	63,103	117,120	242,273
Cash debt service reserve	-	-	-	-	-	-	-
	<u>\$ 208,359</u>	<u>\$ 656,110</u>	<u>\$ 677,645</u>	<u>\$ 229,325</u>	<u>\$ 582,749</u>	<u>\$ 323,006</u>	<u>\$ 2,677,194</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:							
Operating Income (Loss)	\$ (350,344)	\$ (220,002)	\$ (370,599)	\$ (63,604)	\$ (7,377)	\$ (33,188)	\$ (1,045,114)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:							
Depreciation and Amortization Expense	414,405	259,210	408,763	187,239	530,012	267,727	2,067,356
Change in Operating Assets and Liabilities:							
(Increase) Decrease in Assets:							
Receivables (Net)	2,170	(1,301)	(1,196)	(1,658)	(5,975)	(14,508)	(22,468)
Prepaid and Other Assets	(131)	(328)	488	(1,356)	(1,457)	(953)	(3,737)
(Increase) Decrease in Liabilities:							
Accounts Payable - Operations	(14,827)	1,779	(2,131)	(51,919)	(53,403)	110,900	(9,601)
Tenant Security Deposits	618	(366)	(637)	2,298	1,781	117,120	120,814
Unearned Revenue	2,824	193	581	972	857	9,865	15,292
Other Liabilities	15,000	235	(47)	10,000	9,901	1	35,090
Total Reconciling Adjustments	420,059	259,422	405,821	145,576	481,716	490,152	2,202,746
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 69,715	\$ 39,420	\$ 35,222	\$ 81,972	\$ 474,339	\$ 456,964	\$ 1,157,632

The notes to the financial statements are an integral part of these statements.

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.

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Contact information for the State Auditor's Office	
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Toll-free Citizen Hotline	(866) 902-3900
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