Office of the Washington State Auditor
Pat McCarthy

September 20, 2018

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

Contracted CPA Firm's Audit Report on Financial Statements and Federal Single Audit

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the Housing Authority of the City of Seattle's financial statements and compliance with federal grant requirements for the fiscal year ended December 31, 2017. The Housing Authority contracted with the CPA firm for this audit and requested that we accept in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements or the Housing Authority of the City of Seattle's compliance with federal grant agreements and, accordingly, we do not express an opinion on those financial statements or on compliance.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy

Pat McCarthy
State Auditor
Olympia, WA

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The Housing Authority
of the City of Seattle, Washington

Comprehensive Annual Financial Report

For the year ended
December 31, 2017

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Comprehensive Annual Financial Report

For the year ended December 31, 2017

Issued by
Department of Finance & Administrative Services
Shelly Yapp, Chief Financial Officer

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

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THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Introductory Section (Unaudited)

Section I

May 25, 2018

Members of the Board of Commissioners
the Housing Authority of the City of Seattle, Washington:

Introduction

We are pleased to present The Housing Authority of the City of Seattle, Washington's (referred to hereafter as "the Seattle Housing Authority", "the Authority" or "SHA") Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2017. This report was prepared by the Authority's Finance staff, and the Authority's 2017 financial statements included in this CAFR were audited by the national public accounting firm of KPMG LLP, with assistance from the Seattle public accounting firm of Francis & Company PLLC. The independent auditor's report of KPMG LLP is presented on pages 1 through 2 herein. We invite the public to review SHA's 2017 CAFR at https://www.seattlehousing.org/about-us/reports/financial-reports.

The data presented in this report are the responsibility of the management of the Authority. To the best of our knowledge and belief, the data as presented are accurate in all material respects; are presented in a manner designed to fairly state the financial position and results of operations of the Authority; include all necessary disclosures to enable the reader to gain a thorough understanding of the Authority's financial affairs; and are based on a system of internal controls through policies and procedures designed to minimize, prevent, or detect risks to the integrity of the data and correct weaknesses where discovered. The effectiveness of SHA's internal controls is tested in the course of independent financial, compliance, and performance audits.

For an overview of the Authority's 2017 financial conditions, please review "Management's Discussion and Analysis" found in Section II: FINANCIAL SECTION, in tandem with this transmittal letter.

Profile of Seattle Housing Authority

Independent Public Jurisdiction: The Authority is an independent municipal entity created by the City of Seattle (City) in 1939 pursuant to state law and the National Housing Act of 1937. Although it maintains close ties with the City in several respects, the Authority is not a component unit of the City, as defined by the pronouncements of the Governmental Accounting Standards Board. The City is not financially accountable for the operations of the Authority, has no responsibility to fund its deficits or receive its surpluses, and has not guaranteed the Authority's debt. The Authority is the largest housing authority in the Pacific Northwest and the 24th largest in the United States.

Moving to Work Housing Authority: The Authority is one of 39 housing authorities, of approximately 3,400 in the country, designated as a "Moving to Work" (MTW) housing authority. An MTW agency is one that is part of a demonstration created in the 1996 Congressional appropriation for the Department of Housing and Urban Development (HUD). MTW agencies have three statutory objectives:

- Reduce cost and achieve greater cost effectiveness in Federal expenditures;
- Give incentives to families with children where the head of household is working, is seeking work, or is preparing for work by participating in job training, educational, or job referral programs, to obtain employment and become economically self-sufficient; and,
- Increase housing choices for low-income families.

As an MTW agency, Seattle Housing Authority has flexibility through its Annual MTW Plan to develop operating policies and procedures that differ from those prescribed in regulations implementing Sections 8 and 9 of the Housing Act of 1937. The Authority is also authorized to combine public housing operating and capital funds and housing choice voucher funds into a MTW Block Grant and to allocate this single fund to best meet local low income housing needs. MTW agencies are required by statute to serve substantially the same number of households as the MTW agency would have served had it not combined its federal funds as provided under the demonstration.

Governing Body and Strategic Guidance: The governing body of the Authority is its Board of Commissioners. The Board is comprised of seven members appointed by the Mayor and confirmed by the City Council; members serve four year terms and may be reappointed. The Board appoints an Executive Director to administer the affairs of the Authority. The programs and actions of the Authority are guided by SHA's 2016-2020 Strategic Plan. The Plan was adopted by the Board in March 2016, following nearly eighteen months of planning and a participation process involving residents, voucher participants, employees, partner government and non-profit agencies, civic leaders and interested citizens. The underpinnings for the 2016-2020 Strategic Plan are the Authority's Mission and Values statements:

Our Mission

Our mission is to enhance the Seattle community by creating and sustaining decent, safe and affordable living environments that foster stability and increase self-sufficiency for people with low-income.

Our Values

As stewards of the public trust, we pursue our mission and responsibilities in a spirit of service, teamwork, and respect. We embrace the values of excellence, collaboration, innovation, and appreciation.

Seattle Housing Authority's 2016-2020 Strategic Plan lays out three ***Strategic Directions*** that frame the Authority's ***Key Objectives*** over the period:

Expand Housing Opportunities.

SHA serves more people by cultivating additional resources and employing strategies which have the biggest impact in increasing Seattle's affordable housing choices.

Create more affordable housing. Prioritize strategies and leverage resources to enable increased rental assistance and housing units for more people in need of affordable housing.

Advance affordable housing policy. Champion public policies that will increase the viability, availability, and accessibility of affordable housing for people with low incomes.

Diversify housing choice. Expand available housing choices, demonstrate alternative housing models, and preserve and increase access to neighborhoods throughout Seattle that would otherwise be out of reach for people with low incomes.

Promote Quality Communities.
SHA invests in safe, quality housing and connects participants to communities, resources, and services that are designed to meet their needs.

Preserve and promote high-quality housing. Provide safe, accessible, sustainable, and attractive living environments that contribute to the quality of Seattle neighborhoods through preservation and redevelopment of SHA's housing stock.

Connect people to opportunity. Invest in communities through partnerships so that neighborhoods where participants live support access to opportunities such as good jobs, parks, transit, arts, high-performing schools, and healthy living.

Strengthen community and service. Facilitate effective and supportive relationships and respectful interactions among participants, staff, partner organizations, and neighbors so that people feel valued, proud, and connected to the community they live in.

Improve Quality of Life.
SHA partners to use housing as a platform to improve quality of life by enhancing health, supporting education and skill development, and other services to help people reach their full potential.

Enhance senior and disabled living. Connect senior and disabled participants to the services they need and facilitate access to other housing choices along a continuum of care as appropriate.

Economically empower people. Assist participants in benefiting from education and employment to increase their economic security, skills, income, assets, and financial well-being.

Support youth achievement. Promote access to high-quality learning opportunities for young children, youth, and young adults that increase educational performance, college and career readiness, and encourage lifelong well-being.

The 2016-2020 Strategic Plan also recognizes seven ***Organizational Cornerstones*** reflecting SHA's values in action. These qualities help form the foundation of how SHA advances its mission and pursues strategic directions. SHA's culture is driven by a commitment to excellence that continually strengthens these cornerstones:

Respectful and Engaging Service and Relationships
SHA is committed to providing consistently high-quality service and respectful interactions. SHA honors and assists participants and communities through service and engagement that recognize their unique needs and strengths.

Financial Stability and Operational Efficiency
SHA manages its resources to maximize the impact and cost-effectiveness of its operations as well as the value and longevity of its assets. SHA focuses on strengthening its financial condition, streamlining service-delivery, and being good stewards of the public trust to best serve people now and into the future.

Partnership & Coordinated Action
SHA engages in partnerships and leverages resources to extend services beyond core housing programs. SHA aligns partners, programs, and service delivery to accelerate progress on strategic directions.

Environmental Stewardship
SHA incorporates environmental stewardship into daily practices and long-term decision-making to allow for more cost-effective investments, inventive approaches to complex sustainability challenges, healthier working and living environments for staff and participants, and broader impact within the community.

Staff Excellence
SHA is committed to recruiting, retaining, and developing people whose skills and dedication allow them to consistently perform at the top of their field. SHA trains and invests in a well-equipped workforce to support the Authority's day-to-day operation in pursuit of its mission.

Race and Social Justice
SHA is committed to delivering services in a culturally competent way, free of racism and prejudice, to minimize the impacts of poverty and to advance and support social justice. SHA strives to eliminate individual, institutional, and systemic racism in its policies and practices.

Innovation
SHA actively pursues creative, innovative, and impactful solutions to expand organizational capacity, improve service, and meet participant and community needs. SHA continually uses high-quality information and effective analysis to plan and evaluate its actions.

Housing and People Profile: The Authority owns and manages or manages nearly 8,100 units of housing and administers just over 10,000 rental vouchers, providing rental housing or rental assistance to nearly 35,000 low income people and more than 17,000 households.

The Authority is the developer, the general partner and management agent for 20 Component Units, the owners of which are Low Income Housing Tax Credit limited partnerships. The component units represent 4,285 units managed by SHA.

The Scope of SHA

34,545	**17,134**	**8,082**	**361**	**6,866**	**3,743**
Individuals served	Households served	SHA owned/ managed units	SHA locations	Tenant-based vouchers	Collaborative housing units

13,781
Adults 24 to 61

11,737
Children under 18

6,727
Seniors age 62+

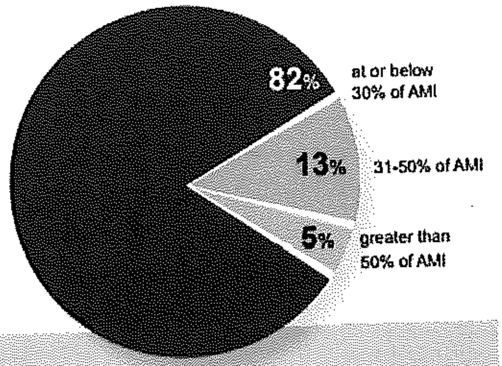
2,300
Young adults 18 to 23

10,126 Disabled Individuals | **53** Languages spoken

WHO SHA SERVES

Income

95 percent of households served by SHA have incomes at or below 50 percent of the Area Median Income (AMI). 83 percent are at or below 30 percent of AMI, which is considered extremely low income.



53.92% African/ African American	22.99% White	12.88% Asian	5.78% Hispanic	1.68% American Indian/ Alaska Native	1.32% Native Hawaiian/ Other Pacific Islander	.32% Multiracial	1.11% Unknown

The Authority operates low-income housing in four large family communities – New Holly, Rainier Vista, High Point, and Yesler Terrace; in twenty-eight high-rise buildings; and in single, duplex, triplex, and small apartment buildings across the city. In total SHA manages units in 361 locations in Seattle. The Authority also administers the Housing Choice Voucher programs that provide tenant-based or project-based or collaborative housing vouchers with private non-profits. Vouchers serve a rental assistance for qualified low-income tenants in order to keep their rents affordable.

SHA serves a diverse population of low income tenants and voucher holders, as reflected in the statistics presented below:

Budget Process and Monitoring: The annual budget for the Authority is prepared by the Executive Director with significant involvement of the Authority's top executive staff and the support and analysis of the Authority's Budget staff. At the front end of the budget process, the Cabinet with the Executive Director agree on the financial forecast on which the budget will be prepared and establish the key areas of focus for the coming year from the Strategic Plan. Resident groups are consulted on their concerns and priorities for capital investments and program/service needs. We also use an on-line survey to gather views on pressing housing priorities from residents, voucher-holders, those on waiting lists, employees, non-profit housing and service partners, and interested citizens. At the end of the budget process, the Executive Director, with the advice of the Cabinet, determines the final actions to balance the proposed budget.

The Board of Commissioners adopts the annual budget for the Authority after the Executive Director has presented both the Annual MTW Plan and the Authority's Proposed Budget for public review and comment. The MTW Plan and the Proposed Budget are primary tools for implementing the Strategic Plan. The annual proposed budget includes four components – the Operations, Housing Assistance Payments (HAPs), Capital, and Development budgets. MTW federal funds comprise 70-75 percent of the combined Operating, HAPs, and Capital revenues. The operating and capital budgets are developed from the community or program level up in the Authority's project-based budgeting process. The development programs of the Authority, to rebuild and rehabilitate the family communities, senior program buildings, and high-rise public housing buildings, and build new affordable housing are supported through mixed financings, including low-income housing tax-credit partnerships, bond and mortgage financing, federal Choice Neighborhood Initiative funds, and federal, state, local, and philanthropic grants.

Once adopted by the Board, the annual budgets are implemented and monitored by all departments of the Authority, with support from the Finance and Administration Department and the Asset Management Department. Monthly reports on budget versus actual performance are reviewed by the Budget Office and the Departments. Quarterly budget and portfolio reviews are conducted at the management and executive levels, and budget revisions and actions to address variances against budget, as needed, are taken to ensure appropriate budget control.

Economic Conditions and Financial Outlook

State and Local Economy (1)

Overview: The Washington and Seattle area economies continued strong growth in 2017 and have recovered and surpassed most peak conditions occurring prior to the Great Recession. Nearly all economists who forecast economic conditions at the national, State, and Puget Sound region have already revised upward their forecasts for 2018 and 2019. To paraphrase one expert writing in The Puget Sound Economic Forecaster:

> Puget Sound has consistently outperformed the national economy. The region continues to exceed expectations. Since our last forecast we've made upward revisions to job growth in 2018 and 2019....From a forecasting standpoint the adjustment is relatively small, but it follows similar upward revisions to the economic outlook in recent quarters...."Still, this party cannot go on forever."

Most forecasters of the economy, including those we consult, continue to predict near-term continuation of growth conditions locally and nationally, but at decelerating rates, and many point to areas of uncertainty or worrisome signs in the economy to watch. The most recent reporting in April 2018's issue of the Puget Sound Economic Forecaster, illustrate a typical couched forecast:

> "Overall job growth continued its positive trend with data available through March ... Aerospace employment declined again and is something to watch given the role of that sector plays in the region, but overall job growth was strong, and the unemployment rate fell."
>
> "In addition, unemployment insurance claims fell again to a new record low, as well, giving another signal of continued strength in the labor market. We are starting to repeat ourselves, but the basic story is a fairly strong labor market in most of the U.S., and stronger still in Seattle and the surrounding region...."
>
> "Economists nationwide are not calling for a recession any time soon, so local economists expect to see solid performance out of the Puget Sound region in the short-term."

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[1] This economic outlook information is significantly informed by the "The Puget Sound Economic Forecaster" produced by Western Washington University and by the "Washington Economic and Revenue Forecast" prepared by the Washington State Economic and Forecast Council.

Despite continuing strong economic indicators, there are several reasons for forecasters to advise caution. First, the economy nationally and locally has been on a sustained if slow growth trend for going on ten years; that is a historically long period without a cyclical dip in the business cycle. Second, for the Puget Sound region, we have a history of out-performing the national economy in the peaks of the business cycle and in recessions, we reach deeper lows. Third, uncertainty remains around the federal administration's fiscal, trade, and foreign policies that injects a conservative tendency in forecasts.

Forecast Highlights: The economic performance and projections presented below draw from both The Puget Sound Economic Forecaster and the State's annual Economic Forecast and monthly Economic and Revenue Updates:

Gross Domestic Product (GDP) – U.S.

- The consensus key indicator of economic growth and activity for U.S. and many other countries in world is the GDP. For the U.S., the long-term forecasts of GDP (through 2023) remain stable at an annual rate of real increase of 2.0% to 2.7% over the period. Measured against emerging economies experiencing rapid growth in their economies, the U.S. is forecast to maintain a steady modest rate of growth.

Consumer Confidence – Two Measures – U.S.

- The Conference Board conducts consumer surveys monthly in countries throughout the world. In February 2018, the index of U.S. consumer confidence hit its highest level since November 2000.
- In March 2018, the University of Michigan's monthly index of U.S. consumer sentiment reached its highest level since 2004. Interestingly, consumer sentiment was strongest among lower income households.

Personal Income

- In 2017, personal income in Washington increased by 4.8% and was the highest state growth rate in the nation and significantly higher than the growth rate of 3.1% for the U.S. as a whole.
- The forecast of personal income in the Puget Sound region anticipate continued strong growth of 4.5% and 5.2% respectively in 2018 and 2019.

Employment

- Employment in the Puget Sound Region increased by 2.9% in 2017. The forecast of employment growth in the Region anticipates a slowdown from the peak increase of 3.2% in 2016 to 2.3% in 2018 and 1.4% in 2019, bringing total employment in the region to 2,177,400 in 2019.
- Aerospace jobs in the region have declined steadily since 2013, and construction jobs look to be plateauing. Employment in wholesale and retail trade continues to expand rapidly in 2017, led by Amazon. Amazon added nearly half of the new jobs gained in the region in 2017.

Unemployment Rate

- For January 2018, the seasonally adjusted unemployment rate was 4.7% for Washington State, 4.1% for the U.S., and 3.9% for the Seattle-Bellevue-Everett Metropolitan area.
- The forecast for 2018 and 2019 anticipates continuation of a low unemployment rate in the area of 3.9% to 4.0%.

Unemployment Insurance Claims

- Claims for unemployment insurance in Washington in April 2018 of 5,800 reached the lowest level on record since the measure started in 1987.

- The 5,800 claims were also well below the lowest reached – 7,200 - in the last economic expansion. Claims have fallen 65% since their peak in early 2009.

Housing Market – Home Sales

- Particularly if you are in the housing market in Puget Sound as a seller, the housing market continues to impress. There are slight signs of a slowing in housing demand, as that index has declined in the last quarter. That said, the demand index is still up for the year, so economists need to see if the slowing persists or if demand bounces back.
- According to the S&P/Case-Shiller Home Price Indices, the Seattle area prices have grown at double the rate of urban cities in the Composite 20 index -- 12.7% increase in Seattle home prices over the past 12 month compared to 6.3%. Seattle home prices are now up 78% since the December 2011 low point and now exceed the pre-recession peak in May 2007 by 24%.
- In 2017, the average Seattle home price surged 11.8%, the strongest post-recession growth yet; the average home sales price in the Puget Sound market for the last quarter of 2017 was $541,749. Going forward, the forecasted increase drops to 5.3% in 2018 and 1.4% in 2019.

Housing Market: Rental Market

- With the number of apartment units becoming available, rents should begin to soften. While there are examples where rents have declined, but job growth, income growth, and limited supply are such that there continue to be price increases in the region and Seattle's housing market continue to make headlines.
- At present prices, economists estimate that an income of nearly $30 an hour is required to pay the average price of a two-bedroom apartment in Seattle, while remaining financially stable.

Consumer Price Index

- The U.S. Consumer Price Index Blue Chip Economic Indicators forecast a muted inflation level with numbers in 2017 through 2019 approaching the Federal Reserve target of 2.0%.
- The Seattle-Bellevue Metropolitan Area data suggest stronger upward pressures on prices, and for this area, the forecast for 2018 and 2019 are 2.4% and 2.3%, respectively. Faster inflation locally signals that the cost of living in the Puget Sound region is increasing faster than the U.S. overall.

Federal Funding – Status and Outlook

The Authority relies on federal funding through the Department of Housing and Urban Development (HUD) for about 55 percent of our overall sources and approximately 70-75 percent of its operating and rental assistance funds. Consequently, federal budget decisions play a more direct role in SHA's ongoing financial picture than do local economic conditions.

Since the Budget Control Act of 2011, the federal budgetary focus has been on deficit reduction through reducing federal budget appropriations, especially for discretionary defense and non-defense programs. And, with the 2012 failure of the Congressional Super Committee to reach a bipartisan agreement on how to achieve a second $1 trillion savings over ten years in the federal budget to add to the $1 trillion enacted in 2011, the automatic trigger of "sequestration" to reduce spending ceilings went into effect. In its initial year, this meant a 5 percent reduction on top of the budget cuts passed by Congress.

At the end of 2013, the two houses of Congress agreed on the Bipartisan Budget Act of 2013, which provided a two year reprieve in 2014 and 2015 from sequestration and the restoration of about 50 percent of the sequestered cuts. The agreements contained in the Bipartisan Budget Act ushered in at least a short-term sense of stability in the federal budget process. A second Bipartisan Budget Act of 2015 continued the respite from sequestration and we actually saw increases in several parts of the HUD budget with the 2016 appropriation. The 2017 Appropriations Act, to replace the Continuing Resolution was not passed until May 2017. As we had anticipated, there was a small change in SHA's MTW HUD funding in 2017, relative to the 2017 Budget we had adopted in October 2016. We managed this with prudent spending practices and revenue increases from other sources to end with a positive net income from operations and HAPs.

After five Continuing Resolutions for the 2018 federal budget, Congress passed the Bipartisan Budget Act of 2018 in February 2018. Negotiated by Senate Majority Leader Mitch McConnell and Minority Leader Chuck Schumer, the Act is a two-year agreement that raised the discretionary spending limits for both defense and nondefense in FY 2018 and FY 2019 significantly. The unique aspect of this Bipartisan Budget Act, relative to those enacted in prior years, was the magnitude of the increase in the spending ceilings, both for Defense and Non-Defense. The increase in the Defense budget ceilings for 2018 and 2019 were 14.6% ($80B) and 15.1% ($85B), respectively; the increase for Non-Defense (which includes HUD) for 2018 and 2019 was 12.2% ($63B) and 12.9% ($68B), respectively.

In March 2018, Congress passed and the President signed the Consolidated Appropriations Act of 2018, with spending appropriations reflecting the full level of the new ceilings for 2018. The HUD gross discretionary budget appropriation for 2018 was a landmark increase of 9.8%. While SHA has not yet received our funding allocations from HUD for 2018, we expect to see increases in all of our MTW funding streams – Public Housing Operating subsidy, Public Housing Capital grant, and Housing Choice Vouchers renewal levels. Barring a major fiscal crisis, SHA expects the 2018 increases to be maintained in 2019.

While this is good news for SHA's low income housing mission in the near term, the longer term federal fiscal picture does not bode well for the future. The combination of the significant federal spending increases expected in 2018 and 2019, plus the $1.5T reduction in federal revenues from the Tax Reform and Jobs Act, and the inexorable increases in Social Security payouts and Medicare as more and more baby boomers retire, suggest continuing and unabated growth in the federal deficit.

Renewal of the Move To Work Program Contracts

In early 2016, Seattle and the other 38 Moving to Work (MTW) housing authorities signed ten year extensions of our MTW contracts on their existing terms and conditions through 2028. While there are still program issues remaining to be negotiated between HUD and the MTW agencies, the threat of radical change to the program was removed with the extension of existing contracts. The operating flexibilities, contractual funding formulas, and ability to combine the three streams of HUD funding into a single block grant are core provisions of the MTW demonstration program that allow Seattle and others to design new ways to operate more efficiently, to demonstrate innovative approaches to providing low income housing and services, and to expand housing choice for low income families. The contract extension under existing terms is a key source of stability in SHA's finances over the next ten year horizon.

Financial Management and Oversight

The Authority's management is responsible for establishing and maintaining an internal control structure designed to ensure that the Authority's assets are protected from loss, theft or misuse, and that representation of the Authority's assets and deferred outflows, liabilities and deferred inflows, and net position are accurately reflected on the Authority's financial statements, in conformance with U.S. generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the costs and benefits require estimates and the exercise of judgments by management.

As a recipient of federal and state financial assistance, the Authority is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management and the compliance staff of the Authority and is reviewed by SHA's independent audit firm and State Auditors annually.

Single Audit

In compliance with the Single Audit Act Amendments of 1996, tests are made to determine the adequacy of the Authority's internal control structure, including that portion related to federal financial assistance programs, as well as to determine whether the Authority has complied with applicable laws and regulations. The Authority's single audit was carried out by the national public accounting firm of KPMG LLP. For the audit year ended December 31, 2017, KPMG LLP did not issue any Single Audit findings of significant deficiencies and there were no significant deficiencies reported by KPMG LLP in connection with their audit of the Authority's 2017 Financial Statements.

Budgeting Control and Program Accountability

The objective of budgetary controls maintained by the Authority is to ensure appropriate financial management by Authority department managers of actual expenditures in relation to the approved budget. The Finance and Administration Department provides quarterly reports to managers and executive staff on the status of the budget and on any actions needed to ensure that the Authority operates within the adopted budget. Additionally, monthly financial reports comparing actual revenues and expenses to budget are provided to Department and program managers to assist them with timely information for managing their budgets from the individual community level to the overall management level.

An integral part of budget control is to review needs for and impacts of budget revisions following adoption of the annual budget by the Board. These reviews occur at least quarterly and where adjustments are justified, the adopted budget is revised. There are also quarterly reviews of all Housing Portfolios by the Authority's Asset Management Committee. During these sessions budget status is reviewed; vacancies and rent collections trends are noted; unit turnover cost and length of time to return a vacated unit to a new lease are reviewed against standards and past performance, and general conditions of the property and welfare of the residents are presented by property management staff. Follow-up actions resulting from these quarterly portfolio reviews are assigned to operating departments, the budget office, and/or the asset management department.

Financial Policy Oversight

The Authority has two ongoing Committees – one internal and one a Board Committee – that provide financial oversight. The Board Committee is the Audit Committee consisting of the Chair of the Board, two other Board members, and two outside independent non-voting members with expertise in finance and accounting. All members are appointed by the Board Chair and serve staggered terms of three years. The Committee meets two to four times a year, as needed, to conduct entry meetings with the independent auditor and the State Auditor and to hear reports and findings of the Auditors. The Committee also meets with auditors independently to hear any concerns the Auditors have identifies with the work of finance staff. The Audit Committee reports its activities to the full Board, along with any conclusions or recommendations they have to continue to strengthen the Authority's financial management.

Internally, the Authority has a Financial Policy Oversight Committee that meets monthly and is comprised of the Executive Director, the Deputy Executive Director, the Director of Housing Operations, the Director of Development, the Director of Housing Finance and Asset Management, the Chief Financial Officer (who leads the Committee), the Controller, and the Budget Manager.

The Financial Policy Oversight Committee is charged with overseeing the financial conditions and financial management decisions of the Authority and ensuring that current or implied financial commitments/conditions receive the full scrutiny of the Authority's top managers and expert line staff. This committee has enhanced agency-wide consideration of and decisions on credit and debt management; development opportunities, project selection, and financing plans and policies; criteria for soliciting and selecting limited partners in low-income housing tax credit projects; coordination of timing on actions; planning and monitoring of interim financing repayment plans; management of cash reserves; and, risk assessment.

The Financial Policy Oversight Committee (FPO) also administers the Authority's policy on unrestricted cash balances and unassigned cash (Operating Cash Reserves), which policy was adopted by the Board of Commissioners in April 2011 and revised in May 2013. The FPO recommends an annual resolution to the Board for its decision and adoption of year-end Committed Funds of the agency from the Authority's Unrestricted Cash Balance, and reports to the Board the agency's conformance with the Board's Financial Policy to maintain unassigned and uncommitted cash equal to at least one month and not more than six months of operating expenses plus 1/12 of annual debt service. At the end of 2017, Seattle Housing Authority reported a balance equal to 2 months and 14 days.

Component Units: The Authority has twenty discretely-presented component units as of December 31, 2017. As the Authority has expanded its redevelopment activities using mixed financing, component units have become a larger and larger share of our strategy of providing low-income housing. At the end of 2017, the Authority's component units represented 4,285 units or 52 percent of all rental housing units operated directly by the Authority.

Prudently Managing Affordable Housing Properties

Strong Asset Management: The Authority has continued to take an active asset management approach to managing its properties, treating each of them as a distinctive "community" with the goal of efficiently using each property to its fullest potential toward meeting our mission. This means the Authority is actively reviewing its existing real estate holdings to ensure that all assets are managed in a cost-effective and efficient fashion and are contributing to the overall mission of creating and sustaining decent, safe, and affordable living environments for the low-income people of Seattle. As noted above, the internal Asset Management Committee, with management representatives from all departments, conducts quarterly portfolio reviews with property managers and budget and accounting staff, and note issues for further discussion and review and circumstances requiring corrective measures. The Authority's approach is spelled out in the "Local Asset Management Plan" included in the Authority's annual MTW Plan.

Diverse Funding and Partnerships: The Authority will continue to supplement its tenant rental income, operating revenues, and HUD subsidies by actively competing for additional federal funds for modernization, redevelopment, and resident support activities; by applying for local and state grant opportunities; by expanding partnerships with community organizations and private foundations; and, by building new partnerships with schools, from elementary through vocational/technical colleges to universities. The Authority continues to compete successfully wherever we see new funding or partnership opportunities.

SHA is engaged in a long-term partnership with the ***Seattle Public Schools*** and the ***Bill and Melinda Gates Foundation*** around improving the academic success of the more than 6,000 public school students who live in SHA housing. We invested together in the first phase of the collaboration to share data confidentially so we both knew who our common students are and could assess how well our common students were doing in their attendance and academic performance in relation to the rest of the student body. This investment is paying off in our collective ability to address a key indicator of academic performance and success – attendance. Today, we are working alongside families, community staff, youth program providers, and educators to identify root causes of absenteeism, and to launch new joint efforts to boost attendance. A preliminary data analysis shows we've decreased chronic absenteeism during the first 20 days of the 2017-18 school year by 24%, in comparison to the first 20 days of the 2016-17 school year.

Mobility for Low-Income Children: Increasingly research is highlighting the importance of place in the lives of people with low incomes, especially children. In addition to SHA's extensive efforts to improve the quality of the communities where our residents live, we have developed strong partnerships to promote neighborhood mobility for tenant-based voucher participants. Nationally, SHA is part of a collaboration among 18 housing authorities and a team of leading academics in the field to generate new knowledge of effective ways to promote and facilitate families' housing mobility in the United States. This partnership resulted in our ***Creating Moves to Opportunity (CMTO) pilot project*** which aims to help families with vouchers move to neighborhoods that improve their children's opportunities for educational and economic success as adults. With the help of philanthropic funding from the Bill and Melinda Gates Foundation, SHA and King County Housing Authority, along with a team of leading researchers, have developed a set of services provided that combines tenant education, landlord recruitment and expedited leasing services to achieve this goal. 2017 was the first of at least three years of this project, with that first year focused on design, capacity building and testing strategies. The pilot with voucher families will begin in 2018.

Key Partnership with City of Seattle: The Authority works closely with the City of Seattle to advance the availability of low income housing in the City and to ensure access to critical public services by those communities. We have worked together as partners in successfully financing the development of our low income housing tax credit properties; in combining City housing levy dollars with Housing Authority rental assistance vouchers in order to ensure that homeless people and extremely low income people have access to assisted housing; we've cooperated in the development, rehabilitation, and operation of the Seattle Senior Housing Program for low income seniors; and, we've worked with both the City and the County on the routing and station designs of light rail and the streetcar extension to ensure service to SHA's family communities in Southeast Seattle and, most recently, with the routing of the streetcar extension through the heart of the Yesler Terrace Transformation Plan area. The streetcar extension was a public investment of more than $134 million and opened in 2014.

The Authority also works closely with the City of Seattle and local businesses and organizations to advance the environmental stewardship and sustainability of low income housing and associated neighborhoods in the city. An ongoing relationship with the Seattle Office of Housing seeks to coordinate targeted investments in energy and water conservation projects, improving the energy and water efficiency, as well as indoor air quality, of owned and managed assets.

Finally, partnerships with local non-profit organizations, like Byrd Barr Place, Emerald Cities Seattle, and Spark Northwest, seek to engage tenants in reducing their environmental impact and the cost-burden of ever-rising utility costs by conducting outreach for the Low Income Home Energy Assistance Program

(LIHEAP), low/no-cost energy conservation strategies, and introducing new ways of passing on the benefits of on-site renewable energy production to low-income tenants.

Major and Long-Term Initiative – Yesler Terrace Redevelopment

Investing in People, Neighborhood, and Housing

Yesler Terrace is a 30-acre site near downtown Seattle initially developed by Seattle Housing Authority in the early 1940s as Seattle's first publicly subsidized housing. Now, close to 80 years later, it is becoming a thriving, mixed-income community that is respectful of the neighborhood's rich history and cultural traditions, while also creating safe, healthy and sustainable affordable housing, new parks and open spaces, increased transportation options and enhanced economic opportunities. The cornerstones of our accomplishments to date rest with the many and diverse partnerships and collaborative work we've done together.

Partnerships -- The vision and success of the Yesler neighborhood transformation is rooted in many deep collaborative partnerships. Below are some of the key partnerships central to the Authority's achievement to date at Yesler.

- ***Community Engagement***

  The planning for Yesler Terrace formally began in 2006 with the creation of the Guiding Principles, developed by the Yesler Terrace Citizen Review Committee and adopted by the Seattle Housing Authority Board of Commissioners. The Guiding Principles established the core values of social equity, one-for-one replacement housing, environmental stewardship and sustainability, and economic opportunity that still underpin the redevelopment process today. Ongoing engagement of the Yesler, First Hill, Little Saigon residents and the Citizen Review Committee continues to shape the design, policies and programs of the evolving renewed community.

- ***Department of Housing and Urban Development (HUD)***

  HUD is a major partner in supporting the redevelopment through the Choice Neighborhood Initiative funding and technical assistance and their ongoing collaboration on SHA's mixed finance programs for development of the Yesler replacement housing.

- ***City of Seattle***

  Numerous departments in the City have worked collaboratively since 2006 to create and implement the Yesler transformation plan, including the Office of Housing, Department of Construction and Inspections, Seattle Department of Transportation, Seattle Public Utilities, Department of Neighborhoods, and Human Services Department. Major outcomes include creating the Yesler Masterplan zone, increased public open space, additional low income housing, and upgrading streets, transit options and public infrastructure to serve a dense community

  The Cooperative Agreement, one important element of the legislative package, recognized that the City would be a central partner in funding the transformation of Yesler and at that time committed an initial $10.92 million of City funding for the development of affordable housing and parks. Through 2017, the City has contributed nearly $20 million. In addition, the City has committed an additional $10 million to support upgrade and expansion of the sewer system at Yesler, construction of the 10th Avenue Hillclimb that connects Yesler Terrace and Little Saigon, the new neighborhood Park, and other important neighborhood improvements.

- ***Seattle University***

  Seattle University is the lead education partner and works with Seattle Housing Authority, Neighborhood House and Therapeutic Health Services in collaboration with Catholic Community Services, the Parks Department, and Seattle Public Schools to provide supports and services for student-residents to improve their academic achievements. Together, these organizations provide education services available to children 3 – 18 years-old and in their homes, schools and community locations.

- ***Private Philanthropy***

  JP Morgan Chase Foundation, the Kresge Foundation, Seattle Foundation, Boeing Foundation, and the Bill and Melinda Gates Foundation have invested in Yesler transformation activities. Gifts and grants from private foundation supported all aspects of the Yesler vision: creation of the Hillclimb; support for training and job development services for economic opportunities; sustainability investments; and educational achievement of Yesler youth.

- ***Private Development Partners***

  Private development partners, who are investing in the Yesler transformation vision with the Authority, are a critical part of creating a new urban mixed income community and helping to create community connections among all neighbors. Through 2017 we have welcomed as private development partners Spectrum Development; Vulcan Real Estate; Millcreek; and Lowe.

Highlights of 2017 Accomplishments

The three pages that follow summarize some of the key accomplishments of the Yesler transformation in 2017 and reflect the guiding principles and values to which we are accountable.

Housing for All Incomes

- **218** 30% AMI or Replacement units complete, +80 under construction
- **61** 60% AMI units complete, +39 under construction,
- **102** 80% units complete, +48 under construction,
- **246** Market-rate Apts complete, +189 under construction,

A Complete Neighborhood

- ✓ Washington Hall Renovation Complete
- ✓ Yesler Terrace Park and Fir Street Pocket Park under construction
- ✓ 10th Ave South Pocket Park design underway
- ✓ First installations of Wayfinding System installed

Quality Education for All

- **149** Yesler youth and parents served by SHA's Education Engagement Specialist (EES)
- **445** Total recorded meetings between EES and families
- **45** Parents engaged in their child's educational needs
- **88** Kindergarten-12th grade students served
- **100** Yesler children and youth participated in academic and enrichment activities in Summer 2017

Healthy Outcomes

- **92%** Of heads of households indicated they have health insurance
- **85%** Residents living on-site have a primary healthcare provider
- **88%** Residents living on-site consider their health fair, good, or excellent
- **90%** Of heads of households indicate Yesler is safe place to live; up from 67% in 2014

Original Yesler Residents

493 Original households from 2012 were given priority for the 561 Replacement Housing units to be produced at Yesler

57% Of the original households currently live at Yesler, in both new and legacy housing

100% Of households who wished to stay at Yesler Terrace during the project have been able to do so

48 Of the 68 households required to relocate in 2017 chose to move directly into Replacement Housing

6 Households relocated offsite in 2017. All will have the opportunity to return to future new buildings

16 Households returned to Yesler in 2017 after moving offsite. Overall, 20% of those who left since 2012 have returned

Economic Opportunities

75 Section 3 job placements in 2017

$24 Average hourly wage for Section 3 placements in 2017

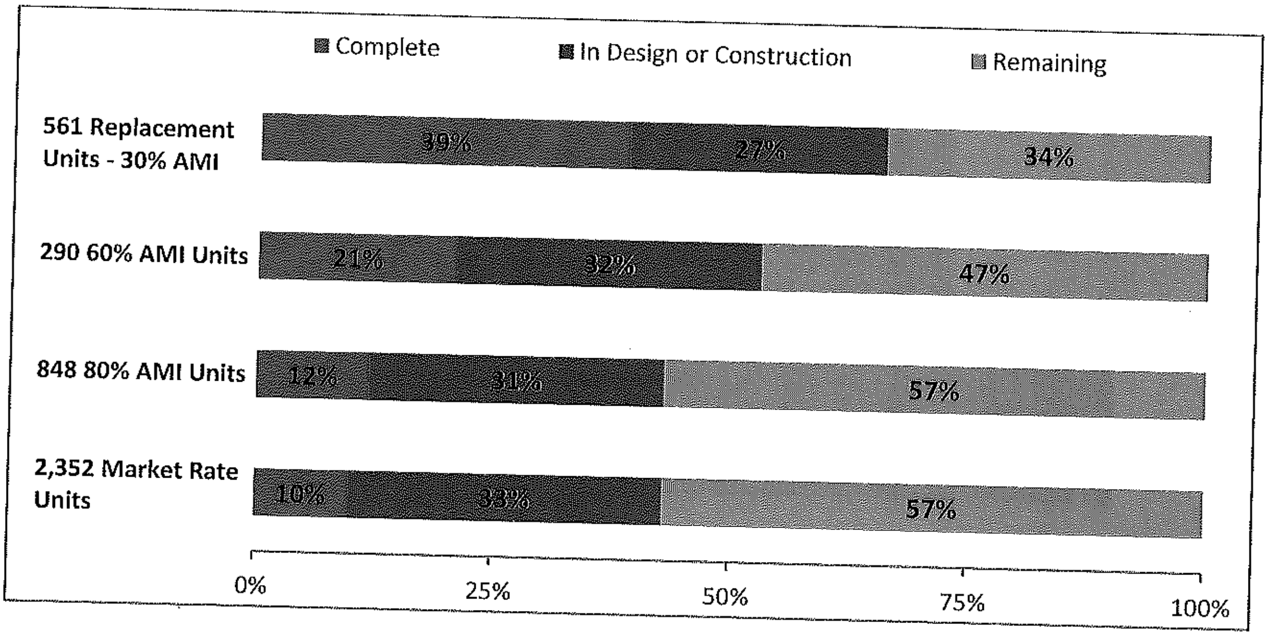
103 Yesler residents received case management services

10 Youth participated in paid internship programs, building their professional and personal leadership skills

Housing Development

The Yesler transformation is designing a housing mix to accommodate families, single occupants, the elderly and those with disabilities, as well as for households across the income spectrum. The chart below shows the Yesler housing development progress in relation to the commitments for each category of housing.

Yesler Housing Progress



All residential buildings at Yesler will welcome a wide range of people making Yesler their home through providing a range of sizes of units, high degree of accessibility, and a full range of affordability in a community of opportunity.

SHA Housing Development Update

- The renovated Baldwin Apartments continues to be home to 15 Yesler Terrace households who formerly lived in the older Yesler Terrace housing.
- Kebero Court, with 103 low-income apartments was constructed and fully leased by September 2015.
- Raven Terrace, which includes 83 low-income apartments, was completed in January 2016. The building is currently fully leased.
- Hoa Mai Gardens, with 111 low-income apartments, was completed in June 2017. As of early 2018, the building is fully leased.
- Red Cedar, 119 low-income apartments. Construction is underway and is expected to be complete in Q1 2019.
- Hinoki, 126 low-income apartments. Design is underway and the project is expected to be completed in Q4 2020.
- The current King County Records site will transformed into 125 new low-income apartment units. This project is expected to be completed in Q2 2021.

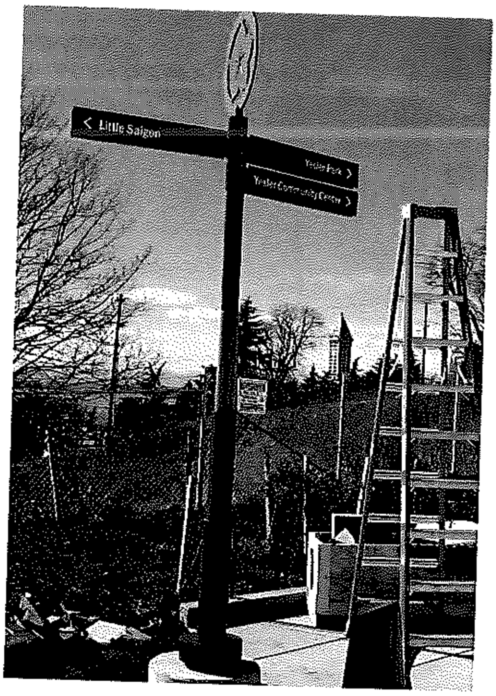
Private Sector Housing Development

- Anthem on 12th Apartments, completed in 2015 which include 120 apartments, 30 of which are available to households with incomes up to 80% of the Area Median Income.
- Batik (Vulcan Real Estate), which includes 195 apartments, 39 of which will be available to households with incomes up to 80% AMI was completed in Q1 2018. Batik also includes ground-floor retail that serves the entire neighborhood and a community kitchen, where potlucks and cooking classes will be hosted for the entire neighborhood.
- Cypress (Vulcan Real Estate) began construction in third quarter of 2017 with 237 apartments, 48 of which will be available to households with incomes up to 80% of Area Median Income. This development will also include substantial retail space to serve the neighborhood. Completion is expected in Q1 2019.
- Modera First Hill (Mill Creek), 290 apartments, 77 of which will be available to households with incomes up to 80% of the Area Median Income is in the design and permitting phase. The project is expected to be complete in Q2 2020.
- Lowe Phase 1 (330 apartments) and Phase 2 (214 apartments), located on Block 5b, is currently in design. These projects total 510 apartments, 136 of which will be available to households with incomes up to 80% of the Area Median Income. Phase 1 is expected to be complete in Q4 2020, with Phase 2 completion expected in Q2 2020

Hoa Mai Gardens with 111 low-income apartments opening in 2017 and was fully leased by 1stQ 2018. In the lower right corner above is the entry to the Hillclimb.

Residents are partners in open space and housing design with easy access to information and a transparent open process.

- All of the design teams for SHA and our private developers have presented, sought, and incorporated community input from Yesler Terrace Community Council meetings.
- The Yesler Terrace Park and the Fir St. Pocket Park underwent a collaborative design with Yesler residents, the Design Commission
and other stakeholders. Both are expected to open for public enjoyment in 2018.
- Updates on design and construction of housing and infrastructure at Yesler Terrace provided regularly as requested by the Yesler Terrace Community Council.



Yesler Neighborhood Wayfinding System being installed near the Hillclimb

The rooftop of Hoa Mai Gardens, showing solar panels used to pre-heat water for the building.

Next Steps for Yesler -- 2018

The funding secured to date will allow Seattle Housing Authority to progress with developing affordable housing for a variety of incomes, complete the necessary infrastructure work and utility replacements, and provide important amenities and services to the community. Community members will have ongoing opportunities to provide input as the planning and implementation process progresses on the redevelopment and continuity of supportive services. The year 2018, will be significant in that residents will have increasing access to public spaces such as Yesler Terrace Park, Yesler Urban Farm, Off-leash area, the Fir Street Pocket Park, and the completed Pedestrian Pathway. Progress planned for 2018 includes:

Education

- Continue to partner with Seattle University in 2018 as lead for an Education Collaborative, summer education planning, and strategic planning for 2019 and beyond.
- With Seattle University, implement strategies on ways to increase educational outcomes for children at Yesler.

- Continue SHA Specialist to support Yesler's students, with education-related coaching.
- Maintain on-site after-school tutoring for Yesler students.
- Continue services to provide social/emotional support, academic, and wrap around services for Yesler students attending Garfield High School.

Health

- Continue Community Health Workers health services for residents, including connecting residents to a medical home, wellness activities, and performing the Yesler needs assessment.
- As new buildings open, expand the Breathe Easy Program to help reduce indoor environmental toxins and improve the health of the residents.
- Continue to partner with Public Health to evaluate the impact of the redevelopment on Community Health at Yesler.

Economic Opportunity

- Through JobLink serve 260 Yesler area SHA residents with career and education support and place over 100 residents in employment.
- Provide ten Yesler youth an opportunity and stipend to help plan, design, and implement a community mural located on the Yesler Community Center.
- Integrate planning for summer programming with area education partners to serve over 100 youth.
- Provide residents with coaching, navigation, and placement for education and employment resources to help them find a job and/or receive training.

Neighborhood

- Open Yesler Terrace Park and the Fir Street Pocket Park for public enjoyment.
- Install community inspired art on "Green Street Loop" including Community Table, Grove sculpture, Flowers and more.
- Complete the Pedestrian Pathway connecting Harborview and Little Saigon through Yesler.
- Begin to activate WADOT right-of-way with the Yesler Urban Farm on one end and an off-leash dog area on the other.
- Begin installing Yesler's wayfinding system to be completed over next few years.

Housing

- Continued construction by SHA of Red Cedar (119 apartments)
- Design and permitting of Hinoki by SHA (126 apartments)
- Selection of non-profit partner for affordable housing and childcare center at Yesler and 13th
- Leasing of Batik by Vulcan Real Estate (195 apartments)
- Continued construction of Cypress by Vulcan Real Estate (237)
- Construction of Modera by Mill Creek Residential (290 apartments)
- Design and permitting of Lowe (510 apartments)

Awards and Recognition

During 2017, the Housing Authority of the City of Seattle and its residents received or continued distinctions and recognitions, including:

2018 Awards

- ***2018 Urban Soccer Symposium Innovation Award from U.S. Soccer Foundation***

  The Seattle Housing Authority's Yesler Redevelopment has been awarded the 2018 Urban Soccer Symposium Innovation Award from the U.S. Soccer Foundation, the national model for sports-based youth development programs in underserved communities. SHA earned the award for utilizing an imaginative approach and original programming to create positive social change in underserved communities, including collaborative efforts with RAVE Foundation and Sounders FC to integrate soccer into the cultural framework of the historic downtown Seattle neighborhood.

2017 Awards

- ***2017 Washington Alliance of School Administrators (WASA), Community Leadership Award***

  WASA presents this award annually to a community member or group in recognition of their outstanding contributions toward education. Seattle Housing Authority (SHA) and Seattle University (SU) were recognized for their work in the Choice Neighborhood collaborative, a regional collective-impact initiative centered on the redevelopment Yesler Terrace. SHA and SU partner with local organizations and nonprofits to create a cradle-to-career pipeline of learning resources for children and youth to significantly improve high school and college graduation rates.

- ***2017 Seattle Commute Trip Reduction Awards, Bronze***

  Seattle Housing Authority received the Bronze award from the City of Seattle for its progress towards reducing employee drive-alone rates, providing innovative and comprehensive commuter programs to their employees, and showing high levels of engagement with the program and their peers.

- ***2017 HUD Secretary's Award for Public-Philanthropic Partnerships***

  The Council on Foundations, in partnership with the U.S. Department of Housing and Urban Development, recognized the Bill & Melinda Gates Foundation with the HUD Secretary's Award for Public-Philanthropic Partnerships. The award honored the partnerships between the Bill & Melinda Gates Foundation, the Council of Large Public Housing Authorities, King County Housing Authority, Tacoma Housing Authority, and Seattle Housing Authority.

- ***Seattle Housing Authority's Raven Terrace named Nation's Best Public Housing Redevelopment***

  Raven Terrace, the Seattle Housing Authority's second new residential building at Yesler, was named the best public housing redevelopment in Affordable Housing Finance magazine's 2017 Readers' Choice Awards for the Nation's Best Affordable Housing Developments.

- ***Seattle Housing Authority gets top award for financial reporting***

  The Seattle Housing Authority was awarded a Certificate of Achievement for Excellence in Financial Reporting in 2017 by the Chicago-based Government Finance Officers Association of the United States and Canada. In a statement, GFOA said the Certificate of Achievement for SHA's 2016 Comprehensive Annual Financial Report "is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment." This was the 20th consecutive year that SHA has won this coveted recognition.

- ***Seattle Public Schools Outstanding Partnership award***

  Seattle Housing Authority received an Outstanding Partnership award in 2017 from Seattle Public Schools for its innovative approach in supporting students at school and at home to reach their educational goals.

- ***Credit Rating Renewed***
  Seattle Housing Authority's entity credit rating of "AA" from Standard and Poor's (S&P) under their international rating criteria for housing authorities/social housing in the U.S. and Europe was again confirmed with a stable outlook in 2017. Double A is the highest U.S. housing authority rating by S&P and it is held by five housing authorities, including SHA.

- ***SHA Remains HUD High Performer***
  SHA was designated a high performing agency in 1993 under HUD's Public Housing Management Assessment Program (PHMAP). As a result, the Authority became one of six original participants under contract with HUD in its Moving to Work (MTW) Demonstration Program. SHA has retained this designation through 2017.

- ***SHA's Higher Education Project (HEP)***
  Each year, Seattle Housing Authority's Higher Education Project (HEP) Committee awards a minimum of two $1,000 scholarships from the Campus of Learner's Dream Big! Scholarship fund to SHA public housing residents and SHA Housing Choice Voucher Program (Section 8) participants who would like to attend college on a full-time basis in the next academic year. SHA is proud to recognize the 2018 Dream Big! Scholars, all of whom have demonstrated great persistence, strength of character and growth through their high school and college careers.

  SHA's 2018 Dream Big! Scholarship recipients are:

Aleesha Gray	Jackson Park Village	Nathan Hale HS
Denisse Lopez	HCV	UW Bothell
Destiny Cleary	HCV	Seattle Pacific University
Dureti Jamal	Rainier Vista	Boston University
Filsan Abdisatar	Yesler	Garfield HS
Furtuna Tekle	Meadowbrook View (PBV)	Nathan Hale HS
Nhi Chau	New Holly	UW Seattle
Teha Robele	New Holly	Rainier Beach HS
Yuhaniz Aly	New Holly	Cleveland HS

Acknowledgments

The preparation of this letter has been accomplished through the hard work of the Finance Department accountants and the support of other staff members throughout the Seattle Housing Authority. A special thanks to Janet Hayes, Seattle Housing Authority's Controller, whose talents, dedication and oversight of strong internal controls are largely responsible for more than two decades of Awards of Excellence in Financial Reporting from the Government Finance Officers Association and consistently unmodified opinions on SHA's Financial Statements by our independent auditors. We wish to thank, as well, the management and staff of KPMG LLP and Francis & Company PLLC who provided the necessary professional auditing services and technical assistance in conducting the independent audit of the Authority.

I would also like to take this opportunity, on behalf of the staff and residents of the Seattle Housing Authority, to acknowledge the members of the Board of Commissioners for their tireless support and guidance.

Respectfully submitted,

Andrew J. Lofton
Executive Director

cc: SHA Cabinet members
SHA Public Website

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Principal Officials

Commissioners as of December 31, 2017

Name	Term expires
Deborah Canavan Thiele, Chair	March 20, 2021
Emily Abbey, Commissioner, Vice Chair	March 20, 2019
Ahmed Abdi, Commissioner	October 1, 2018
Zachary DeWolf, Commissioner	December 1, 2018
Paula Houston, Commissioner	March 20, 2020
David Moseley, Commissioner	March 19, 2019
Jermaine Smiley, Commissioner	December 1, 2018

Administrative Staff

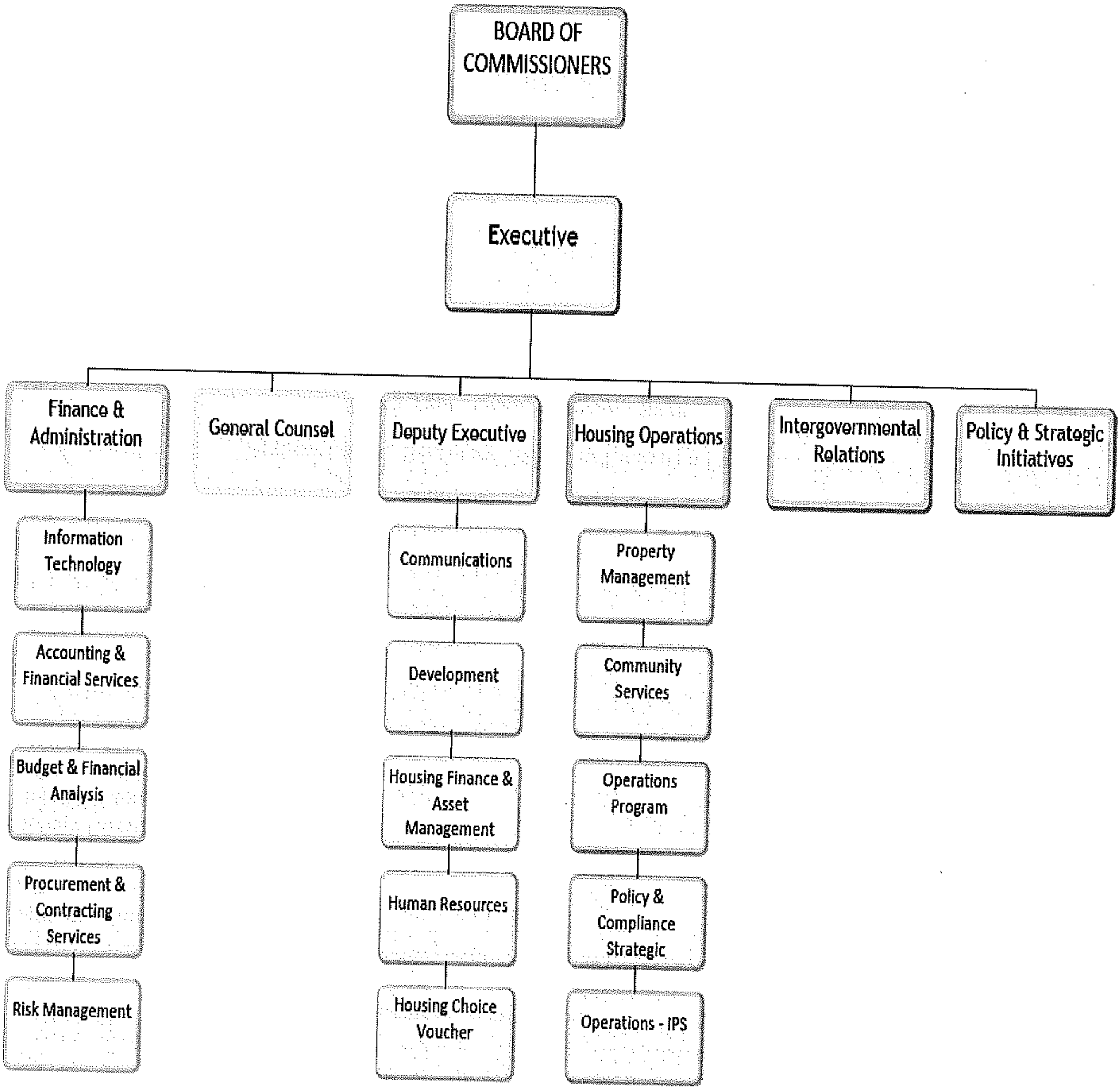
Andrew Lofton, Secretary-Treasurer/Executive Director

Shelly Yapp, Chief Financial Officer

Janet Hayes, Controller

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Organization Chart



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Housing Authority of the City of Seattle

Washington

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

Executive Director/CEO

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THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Financial Section

Section II

KPMG

KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Board of Commissioners
The Housing Authority of the City of Seattle, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of The Housing Authority of the City of Seattle, Washington (the Authority), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of the Authority, which represent 100% of the total assets, total liabilities, total net position, total revenues and total expenses of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Housing Authority of the City of Seattle, Washington,

KPMG

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 U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 14, and the required supplementary information related to the pension plans on page 89, 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 Authority's basic financial statements. The cost certificates for projects WA19R001502-13 and WA0A001CNI110 and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The cost certificates for projects WA19R001502-13 and WA0A001CNI110 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the cost certificates for projects WA19R001502-13 and WA0A001CNI110 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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 the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

KPMG LLP

Seattle, Washington
May 25, 2018

Overview of the Financial Statements

The Housing Authority of the City of Seattle, Washington (the Authority) is pleased to present its basic financial statements as of and 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 (balance sheet); the statement of revenues, expenses, and changes in net position; and the statement of cash flows. In addition, GAAP requires the inclusion of this management's discussion and analysis (MD&A) section as required supplementary information.

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 provided for 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 and amortization, are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of the Authority are included in the statement of net position.

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance for the primary government during the year ended December 31, 2017, with comparative data for the year ended December 31, 2016. Please read this section in conjunction with the transmittal letter in the introductory section of this report and the Authority's basic financial statements, which immediately follow this section.

Financial Highlights

- Assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources at December 31, 2017 by $562.5 million (net position), representing an increase of $45.1 million over 2016. Unrestricted net position of $271.1 million at the end of the year represents committed, assigned, and unassigned funds that may be used to meet the Authority's ongoing obligations.
- Unrestricted cash and investments makes up $101.0 million of the Authority's net position at the end of 2017, which reflects $45.2 million in longer term commitments adopted by the Board of Commissioners, $14.0 million in assigned funds designated by the Authority's Financial Policy Oversight Committee, and $41.8 million in unassigned funds that make up the Authority's Operating Reserves. By Board policy, the Operating Reserve is to be maintained at a minimum of one month and a maximum of six months of average monthly operating expenses plus 1/12th of principal debt service requirements. The Authority's Operating Reserve at the end of 2017 represented approximately two months and 14 days (based on 20 business days in the month) of average monthly expenses and principal debt service.
- Total net position increased by $45.1 million, which is an increase of 23.5% over the 2016 increase in net position of $36.5 million. Operating revenues increased by $24.2 million and capital contributions decreased by $3.4 million in 2017 compared to 2016, while operating expenses increased by $12.8 million and net nonoperating revenue increased by $0.5 million compared to 2016.

- The Authority's current ratio that measures liquidity increased during the year from 3.3 to 4.2. Current assets increased by $4.1 million as a result of an increase of $10.9 million in receivables from component units and an increase of $3.2 million in receivables from HUD which was offset by lower cash and investments balances. In addition, current liabilities decreased due to a reduction in unearned revenue which was offset by an increase in short term borrowings compared to 2016.
- Long-term notes receivable increased from $248.5 million to $271.2 million. The Authority has made loans to its component units that are redeveloping housing communities under the Choice Neighborhoods Implementation grant and using Low Income Housing Tax Credit mixed financings. The largest change in long-term notes receivable from 2016 to 2017 resulted from the additions of loans made to limited partnerships for developments at Yesler Terrace and loans made to the new West Seattle Affordable Housing, LLLP (West Seattle Properties) for substantial rehabilitation at Wisteria Court, Longfellow Creek and Roxhill Court.
- The Authority's total debt decreased from $88.3 million to $71.4 million during the current reporting period. The reduction stemmed primarily from the payoffs of homeWorks phase III bonds, NewHolly phase I bonds as well as the borrowings for Wisteria Court, Longfellow Creek and Roxhill Court which were transferred to the new West Seattle Properties in December, 2017. As a result, the percentage of total debt to net capital assets decreased from 27.7% at December 31, 2016 to 22.2% at December 31, 2017.

Financial Analysis

Statement of Net Position

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. It presents end-of-year data for assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (assets and deferred outflows of resources, minus liabilities and deferred inflows of resources). Also shown is the sum of total liabilities, net position, and deferred inflows of resources which equals total assets and deferred outflows of resources.

Total assets of the Authority at December 31, 2017 and 2016 amounted to $776.6 million and $729.2 million, respectively, an increase of 6.5%. The significant components of current assets are short-term investments, receivables from component units, and restricted cash. The significant components of noncurrent assets are long-term investments, capital assets, receivables from component units, and notes receivable. Capital assets include land, land improvements, leasehold improvements, structures, construction in progress, and equipment. All capital assets except for land and construction in progress are shown net of accumulated depreciation. The primary reasons for the increase were an increase in noncurrent cash and investments of $17.8 million and an increase in long term notes receivable of $22.7 million. Due to favorable interest rates, the Authority increased its proportion of longer term investments. Additionally, the increase in long term notes stemmed primarily from loans made to the new West Seattle Properties.

Total liabilities of the Authority were $214.0 million and $217.2 million at December 31, 2017 and 2016, respectively, representing a decrease of 1.5%. Current liabilities include accounts payable, accrued liabilities, unearned revenue, current portion of long-term debt, and short-term borrowings. In December of 2016, $7.7 million of unearned income was attributable to Section 8 subsidy received in advance for January of 2017. No similar amount was received in 2017. Other significant changes in current liabilities were an increase in short term borrowings of $6.6 million which was partially offset by a decrease in current portion of long term borrowings of $4.8 million. Noncurrent liabilities are primarily made up of unearned revenue and the long-term portion of the notes and bonds payable. Noncurrent liabilities increased by approximately $3.1 million as a result of increases in unearned revenue of $28.4 million from new component unit leases. This increase was partially offset by a decrease of $7.2 million in net pension liability and a decrease of $18.3 million in long-term borrowings.

Deferred outflows of resources primarily relate to contributions made by the Authority subsequent to the measurement date of the net pension liability and differences between expected and actual experience, and the deferred inflows of resources primarily relate to the difference between projected and actual earnings on plan investments. In 2017, SHA's proportionate share of pension related deferred outflows decreased by $1.8 million and pension related deferred inflows increased by $3.7 million.

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, structures, construction in progress, and equipment, net of related capital debt outstanding. The next net position category is restricted net position; this shows the amounts subject to external restriction, which is primarily amounts reserved to service debts until they mature. Other restricted purposes include legal agreements related to obligations to the Authority's limited partnerships. The last category is unrestricted net position; these funds are available to use for any lawful and prudent purpose of the Authority. Unrestricted net position increased by 4.4%, or $11.4 million during the year from $259.7 million to $271.1 million. This was primarily the result of increases in operating revenues.

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Management's Discussion and Analysis (Unaudited)

December 31, 2017

Condensed Statement of Net Position

(In thousands)

	December 31 2017	December 31 2016
Assets:		
Current assets, net	$ 126,216	122,106
Noncurrent cash and investments	32,188	14,351
Capital assets, net	321,000	317,608
Notes receivable, long-term, net	271,194	248,471
Other noncurrent receivables and other	26,053	26,665
Total assets	776,651	729,201
Pension related deferred outflows of resources	4,095	5,930
Total assets and deferred outflows of resources	780,746	735,131
Liabilities:		
Current liabilities	30,224	36,532
Noncurrent liabilities	183,751	180,621
Total liabilities	213,975	217,153
Pension related deferred inflows of resources	4,312	607
Net position:		
Net investment in capital assets	258,800	242,874
Restricted	32,548	14,809
Unrestricted	271,111	259,688
Total net position	562,459	517,371
Total liabilities and net position	776,434	734,524
Total liabilities, net position and deferred inflows of resources	$ 780,746	735,131

Statement of Revenues, Expenses, and Changes in Net Position

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 non-operating 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 and to provide supportive services to the tenants of the Authority. Non-operating revenues are revenues earned for which goods and services are not provided, for example, interest income. Capital contributions represent revenues earned from HUD for public housing capital repairs and rehabilitation and grants under the Choice Neighborhood Implementation.

The statement of revenues, expenses, and changes in net position, which follows this section, reflects the year ended December 31, 2017 compared to the year ended December 31, 2016. Overall, operating revenues increased by approximately 11.9% or $24.2 million from 2016 to 2017 and operating expenses increased by 7.0% or approximately $12.8 million for the year; net nonoperating revenues increased by 235% or approximately $0.5 million; and capital contributions decreased approximately 22.2% or $3.4 million. Net position increased in 2017 by approximately $45.1 million. Explanations of principal reasons for these changes follow.

The primary reason for favorable increases in operating revenues was a result of $20.4 million in proceeds from land sales at High Point and Yesler Terrace. These proceeds are primarily dedicated to the continuing redevelopment efforts at Yesler Terrace. In addition, the Authority experienced increases in operating subsidies and housing assistance payments of approximately 2.7% or $4.2 million. Income from tenant rentals decreased from 2016 to 2017 by $1.3 million or 5.6%. NewHolly Phase I units were transferred to a limited partnership late in 2016 for the purpose of embarking on a major rehabilitation of the community's units which reduced rental income by $2.1 million. Were it not for this transfer from SHA to its component unit, SHA tenant revenues would have shown an increase from 2016.

The most significant increase in operating expenses was the increase in housing assistance payments expense of $9.1 million or 10.3%. Housing assistance payments increased due to slightly higher utilization, but primarily to the phasing in of higher voucher payment standards compared to 2016. This effect will continue into 2018.

Net non-operating revenues (expenses) increased by approximately $0.5 million during the year. Interest expense was reduced compared to 2016 due to reductions in long-term debt in 2017 and 2016. Additionally, in 2017, the Authority reported increases in interest income from limited partnerships of approximately $3.0 million which was offset by losses on limited partnerships of $3.4 million. The Authority recognized interest income due from Desdemona and Escallonia partnerships which offset a loss of approximately $2.8 million on Escallonia limited partnership, when the limited partner exited the partnership in June, 2017.

Capital contributions for the year ended December 31, 2017 were made up of $9.8 million from HUD capital grants and $2.0 million from the Choice Neighborhoods grant, which is one of the funding sources for Yesler Terrace redevelopment.

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Management's Discussion and Analysis (Unaudited)

December 31, 2017

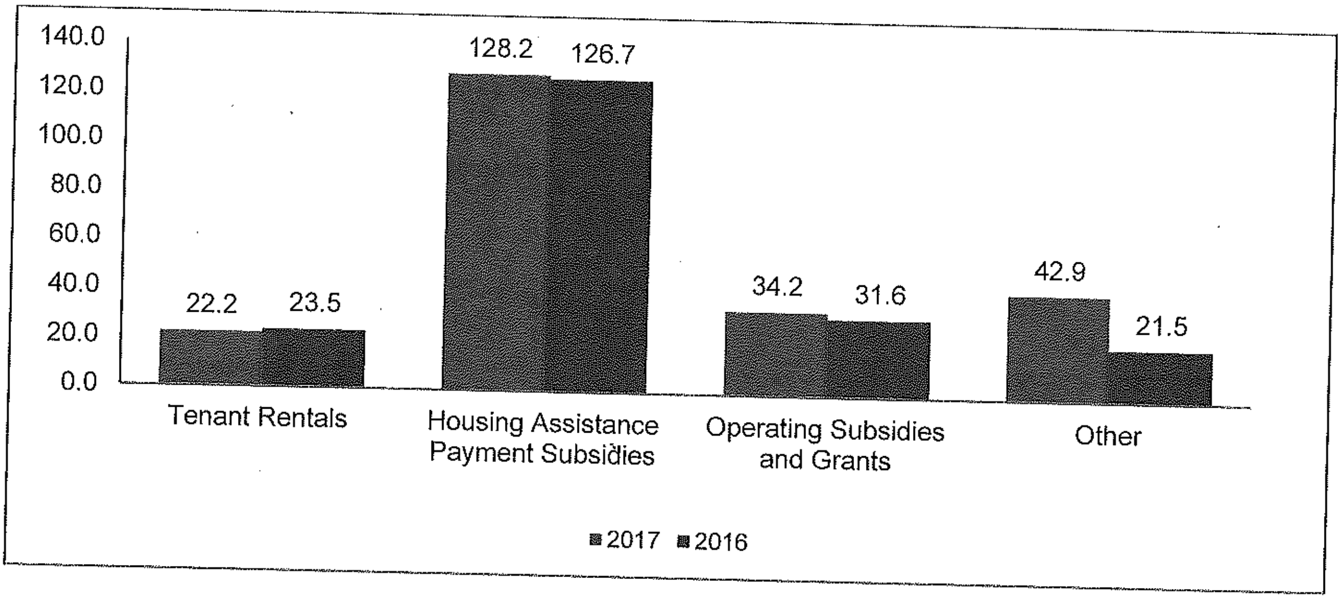
Statement of Revenues, Expenses, and Changes in Net Position

(In thousands)

	Year ended December 31	
	2017	**2016**
Operating revenues:		
Tenant rentals	$ 22,223	23,540
Housing assistance payment subsidies	128,201	126,672
Operating subsidies and grants	34,151	31,642
Other	42,966	21,452
Total operating revenues	227,541	203,306
Operating expenses:		
Housing operations and administration	53,387	51,949
Tenant services	4,695	4,879
Utility services	5,624	6,062
Maintenance	19,977	18,553
Housing assistance payments	97,660	88,541
Other	3,773	2,585
Depreciation and amortization	9,455	9,231
Total operating expenses	194,571	181,800
Operating income	32,970	21,506
Nonoperating revenues (expenses):		
Interest expense	(3,124)	(3,980)
Interest income	6,970	3,948
Insurance proceeds, net	—	1,158
Change in fair value of investments	(119)	(33)
Loss on investment in limited partnerships	(3,443)	(1,230)
Loss on disposition of assets	—	(73)
Net nonoperating revenues (expenses)	284	(210)
Change in net position before capital contributions	33,254	21,296
Capital contributions	11,834	15,222
Change in net position	45,088	36,518
Total net position, beginning of year	517,371	480,853
Total net position, end of year	$ 562,459	517,371

Operating revenues are shown in detail in the chart below:

Operating Revenues – 2017 and 2016



Dollars (in millions)

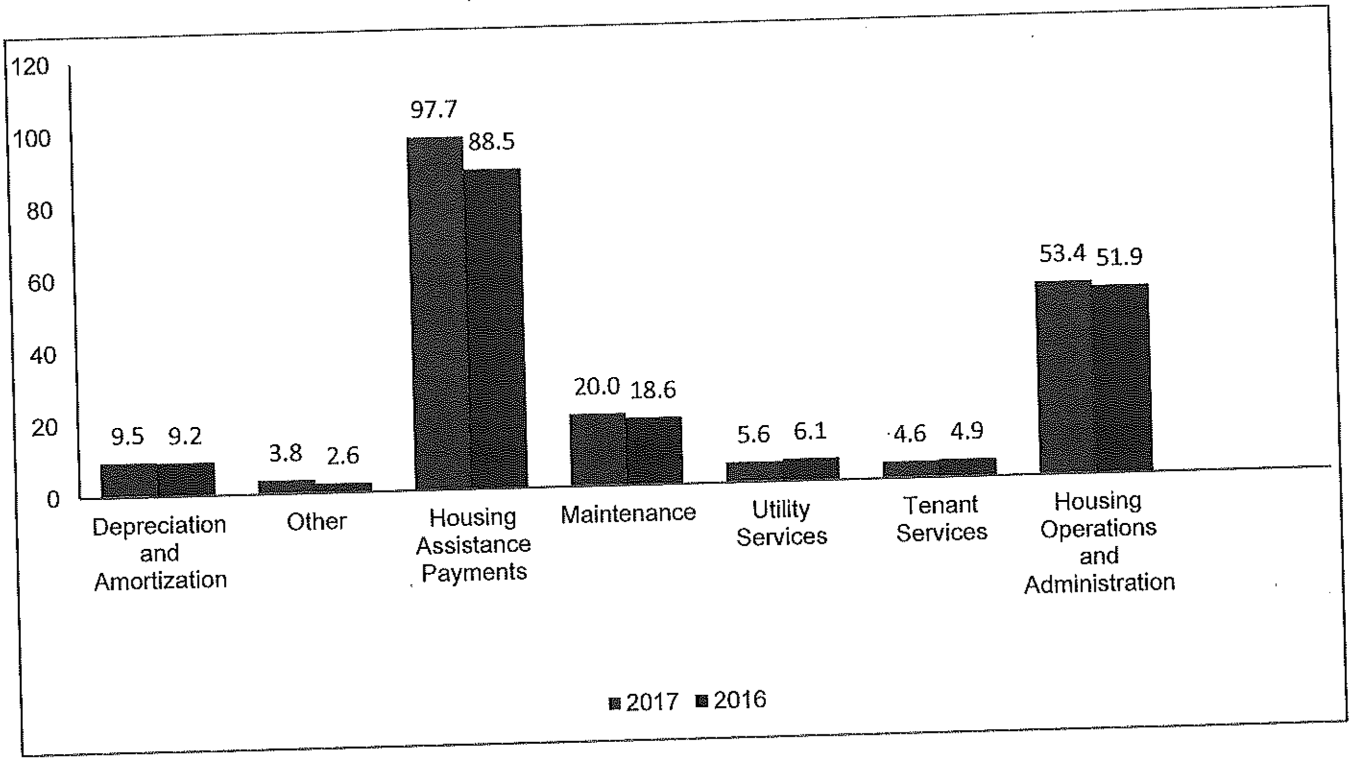
THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Management's Discussion and Analysis (Unaudited)

December 31, 2017

Operating expenses are shown in detail in the chart below:

Operating Expenses – 2017 and 2016



Dollars (in millions)

Capital Asset and Debt Administration

The Authority increased capital assets, net, during the year ended December 31, 2017 by approximately $3.4 million.

The table below shows the Authority's capital assets, net of accumulated depreciation and amortization, at December 31, 2017 and 2016 (in thousands):

		2017	2016
Land	$	62,472	63,391
Land improvements		36,456	37,389
Structures		173,815	175,681
Leasehold improvements		568	259
Equipment		2,619	2,350
Construction in progress		45,070	38,538
Total capital assets, net	$	321,000	317,608

Construction in progress increased during the year as a result of redevelopment activities at Yesler Terrace and improvements under the MTW capital grant program.

The following schedule shows the significant components of the construction in progress as of December 31, 2017 and 2016 (in thousands):

		2017	2016
Modernization funds – Capital grants	$	6,683	3,615
Modernization funds – Choice neighborhood grant		3,538	3,530
Yesler Terrace Infrastructure		30,431	27,485
Other programs		4,418	3,908
Total construction in progress	$	45,070	38,538

Note 5 to the Authority's basic financial statements provides additional detail regarding the changes in capital assets during the year ended December 31, 2017.

The table below shows the Authority's outstanding debt at December 31, 2017 and 2016 (in thousands):

		2017	2016
Short-term borrowings	$	7,490	1,129
Notes payable		32,730	36,949
Bonds payable		31,200	50,175
Total debt outstanding	$	71,420	88,253

Total debt outstanding decreased by $16.8 million from December 31, 2016 to 2017. The Authority increased short-term borrowings by $6.4 million as a result of new borrowings on both the taxable line of credit and the operating line of credit in order to repay bonds for the Desdemona partnership which dissolved on January 1, 2018 and to repay bonds for NewHolly Phase II which was paid off on January 1, 2018.

Notes 6 and 7 to the Authority's basic financial statements provide additional detail regarding the debt changes during the year ended December 31, 2017.

The Authority maintained an entity credit rating from Standard & Poor's Rating Services under their international rating criteria for housing authorities/social housing in the United States and Europe of 'AA' with a stable outlook.

Federal Funding Support to the Authority

Federal appropriation levels for HUD programs, such as Section 8 Housing Choice Voucher Program and Section 9 Public Housing Operating Subsidies, and the various capital programs continue to have a major impact on the Authority's budget. Federal housing dollars make up the largest source of operating revenue for the Authority and the principal source of funding for public housing capital. During 2017, the Authority earned $162.4 million in federal dollars for its operating programs and $11.8 million for its capital projects. In addition, federal financial support from HUD has been an important source of seed money and leverage funding for acquiring or developing a majority of the Authority's $321.0 million of capital assets as of December 31, 2017.

The Authority has been engaged for more than 20 years in the redevelopment of the Authority's family communities and 24 of the Authority's 25 public housing high rises. The Authority has relied with great success on public and private mixed-financings to achieve the modernization of a substantial portion of its portfolio. The mixed-financings at these properties have used federal HOPE VI funds, Choice Neighborhoods Implementation grants, American Recovery and Reinvestment Act funds, Public Housing capital grant funds, MTW block grant funds, and other competitive awards of federal capital funds to leverage tax credit partnership equity, grants from state and local government, equity contributions from the Authority, proceeds from sale of land, and issuances of bonds to finance the completion of these projects.

The federal government has been a principal source of funds for low-income housing operations, maintenance and capital since the enactment of the National Housing Act of 1937 (Act). While the level of federal support of public housing has ebbed and flowed with different administrations and Congresses over the decades, there is a history of federal financial support for low-income housing that dates from the Act and continues to the present, a commitment of 80 years.

The Authority has successfully weathered the challenges to date of federal budget reductions 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. This has been done by investing in cost saving measures and changing our business practices to increase our efficiency with limited impacts on tenants and on participants' services. This did not come without a price. The Authority reduced its full-time staffing by more than 100 positions, an 18% cut in staff from 2010 through 2013. There was no avoiding a service impact of this level of cuts – response times for service increased; some maintenance tasks moved from annual to biennial – like window washing; caseloads increased for property management and rental voucher staff; and for a period rental assistance vouchers were not being issued to people on the waitlist.

Since the early years of sequestration, Congress has acted to moderate its impact with successive two-year bipartisan agreements that modestly increased the spending ceilings. While the Authority's staffing remains about

30 positions below the 2010 level today, our investments in technology and other labor savings changes has resulted in improved service and response times for tenant services and higher employee productivity. The Authority has continued throughout to serve more people each year and no low income people lost their housing with the Authority as a result of federal cuts.

Congress enacted a reprieve from Sequestration for 2015 and 2016, and as a result the Authority experienced improvements in federal funding through 2017. By the end of the 1st quarter 2018, Congress and the President had signed the Bipartisan Budget Act of 2018 and the Consolidated Appropriations Act, 2018, completing passage of the 2018 federal budget. This Bipartisan Budget Act, unlike earlier ones, made substantial increases in the spending ceilings, raising the non-defense discretion budget ceiling by $63 billion and $69 billion or 12-13% for 2018 and 2019 respectively. The agreement also increased defense discretionary ceilings by $80 billion, more than 15%. The Authority estimates we will receive healthy increases in federal low income housing support (though not back to pre-2011 levels) for 2018.

While the near term future is positive for federal funding of low income housing and community development, the longer term federal budget and political landscape is more uncertain. Two actions of the Congress and the President over the past six months are expect to add substantially to the budget deficit – the Tax Cut and Jobs Act is projected to reduce tax revenues by $1.5 trillion dollars over the next ten years; and, the Bipartisan Budget Act of 2018 increases discretionary spending authority by $153 billion in 2018 and $153 billion in 2019 over the previous ceilings. As baby boomers continue to join the ranks of the retired; as making meaningful changes to mandatory programs eludes Congress and the President; and, as there seems to be little appetite for increasing federal revenues, we can only expect growing federal deficits.

Local Housing Market Outlook

The condition of the local housing market and economy affect the Authority in three different roles: as a developer of low income housing; as a landlord that operates and maintains our own low income housing communities; and, as a participant in the private rental housing market as the provider of rental assistance to tenants who qualify for housing vouchers they use to secure affordable housing in the private sector.

Beginning in 2014, the Authority has experienced both the upsides and downsides of the "hot" housing market in Seattle. We have had success in completing sales of remaining properties in our redeveloped communities of High Point and Rainier Vista. This will assure completion of the private sector side of the mixed income developments of housing and commercial properties in these communities. In the Yesler Terrace redevelopment, the Authority is experiencing, along with all other developers, construction cost increases that challenge our development assumptions and budgets. On the flip side, we are benefiting at Yesler Terrace from land appreciation in sale of blocks for private residential development.

Perhaps of most concern is that many low income households who qualify for rental assistance vouchers are finding the private rental stock in Seattle unaffordable to them, despite a more than 32 percent increase in the Voucher Payment Standard in 2015-2016. While we have seen some improvements in leasing success, the continuing increases in the rental prices, though moderating, reduce the buying power of the voucher and the supply of units accessible. While the market seems to have softened in the vacancy rates have creeped up, they are still hovering around 3% and the units that are most affordable to low income people tend to have the lowest vacancies. It remains difficult, especially for families, to find affordable rental opportunities in Seattle.

The Authority has extended the time period for lease up from 60 to 180 days and we are considering extending the time for shopping further; we continue efforts to support voucher holders with housing search assistance, 1st and last month and security deposit assistance, mitigation funds for landlords in the event of tenant property damages, and increased housing counseling to help participants address the affordability crisis. SHA is also assessing alternative increases in voucher rental assistance payment levels and undertaking measures to bring more private landlords into the voucher program.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information presented in this report or requests for additional information should be addressed to Janet Hayes, Controller, at 190 Queen Anne Ave North, Seattle, WA 98109, or by e-mail at janet.hayes@seattlehousing.org.

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BASIC FINANCIAL STATEMENTS

Exhibit A-1

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Statement of Net Position

December 31, 2017

Assets and Deferred Outflows of Resources		**Primary government**	**Component units**
Current assets:			
Cash and cash equivalents	$	8,026,808	6,244,133
Restricted cash		14,051,002	21,842,734
Investments		77,646,216	112,179
Accounts receivable:			
Tenant rentals and service charges		512,890	580,924
Other		2,510,444	1,971
Due from:			
Other governments		5,221,904	—
Primary government		—	273,894
Component units		5,994,127	
Inventory and prepaid items		916,128	1,100,693
Restricted investments		4,738,277	—
Unamortized charges		176,338	1,153,302
Notes receivable		29,020	—
Notes receivable from component units		5,917,128	—
Assets held for sale		476,173	—
Total current assets		126,216,455	31,309,830
Noncurrent assets:			
Investments		15,366,010	—
Cash restricted for long-term purpose		4,087,244	27,192,692
Restricted investments		12,734,620	5,823
Due from component units (net of allowance of $19,280,719)		19,427,898	—
Assets held for sale		592,001	—
Other		6,032,779	4,134,542
Capital assets:			
Land		62,471,758	5,099,274
Land improvements		44,238,796	28,293,998
Leasehold improvements		1,386,757	—
Structures		400,442,923	516,614,280
Equipment		19,144,394	10,012,401
Construction in progress		45,069,608	31,544,356
Less accumulated depreciation and amortization		(251,754,511)	(121,684,255)
Capital assets, net		320,999,725	469,880,054
Notes receivable, less current portion (net of allowance of $5,490,049)		13,062,754	—
Notes receivable from component units, less current portion (net of allowance of $6,663,385)		258,131,169	—
Total noncurrent assets		650,434,200	501,213,111
Total assets		776,650,655	532,522,941
Pension related deferred outflows of resources		4,094,960	—
Total assets and deferred outflows of resources	$	780,745,615	532,522,941

(Continued)

Exhibit A-1

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Statement of Net Position

December 31, 2017

Liabilities, Deferred Inflows of Resources and Net Position	Primary government	Component units
Current liabilities:		
Accounts payable:		
Vendors and contractors	$ 10,581,759	8,547,675
Other	1,725,000	218,362
Accrued liabilities	4,139,395	5,189,216
Due to component units	273,894	—
Due to primary government	—	5,994,127
Security deposits	1,294,813	1,645,447
Short-term borrowings	7,490,287	—
Short-term borrowings from primary government	—	5,833,528
Current portion of long-term debt from primary government	—	83,600
Current portion of long-term debt	1,056,309	1,393,042
Unearned revenue	3,661,942	95,005
Total current liabilities	30,223,399	29,000,002
Noncurrent liabilities:		
Due to primary government	—	38,708,617
Unearned revenue	89,271,735	—
Long-term payables and liabilities	802,641	104,521
Long-term debt, less current portion:		
Notes payable to primary government	—	263,515,363
Notes payable	32,408,594	67,575,156
Bonds payable	30,465,000	74,205,135
Accrued compensated absences	2,678,976	371,447
OPEB liability	1,838,000	—
Net pension liability	26,285,895	—
Total noncurrent liabilities	183,750,841	444,480,239
Total liabilities	213,974,240	473,480,241
Pension related deferred inflows of resources	4,312,299	—
Total liabilities and deferred inflows of resources	218,286,539	473,480,241
Net position:		
Net investment in capital assets	258,799,822	57,245,374
Restricted	32,548,011	20,203,462
Unrestricted (deficit)	271,111,243	(18,406,136)
Total net position	562,459,076	59,042,700
Total liabilities, deferred inflows of resources and net position	$ 780,745,615	532,522,941

See accompanying notes to basic financial statements.

Exhibit A-2

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Statement of Revenues, Expenses, and Changes in Net Position

Year ended December 31, 2017

	Primary government	Component units
Operating revenues:		
Tenant rentals	$ 22,223,467	36,644,253
Housing assistance payment subsidies	128,201,000	—
Operating subsidies and grants	34,150,522	—
Other	42,965,995	1,618,524
Total operating revenues	227,540,984	38,262,777
Operating expenses:		
Housing operations and administration	53,387,373	10,036,161
Tenant services	4,695,275	—
Utility services	5,623,438	5,747,691
Maintenance	19,977,187	8,832,101
Housing assistance payments	97,660,333	—
Other	3,772,810	3,171,039
Depreciation and amortization	9,454,919	14,325,744
Total operating expenses	194,571,335	42,112,736
Operating income (loss)	32,969,649	(3,849,959)
Nonoperating revenues (expenses):		
Interest expense	(3,124,286)	(9,120,125)
Interest income	6,970,057	63,516
Change in fair value of investments	(118,927)	603,890
Loss on investment in limited partnerships	(3,442,579)	—
Net nonoperating revenues (expenses)	284,265	(8,452,719)
Change in net position before contributions	33,253,914	(12,302,678)
Contributions:		
Capital contributions	11,833,838	—
Partners' contributions	—	11,764,342
Total contributions	11,833,838	11,764,342
Change in net position	45,087,752	(538,336)
Total net position at beginning of year	517,371,324	59,581,036
Total net position at end of year	$ 562,459,076	59,042,700

See accompanying notes to basic financial statements.

Exhibit A-3

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Statement of Cash Flows

Year ended December 31, 2017

	Primary government
Cash flows from operating activities:	
Receipts from residents	$ 22,270,035
Receipts from other sources	70,686,214
Operating grants and subsidies received	153,394,206
Advances to affiliates	(3,176,526)
Payments to vendors	(56,595,532)
Housing assistance payments	(97,660,334)
Payments for salaries and benefits	(32,090,434)
Net cash provided by operating activities	56,827,629
Cash flows from capital and related financing activities:	
Capital contributions	9,323,191
Acquisition and construction of capital assets	(10,681,050)
Proceeds from dispositions of property and equipment	10,861
Proceeds from short term borrowings	7,490,287
Principal payments on notes and bonds payable	(24,323,236)
Interest paid	(3,258,887)
Net cash used in capital and related financing activities	(21,438,834)
Cash flows from investing activities:	
Investment income received	3,900,376
Maturity of investment securities	87,569,916
Purchases of investment securities	(90,056,527)
Decrease in net investment in partnerships	(3,440,934)
Collections on notes receivable	3,186,635
Advances on notes receivable	(31,589,634)
Net cash used in investing activities	(30,430,168)
Increase in cash and cash equivalents	4,958,627
Cash and cash equivalents at beginning of year	21,206,427
Cash and cash equivalents at end of year	$ 26,165,054
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 32,969,649
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	9,454,919
Changes in operating assets and liabilities:	
Accounts receivable and other assets	(2,616,126)
Inventory and prepaid items	(499,413)
Assets held for sale	—
Accounts payable and other liabilities	(310,301)
Accrued compensated absences	70,096
Unearned revenue and other	17,758,805
Total adjustments	23,857,980
Net cash provided by operating activities	$ 56,827,629

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) *Organization and Program Descriptions*

The Housing Authority of the City of Seattle, Washington (the Authority) was created in 1939 as a municipal corporation that derives its powers from Washington State (State) Law as reflected in the Revised Code of Washington (RCW), Chapter 35.82. The Authority was created for the acquisition, development, modernization, operation, and administration of public housing programs. The primary purpose of the Authority is to provide safe, decent, sanitary, and affordable housing to low-income and elderly families in Seattle, Washington, and to operate its housing programs in accordance with federal and State laws and regulations. The Authority's programs are administered through the U.S. Department of Housing and Urban Development (HUD) under provisions of the U.S. Housing Act of 1937, as amended.

The Authority, recognized by HUD as a high-performing, large housing authority, was selected to participate in HUD's Moving to Work (MTW) Demonstration Program effective January 13, 1999. The program allows the Authority an exemption from a multitude of HUD regulations and reporting requirements, and significant flexibility to combine its HUD funding for reallocation among the Authority's administrative, capital, and development activities.

The Authority presents its activities as a single enterprise proprietary fund and its primary operations comprised a number of housing and grant programs as follows:

The Public Housing Program – operates under HUD's Annual Contributions Contract (ACC) SF-151 and consists of the operations of low-rent public housing properties totaling 6,033 units, which includes 894 units of senior housing (see below). The purpose of the program is to provide decent and affordable housing to low-income families at reduced rents. The properties are owned, maintained, and managed by the Authority. The properties are acquired, developed, and modernized under HUD's Capital Funds Program and through HUD Hope VI Urban Revitalization grants. Financing for the properties is obtained through bond issues and grants. Funding of the program is provided by federal annual contributions and operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition).

The Seattle Senior Housing Program (SSHP) – operates 1,030 units acquired and developed under a 1981 City of Seattle (City) bond issue. The purpose of this program is to provide low-rent housing for the elderly, handicapped, and disabled. Funding for the management and operation of these housing units is provided primarily from rental income with a small subsidy for the Public Housing operating funds. During 2011, the Authority received approval from HUD and from the City to include 894 of the SSHP units in the Public Housing program. This change took effect January 1, 2012.

The Section 8 Program – consists of several Section 8 housing programs including the Section 8 Housing Choice Voucher program, the Section 8 New Construction and Substantial Rehabilitation program, and the Moderate Rehabilitation program. The Housing Choice Voucher program provides rental housing assistance subsidies in support of 10,521 housing units. The purpose of the program is to provide decent and affordable housing to low-income families and elderly and handicapped individuals wherein rental assistance is provided by HUD. The associated units are maintained and managed by private landlords.

The purpose of the Section 8 New Construction and Substantial Rehabilitation program is to construct or purchase and rehabilitate rental housing units to provide decent and affordable housing to low-income, elderly, and handicapped individuals whereby rental assistance is provided by HUD. Funding of the program is provided by federal housing assistance contributions and tenant rentals. The Authority owns two housing developments totaling 130 units.

The Section 8 Moderate Rehabilitation program operates under HUD's ACC S-0068K and consists of the operations of 648 privately owned family housing units. The purpose of the program is to rehabilitate substandard rental housing units and provide decent and affordable housing to low-income families whereby rental assistance is provided by HUD. The associated developments are maintained and managed by private landlords. Funding of the program is provided by federal housing assistance contributions.

Other Housing Programs – operates 1,102 units of low-income housing. These projects are financed primarily through bond issues and receive no external funding. On-site management for these units may be done by the Authority or contracted with other management companies. In addition, the Authority also has 739 nonpublic housing, tax credit units within the HOPE VI redeveloped communities.

The basic financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's significant accounting policies are described below.

(b) ***Reporting Entity***

The governing body of the Authority is its Board of Commissioners (Board), comprising seven members appointed by the Mayor of the City. The Authority is not financially dependent on the City and is not considered a component unit of the City.

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 elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component units' board, and one of (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government, or if the component unit is fiscally dependent on and there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the component has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board.

Component units are reported as part of the reporting entity under either the blended or discrete method of presentation. The discrete method presents the financial statements of the component units outside of the basic financial statement totals of the primary government.

The Authority is the 0.01% owner and the general partner in 19 real estate limited partnerships and 99.9% owner and general partner of one real estate limited partnership as of December 31, 2017. The limited partner interests in these 20 limited partnerships are held by third parties unrelated to the Authority. As the general partner, the Authority has certain rights and responsibilities, which enable it to impose its will on the limited partnerships. The Authority is financially accountable for the limited partnerships as they are fiscally dependent on the Authority according to the terms of the partnership agreements to provide operating subsidy for ongoing operations and some partnership debt obligations are backed by the Authority's general revenues. Additionally, in some cases, the Authority is legally obligated to fund operating deficits and could be liable for tax payments upon exiting the partnerships. The Authority also has outstanding loans and net advances to the limited partnerships amounting to approximately $283.3 million at December 31, 2017. The limited partnerships do not serve the primary government exclusively, or almost exclusively, and, therefore, are shown as discretely presented component units.

The 20 component units are: Desdemona Limited Partnership (Desdemona), Escallonia Limited Partnership (Escallonia), High Point North Limited Partnership (High Point North), High Point South Limited Partnership (High Point South), Ritz Apartments Limited Partnership (Ritz Apartments), Alder Crest Limited Partnership (Alder Crest), High Rise Rehabilitation Phase I Limited Partnership (homeWorks I), Seattle High Rise Phase II Limited Partnership (homeWorks II), Seattle High Rise Phase III Limited Partnership (homeWorks III), Douglas Apartments Limited Partnership (South Shore Court), Tamarack Place Limited Partnership (Tamarack Place), Lake City Village Limited Liability Limited Partnership (Lake City Court), Rainier Vista Northeast Limited Liability Limited Partnership (Rainier Vista NE), Leschi House Limited Liability Limited Partnership (Leschi House), 1105 East Fir Limited Liability Limited Partnership (Kebero Court), 820 Yesler Way Limited Liability Limited Partnership (Raven Terrace), 221 10th Ave S Limited Liability Limited Partnership (Hoa Mai Gardens), NewHolly Phase I Limited Liability Limited Partnership (NewHolly Phase I), 888 E Fir, LLLP (Red Cedar) and West Seattle Affordable Housing, LLLP (West Seattle Properties).

Desdemona is a separate legal entity created on May 10, 2002 to undertake phase three of the redevelopment activities at the Holly Park community. The Authority has leased the land for phase three of the Holly Park redevelopment project to the partnership for a nominal amount under a noncancelable 99-year operating lease. The Authority is the 0.01% general partner of the partnership and is obligated to fund operating deficits without limitation as to amount. As of December 31, 2017, Desdemona has no outstanding developer fees payable to the Authority. On January 1, 2018, Desdemona was dissolved and all assets and obligations were transferred to the Authority.

Escallonia is a separate legal entity created on May 10, 2002 to undertake phase one of the redevelopment activities at the Rainier Vista community. The Authority participates as the 0.01% managing general partner of the partnership. The Authority has leased the land for phase one of the Rainier Vista redevelopment project to the partnership for a nominal amount under a noncancelable 99-year operating lease. As of December 31, 2017, Escallonia had no outstanding developer fees owed to the Authority. On February 7, 2018, Escallonia was dissolved and all assets and obligations were transferred to the Authority.

High Point North is a separate legal entity created on October 31, 2003 to undertake phase one of the redevelopment activities at the High Point community. The Authority participates as the 0.01% managing general partner of the partnership. The Authority has leased the land for phase one of the High Point redevelopment project to the partnership for a nominal amount under a noncancelable 99-year operating lease. The Authority is obligated to fund operating or other cash shortfalls of the partnership up to $750,000 after 10 consecutive years of the partnership's operating subsidy being fully funded. As of December 31, 2017, High Point North has no outstanding developer fees owed to the Authority.

High Point South is a separate legal entity created on July 12, 2007 to undertake phase two of the redevelopment activities at the High Point community. The Authority participates as the 0.01% managing general partner of the partnership. The Authority has leased the land for phase two of the High Point redevelopment project to the partnership for a nominal amount under a noncancelable 99-year operating lease. The Authority is obligated to fund operating or other cash shortfalls of the partnership. As of December 31, 2017, High Point South owed the Authority $1,273,846 for developer fees.

Ritz Apartments is a separate legal entity created on August 12, 2004 to undertake rehabilitation of the Ritz Apartments. During fiscal year 2005, the Ritz Apartments admitted a tax credit investor to the partnership as a 99.99% limited partner. The Authority participates as the 0.01% managing general partner of the partnership. The land and building are leased to the partnership under a 75-year financing lease. The partnership agreement does not specify the obligation of the general partner in regard to funding operating shortfalls. As of December 31, 2017, Ritz Apartments owed the Authority $108,354 for developer fees.

Alder Crest is a separate legal entity created on January 1, 2005 to undertake rehabilitation of the Alder Crest Apartments. Alder Crest admitted a tax credit investor to the partnership as a 99.99% limited partner. The Authority participates as the 0.01% managing general partner of the partnership and the Authority has leased the building to Alder Crest under a 75-year financing lease. The Authority is required to fund operating deficits without limitation through operating deficit loans. Upon dissolution and liquidation of the partnership, the general partner obligation to fund operating deficits through operating deficit loans shall continue in an additional amount not to exceed $109,615. As of December 31, 2017, Alder Crest has no outstanding developer fees payable to the Authority.

Phase I homeWorks is a separate legal entity created on July 26, 2005 to undertake phase one of a three-phase rehabilitation of 21 public housing high-rise buildings owned by the Authority. Each phase of the project will cover seven buildings, which are leased to the component unit for 99 years. The Authority participates as the 0.01% managing general partner. The Authority is required to provide operating subsidies sufficient to cover the difference between tenant rental income and operating expenses as well as contributions to reserve accounts. As of December 31, 2017, homeWorks I has no outstanding developer fees payable to the Authority.

(Continued)

Phase II homeWorks is a separate legal entity created on August 11, 2006 to undertake phase two of the three-phase rehabilitation of 21 public housing high-rise buildings owned by the Authority. Phase two also covers seven buildings, which are leased to the component unit for 99 years. The Authority participates as the 0.01% managing general partner. The Authority is required to provide operating subsidies sufficient to cover the difference between tenant rental income and operating expenses as well as contributions to reserve accounts. As of December 31, 2017, homeWorks II has no outstanding developer fees payable to the Authority.

Phase III homeWorks is a separate legal entity created on September 13, 2007 to undertake phase three of the three-phase rehabilitation of 21 public housing high-rise buildings owned by the Authority. Phase three also covers seven buildings, which are leased to the component unit for 99 years. The Authority participates as the 0.01% managing general partner. The Authority is required to provide operating subsidies sufficient to cover the difference between tenant rental income and operating expenses as well as contributions to reserve accounts. As of December 31, 2017, homeWorks III has no outstanding developer fees payable to the Authority.

South Shore Court is a separate legal entity created on September 17, 2007 to undertake rehabilitation of the Douglas Apartments, owned by the Authority. South Shore Court admitted a tax credit investor to the partnership as a 99.99% limited partner and the Authority participates as the 0.01% managing general partner. The land and building are leased to the partnership under a 75-year financing lease. If an operating deficit exists, the Authority is obligated to loan funds to the partnership up to the amount of the deficit. As of December 31, 2017, the South Shore Court owed the Authority developer fees in the amount of $242,831.

Tamarack Place is a separate legal entity created on October 15, 2008 to undertake phase two of the redevelopment activities at the Rainier Vista community. During 2010, Tamarack Place admitted a tax credit investor to the partnership as a 99.99% limited partner and the Authority participates as the 0.01% managing general partner. The Authority has a 99-year operating lease for the land to the partnership for a nominal amount. If an operating deficit exists, the general partner is obligated to loan the partnership up to $350,000. As of December 31, 2017, Tamarack Place owed the Authority no developer fees.

Lake City Court is a separate legal entity created on December 3, 2009 to undertake redevelopment activities at the site formerly occupied by Lake City Village, which was demolished in 2002 due to severe flooding damage to the housing units. During 2010, Lake City Court admitted a tax credit investor to the partnership as a 99.99% limited partner and the Authority participates as the 0.01% managing general partner. The partnership has a 55-year capital lease for the land with the Authority for $2,750,000 of which $1,484,002 is payable as of December 31, 2017. If an operating deficit exists, the Authority is obligated to contribute funds to the partnership up to $515,000. As of December 31, 2017, Lake City Court has no developer fees owed to the Authority.

Rainier Vista NE is a separate legal entity created on January 29, 2010 to undertake phase three of the redevelopment activities at the Rainier Vista Community. During 2010, Rainier Vista NE admitted a tax credit investor to the partnership as a 99.99% limited partner and the Authority participates as the 0.01% managing general partner. The Authority has a 99-year operating lease for the land to the partnership for a nominal amount. The Authority is obligated to fund operating deficits up to

$1,000,000 and to advance funds with no limitation to the partnership to cover deficits. As of December 31, 2017, Rainier Vista NE has no outstanding developer fees payable to the Authority.

Leschi House is a separate legal entity created on October 8, 2012 to undertake the redevelopment of Leschi House, a property in the Senior Housing portfolio. During 2015, Leschi House admitted a tax credit investor to the partnership as a 99.99% limited partner and the Authority participates as the 0.01% managing general partner. The Authority has a long-term 99 years and 5 months capital lease for the land and building with the partnership in the amount of $3,110,000. If operating deficits exist, the Authority is required to loan funds to the partnership up to $298,498. As of December 31, 2017, the Leschi House owed the Authority developer fees in the amount of $810,000.

Kebero Court is a separate legal entity created on October 23, 2012 to undertake the first phase of the redevelopment of Yesler Terrace with the construction of a 103-unit apartment building. During 2014, Kebero Court admitted a tax credit investor to the partnership as a 99.99% limited partner and the Authority participates as the 0.01% managing general partner. The partnership has leased the land from the Authority for 99 years. The Authority has an unlimited obligation to fund operating deficits through the stabilization date. After that date, the obligation will be limited to $384,000. As of December 31, 2017, Kebero Court owed the Authority developer fees in the amount of $705,302.

Raven Terrace is a separate legal entity created on January 29, 2014 to undertake the second phase of the redevelopment of Yesler Terrace with the construction of an 83-unit apartment project. During 2015, Raven Terrace admitted a tax credit investor to the partnership as a 99.98% limited partner and a 0.01% special limited partner. The Authority participates as the 0.01% managing general partner of the partnership. The partnership has leased the land from the Authority for 99 years for a nominal amount. If there are insufficient funds in the operating deficit reserve, the Authority is obligated to provide noninterest-bearing loans to the partnership. As of December 31, 2017, Raven Terrace owed the Authority developer fees in the amount of $1,033,277.

Hoa Mai Gardens is a separate legal entity created on February 2, 2015 to continue with the redevelopment of Yesler Terrace with the construction of an 111-unit apartment building. During 2015, Hoa Mai Gardens admitted a tax credit investor to the partnership as a 99.99% limited partner and the Authority participates as the 0.01% managing general partner. The partnership has leased the land from the Authority for 99 years. The Authority has unlimited obligation to fund operating deficits through the stabilization date which occurs when the project has a debt service coverage ratio of 1.15 for three consecutive months of operations. The partnership agreement does not specify the obligation of the general partner in regard to funding operating shortfalls after the stabilization date. As of December 31, 2017, Hoa Mai Gardens owed the Authority developer fees in the amount of $3,095,000.

NewHolly Phase I is a separate legal entity created on March 29, 2016 to undertake rehabilitation of the exterior of the buildings at the phase I of the NewHolly community. During 2017, NewHolly admitted a tax credit investor to the partnership as a 99.9% limited partner and the Authority participates as the 0.01% managing general partner. The partnership has a 99-year capital lease for the land and buildings with the Authority for $19,250,000, which is allocated to the current value of the improvements. If an operating deficit exists, the Authority is obligated to loan funds to the partnership up to $1,228,937 through the end of the fiscal year in which either the third anniversary of the end of the lease-up period or the third anniversary of the end of the stabilization period occurs. As of December 31, 2017, developer fees in the amount of $670,000 were owed the Authority.

Red Cedar is a separate legal entity created on May 3, 2016 to continue with the redevelopment of Yesler Terrace with the construction of an 119-units apartment building. During 2017, Red Cedar admitted a tax credit investor to the partnership as a 99.99% limited partner and the Authority participates as the 0.01% managing general partner. The partnership has leased the land from the Authority for 99 years. The Authority has an unlimited obligation to fund operating deficits through the stabilization date which occurs when the project has a debt service coverage ratio of 1.15 for ninety (90) consecutive days of operations. The partnership agreement does not specify the obligation of the general partner in regard to funding operating shortfalls after the stabilization date. As of December 31, 2017, no developer fees were owed to the Authority.

West Seattle Properties is a separate legal entity formed on December 12, 2017, to undertake the rehabilitation of 3 projects in West Seattle namely Wisteria Court with 12 buildings (96 units), Longfellow Creek with 7 buildings (84 units) and Roxhill Court with 6 buildings (24 units). During, 2017, West Seattle Properties admitted a tax credit investor to the partnership as 99.99% limited partner and the Authority participates as the 0.01% managing general partner. The partnership has 99-year capital lease for the land and buildings with the authority for $26,810,000, which is allocated to the current value of the improvements. If operating deficit exits, the Authority is obligated to provide the funds to the partnership during the break-even period to meet all reasonable operating and fixed costs attributable to such period. As of December 31, 2017, no developer fees were owed to the Authority.

All 20 component units have a December 31 year-end. The component units' financial statements are presented as of December 31, 2017 and may be obtained by contacting the Authority.

(c) ***New Accounting Standards to be Adopted in Future Years***

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, addresses accounting and financial reporting for OPEB that is provided to employees of state and local governmental employers. The provisions of this Statement are effective for periods beginning after June 15, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this statement are effective for periods beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying and reporting of fiduciary activities of all state and local governments. The requirements of this statement are effective for periods beginning after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of certain GASB Standards including blending of component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this statement are effective for periods beginning after June 15, 2017.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* will improve consistency in accounting and financial reporting for in-substance defeasance of debt and improves accounting and financial reporting for prepaid insurance on debt that is extinguished. The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 87, *Leases* establishes a single model for lease accounting based on the principal that leases are financings of the right to use an underlying asset. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* will improve footnote disclosures related to government debt, including direct borrowings and direct payments and clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this statement are effective for periods beginning after June 15, 2018.

The Authority's management is currently evaluating these new standards to determine what impact they will have on the Authority.

(d) *Basis of Accounting*

The financial statements of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting, whereby all revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Depreciation and amortization of assets is recognized in the statement of revenues, expenses, and changes in net position. All assets and deferred outflows and liabilities and deferred inflows associated with the operation of the Authority are included in the statement of net position. The principal operating revenues of the Authority are rental revenues received from residents and subsidies received from HUD for qualified residents for housing assistance payments in the Section 8 program and for operations in the public housing program. Grants and similar items are recognized as operating revenue when all eligibility requirements have been met. Gains from sale of capital assets used in the core operations of the Authority are included in operating revenues – other. Operating expenses for the Authority include the costs of operating housing units, administrative expenses, depreciation, and loss from sale of capital assets. All other revenues and expenses not meeting the definition of operating revenues and expenses are reported as nonoperating revenues and expenses or as contributions of capital.

The Authority reports unearned revenue on its statement of net position. Unearned revenues arise when the cash has been received but the potential revenue has not been earned in the current period. Unearned revenues also arise when resources are received by the Authority before it has a legal claim to them, as grant monies are received prior to meeting all eligibility requirements and/or the occurrence of qualifying expenditures. In subsequent periods, when both the revenue recognition criteria are met or when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and revenue is recognized.

(e) *Cash and Investments*

Cash and cash equivalents are comprised of cash on hand, demand deposits, and short-term investments with a term of less than one year. All of the Authority's investments are reported at fair value with the exception of the Local Government Investment Pool (LGIP), which is carried at amortized cost. The LGIP portfolio of securities meets the requirements in GASB 72 which allow its investments to be reported at amortized cost.

The Authority is authorized by HUD and its Board to invest in time deposits, certificates of deposits, and obligations of the U.S. government or its agencies, and to enter into repurchase agreements. Repurchase agreements are secured by U.S. Treasury securities with a market value equal to or greater than the amount of the repurchase agreements. The Authority's investment policies provide for the ability to sell investments prior to the investments' contractual maturity.

(f) *Accounts Receivable – Other*

Other accounts receivable represent various receivables including accrued interest on investments, accrued interest on notes receivable, receivables from other housing authorities for Section 8 portability payments, receivables from component units for developer fees, and receivables from other rental projects that the Authority manages but does not own. The Authority will record an allowance when collectability of the related receivable in uncertain.

(g) *Inventories and Prepaid Items*

Inventories are stated at cost and consist of expendable materials and supplies. Inventory items are expensed using the moving weighted average. Office supplies and maintenance materials are expensed using the first-in, first-out method. Prepaid items are for payments made by the Authority for services or goods received which will be used in a subsequent fiscal year.

(h) *Unamortized Charges*

Unamortized charges consist of bond discounts, which are amortized over the term of the related note or bond.

(i) *Capital Assets and Depreciation*

Capital assets are stated at historical cost. Maintenance and repairs are charged to current period operating expenses while improvements are capitalized. Upon retirement or other disposition of property and equipment, the cost and related accumulated depreciation and amortization are removed from the respective accounts and any gains or losses are included in operating revenues and expenses. All capital assets with a value greater than $1,000 and a useful life of over one year are capitalized. Assets acquired through contribution are recorded at the acquisition value on the date donated. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

Capital assets are generally depreciated using the straight-line method over estimated useful lives the following:

Land improvements	50 years
Leasehold improvements	10 years
Structures	40–75 years
Equipment	3–10 years

(j) *Accounts Payable – Other*

Other accounts payable include payables for escrow accounts related to construction activities and the participants of the Section 8 Family Self-Sufficiency program, as well as miscellaneous payables related to payroll costs.

(k) *Compensated Absences*

Cabinet level employees and certain other executive level staff are covered under an executive leave policy. The policy provides this group of employees with 200 hours of annual leave per year to be used within that calendar year and may carry over a maximum of 40 hours to the next calendar year.

All other employees earn 100 hours of vacation leave each year, and after the first year, additional hours are added based on the number of years of service up to a maximum of 200 hours per year. Unused vacation is allowed to accumulate to a maximum of 240 or 360 hours, depending on the employees' date of hire. Employees are paid for all accumulated vacation pay upon termination.

The Authority recognizes and compensates employees for nine traditional holidays. Holiday pay is recorded as an expense when incurred.

Employees earn sick leave at a rate of 96 hours per year. Sick leave is allowed to accumulate with no maximum. Employees are compensated for accumulated unused sick leave at the rate of 25% upon termination, permanent disability, or death.

Accruals are recorded at year-end for unused annual leave and unused sick leave, based on balances of hours at December 31 for each year-end. See note 7(a) for detailed schedule.

(l) *Management Fees*

The Authority manages two residential rental properties for HUD. For the year ended December 31, 2017, the Bay View Tower project paid the Authority management fees of $54,887, which is equal to 5.2% of net rental revenues received. Market Terrace paid the Authority management fees of $15,240 based on a fee of $1,270 per month.

(m) *Payments in Lieu of Taxes*

Pursuant to an agreement with the City, the Authority may make payments in lieu of taxes (PILOT). PILOT may also be provided to other taxing districts in which property is owned. Upon mutual understanding with the City and other taxing districts, no PILOT was made in 2017 and no amounts are due and payable as of December 31, 2017.

(n) *Unearned Revenue*

The Authority has unearned revenue resulting from operating lease payments received in advance at the inception of the leases from eleven of its discretely presented component units: Ritz Apartments, Alder Crest, South Shore Court, Lake City Court, homeWorks I, homeWorks II, homeWorks III, Leschi House. Kebero Court, NewHolly Phase I and West Seattle Properties. The lease payments are recognized over the lease terms and unearned lease payments are shown as unearned revenue.

In addition, the Authority also has unearned revenue from prepaid tenant rents and commercial rents, earnest money collected for property sales, and grant funds that have been received but not yet earned.

(o) *Income Taxes*

Income received or generated by the Authority is not subject to federal income tax, pursuant to Internal Revenue Code Section 115. The Authority is also exempt from state and local property taxes. Interest paid on obligations issued by the Authority is excludable from the gross income of the recipients, pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended. Contributions to the Authority are tax-deductible contributions, pursuant to Sections 170(b)(l)(A)(v) and 170 (c)(l) of the Internal Revenue Code of 1986, as amended.

(p) *Pension Plans*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the fiduciary net position of the Washington State Public Employees' Retirement System (PERS) cost-sharing multiple-employer defined benefit plans and additions to/deductions from PERS's fiduciary net position have been determined on the same bases as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(q) *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Material estimates relate primarily to the determination of the allowance on notes receivable from component units.

(2) Deposits and Investments

(a) *Deposits*

As of December 31, 2017, the Authority's carrying amount of deposits (excluding petty cash and U.S. Post Office deposits) was $26,158,058 and the bank balance was $26,849,930. The bank deposits are held with financial institutions and are entirely insured or collateralized and are classified as cash and cash equivalents in the statement of net position. All deposits in excess of the FDIC insurance limit of $250,000 are covered by the Public Deposit Protection Commission of the State of Washington, which is a multiple financial institution collateral pool, established under Chapter 39.58 of the Revised Code of Washington. In addition to bank deposits, the Authority has $2,500 held at the U.S. Post Office and $4,496 in petty cash funds. All deposits are either insured or registered and held by the Authority or its agent in the Authority's name.

(b) *Investments*

The following is a reconciliation of the Authority's investments to the Statement of Net Position as of December 31, 2017:

Statement of net position caption		December 31, 2017
Current assets:		
Investments	$	77,646,216
Restricted investments		4,738,277
Noncurrent assets:		
Investments		15,366,010
Restricted investments		12,734,620
Total investments	$	110,485,123

The Authority's investment policies require that all investments be made in accordance with the stated objectives of capital preservation, optimum liquidity, and return, while conforming to all applicable statutes and regulations. The Authority has established a maximum maturity of three years for operating reserves and a maximum maturity of five years for replacement reserves. Bond reserves may have maturities that match the bond maturity.

The Authority invests a portion of its funds with the Washington State Local Government Investment Pool (LGIP) managed by the State Treasurer's office. The investments in this pool comprise repurchase agreements, government securities, and certificates of deposits. The LGIP operates in a manner consistent with the Security and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. As such, the LGIP uses amortized cost to approximate fair value.

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 requires notification the same business day and transactions are limited to one transaction each business day.

The Authority adheres fully to its investment policy, which expressly prohibits the making of speculative or leveraged investments and requires that all investments be made prudently and with due care to ensure compliance with all statutes and regulations.

The Authority restricts its participation in money market mutual funds to those investing only in U.S. Treasury securities.

Fair Value

GASB Statement No. 72, "*Fair Value Measurement and Application*" establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value as follows:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date
- Level 2 inputs – inputs other than quoted priced included within Level 1 that are observable for an asset or liability either directly or indirectly
- Level 3 Inputs – unobservable inputs for an asset or liability

Authority's investments by fair level value are shown in the table below:

	Totals	Level 1 Quoted prices	Level 2 Observable inputs	Level 3 Unobservable inputs
Money market funds	$ 3,089,581	3,089,581	—	—
U.S. agency securities	19,067,675	19,067,675	—	—
Total investments at fair value	22,157,256	$ 22,157,256	—	—
State investment pool carried at amortized cost	88,327,867			
Total Investments	$ 110,485,123			

Custodial Risk

Custodial risk for investments 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 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. 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 LGIP.

Investments in U.S. Treasury-backed short-term money market funds are investments held by the trustee in the Authority's name for bond issues.

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). The Authority has a large percentage of its portfolio invested in the LGIP. The LGIP is not rated.

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). The Authority's policy provides that investments in corporate bonds and other fixed-income securities must have a rating of A or better.

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.

The following chart shows the Authority's exposure to these risks:

	S&P credit rating	N/A or less than 1 year	1–5 years	More than 10 years	Total
Money market funds	n/a	$ 3,089,581	—	—	3,089,581
U.S. agency securities	AAA	2,552,706	16,514,969	—	19,067,675
State investment pool	n/a	88,327,867	—	—	88,327,867
Total investments		$ 93,970,154	16,514,969	—	110,485,123

Investments are presented in the following financial statement captions in the statement of net position as investments, current and noncurrent and restricted investments, current and noncurrent.

(c) ***Component Unit Deposits***

As of December 31, 2017, the component units' carrying amount of deposits (excluding petty cash) was $55,278,359 and the bank balance was $56,506,538. The bank balances held with financial institutions are entirely insured or collateralized and are classified as cash and cash equivalents in the statement of net position. All deposits in excess of the FDIC insurance limit of $250,000 are covered by the Public Deposit Protection Commission of the State of Washington, which is a multiple financial institution collateral pool, established under Chapter 39.58 of the Revised Code of Washington. In addition to bank deposits, the component units have $1,200 in petty cash funds.

(d) Component Unit Investments

As of December 31, 2017, investments of $118,002 were held in trust and restricted for the development of the component units' redevelopment projects, replacement reserves, and operating reserves.

Custodial Risk

The investments of the component units are comprised of money market funds. As of December 31, 2017, all investments were insured or registered, and held by the component unit or its agent in the component unit's name. Therefore, the investments are not exposed to custodial risk.

Concentration of Credit Risk, Credit Risk, and Interest Rate Risk

The chart below shows the exposure to concentration of credit risk, credit risk and interest rate risk:

	S&P credit rating	N/A or less than 1 year	More than 10 years	Total
Money market funds	n/a	118,002	—	118,002
Total investments		$ 118,002	—	118,002

(3) Restricted Cash and Investments

The Authority's restricted cash and investments as of December 31, 2017 are summarized in the following table with a further analysis of each of the components in the sections that follow:

Security deposits	$	1,294,813
Bond trust funds and mortgage reserves		7,939,535
Other restricted funds:		
Family Self-Sufficiency (FSS) program		802,641
Construction retention		499,133
Market Terrace project		83,324
Dream Big Scholarship fund		78,392
High Point Endowment Trust		224,025
Lake City Court Endowment Trust		164,129
Desdemona Limited Partnership Tax Credit		3,098,788
Escallonia Limited Partnership Tax Credit		3,211,547
High Point and Yesler Terrace Development		7,693,797
Loan Fund Commitments to Component Units		10,521,019
	$	35,611,143

The following is a reconciliation of restricted cash and investments to the statement of net position as of December 31, 2017:

Current assets:		
Restricted cash	$	14,051,002
Restricted investments		4,738,277
Noncurrent assets:		
Cash restricted for long-term purpose		4,087,244
Restricted investments		12,734,620
	$	35,611,143

(a) ***Security Deposits***

Upon moving into a project, tenants are required to pay a security deposit, which is refundable when the tenant vacates the apartment, provided the apartment's physical condition is satisfactory. The Authority held security deposits for residential tenants as well as commercial tenants as of December 31, 2017 as shown in the schedule below:

		Residential	Commercial	Total
Total security deposits	$	979,369	315,444	1,294,813

(b) Bond Trust Funds and Mortgage Reserves

As of December 31, 2017, funds held for bond trust funds and mortgage reserves are shown below:

	Balance
Investments for Gamelin/Genesee bonds are restricted for the payment of principal and interest. The investments consist of money market funds and earn interest of 0.76% as of December 31, 2017.	$ 253,763
Cash is held for replacement reserves on the public housing units at NewHolly Phase II. Interest is paid at approximately 0.02% as of December 31, 2017.	272,043
Cash is held for the payment of principal and interest for the bond refunding in 2013 for Montridge Arms, Westwood East, Spruce Street, Norman Street, MLK properties, Fir Street, Lam Bow, Main Street Apartments, and Yesler Court. The funds consist of money market funds and bear interest of 0.534% as of December 31, 2017.	850,227
Cash is held for Tamarack commercial property for operating reserves as required by the loan agreement. The account bears interest at 0.02%.	30,303
Reserves are held in restricted cash accounts for the mortgage on Wedgwood Estates and bear interest at approximately 0.113%.	742,661
Reserves are held in restricted cash accounts for taxes and insurance for Wedgewood Estates and bears no interest.	120,187
Restricted cash is held for the Beacon operating reserves and replacement reserves. The funds consist of money market funds and bear interest at approximately 0.02%.	127,930
Reserves are held in restricted cash accounts for the capital replacement and operations of Villa Park and bear interest at approximately 0.02%.	101,197
Reserves are held in restricted cash accounts for the capital replacement and operations of Telemark, Mary Avenue, Montridge, Longfellow Creek, Main St Apts, Main Street Place, Yesler Court, and NewHolly Phase I, bearing interest at approximately 0.02%.	579,308

(Continued)

		Balance
Restricted cash is held for operating reserves and replacement reserves for Senior Housing projects Willis House, Reunion House, Nelson Manor, and Olmsted Manor and bear interest of approximately 0.02%.	$	139,322
Restricted cash held for bond activity related to the Douglas Apartment bonds. The account bears no interest.		335,973
Reserves are held in cash accounts for Ravenna School replacement reserves and bear interest at approximately 0.15%		185,173
Money market funds are held for replacement reserves for properties supported by the 2014 bond refunding including Market Terrace, Mary Avenue, Bayview Tower, Lake City Commons, Villa Park, Telemark Apartments, Main Place II, Delridge Triplexes, 5983 Rainier Avenue, 924 MLK Way, and Baldwin Apartments. The funds bear no interest.		851,730
Restricted money market funds are held for the payment of principal and interest for properties of the 2015 bond refunding including Market Terrace, Mary Avenue, Bayview Tower, Lake City Commons, Villa Park, Telemark Apartments, Main Place II, Delridge Triplexes, 5983 Rainier Avenue, 924 MLK Way, and Baldwin Apartments. The funds bear no interest.		864,356
Restricted cash and investments is held for Holly Park Phase II bonds for the payment of principal and interest. The cash and investments consist of money market funds. The funds bear interest at approximately 0.76%. The Bonds were paid off in Januray, 2018.		1,852,650
Restricted cash is held for Holly Park Phase II public housing expense reserve and operating deficit reserve. The funds bear interest at approximately 0.02%.		632,712
Total	$	7,939,535

(c) Other Restricted Funds

As of December 31, 2017, restricted cash amounts of $802,641 are held in trust for the Family Self-Sufficiency (FSS) program. Families in the Section 8 and Low Rent programs may sign up for the FSS program and any rent increase due to an increase in income may be deposited into an escrow account. The tenant may request reimbursement from the trust account for certain allowable expenditures.

Restricted cash amounts of $499,133 are held for retainage for construction projects.

HUD requires the Authority to maintain restricted investments equal to the required reserves for the Market Terrace project. HUD must approve any release or disbursement of reserve funds in advance. Restricted investments for required reserves of $83,324 were held as of December 31, 2017.

Restricted cash amounts of $78,392 are held in the Campus of Learner's Foundation within the Development fund for the Dream Big Scholarship fund, which provides scholarships for residents of the Authority's communities.

Restricted cash amounts of $224,025 are held in an endowment trust for residents of High Point. The funds are to be used only for planning, providing, and evaluating community and support services for the primary benefit of the public housing residents of High Point housing development and former residents occupying other public housing in accordance with the plan approved by HUD. A portion of the interest may be spent each year and the High Point Endowment Trust will continue to exist in perpetuity. Upon approval from HUD on August 28, 2009, grant funds in the amount of $220,995 were deposited to the account. During the year, there were no withdrawals and the account increased in value by $442.

Restricted cash amounts of $164,129 are held in an endowment trust for residents of Lake City Court. The funds are to be used for purposes that are consistent with the objectives of providing youth enrichment activities, providing services for seniors and providing community building activities for the residents of Lake City Court. The intent is to spend only the interest earnings and leave the principal intact. Upon approval from HUD in September 2013, grant funds in the amount of $163,069 were deposited to the account. During the year, there were no withdrawals and the account increased in value by $309.

Restricted cash amounts of $3,098,788 are held under the terms of an agreement with the former Limited partner of the Desdemona Limited Partnership. According to the terms of the agreement, funds are held as guarantee for possible recapture of tax credits for a period of three years. After determination of tax credit recapture has been determined and assuming no recapture is present, funds will be released on or about April 30, 2018 in the amount of $309,408, April 30, 2019 in the amount of $1,613,120 and April 30, 2020 in the amount of the remaining 1,176,260. Distributions will be reduced should any recapture of tax credits be required for the investor.

Restricted investments are held under the terms of an agreement with the former Limited partner of the Escallonia Limited Partnership. According to the terms of the agreement, funds are held as guarantee for possible recapture of tax credits for a period of three years. After determination of tax credit recapture has been determined funds and assuming no recapture is present, funds will be released on or about January 15, 2018 in the amount of $1,011,116, on January 15, 2019 in the amount of $1,075,631 and all remaining amounts on January 15, 2020. Distributions will be reduced by should any recapture be required for the investor. As of December 31, 2017 the amount in the investment account totaled $3,211,547 after adjusting for the change in value of the investments.

Restricted cash in the amount of $7,693,797 is held according to a security agreement with HUD. Funds represent proceeds from land sales at High Point and Yesler Terrace and are to be used for development at Yesler Terrace. HUD will release funds when certain conditions are met as described in the security agreement.

In addition, the Authority has committed loan funds to three of its limited partnerships as documented in the respective partnership legal agreements for a total of $10,521,019 with $3,000,000 to NewHolly Phase I in 2018, $2,521,019 to West Seattle Properties and $5,000,000 to Red Cedar, in 2020.

These amounts are held as restricted cash and investments for the purpose of funding the commitments.

(4) Notes Receivable

(a) *Other Than from Component Units*

		December 31, 2017	Due within one year
Due from Stone View Village I Limited Partnership and Stone View Village II Limited Partnership. The notes bear interest at rates ranging from 0.5% to the lowest applicable federal rate as determined under the Internal Revenue Code of 1986, and all interest and principal are due in March and April, 2039.	$	1,373,835	—
Due from Lutheran Alliance to Create Housing (LATCH) Roxbury Limited Partnership. The note bears no interest for the first 30 years. Interest accrues beginning February 1, 2030 at 2%, with annual payments of $73,388 until the note matures in January, 2050.		1,200,000	—
Due from the Low Income Housing Institute (LIHI), a Washington nonprofit corporation, and the Lakeview Apartments Limited Partnership. The note bears interest at 3% annually and all interest and principal will be forgiven in December, 2040, if the project is operated according to the loan regulatory agreement.		494,600	—
Due from the Plymouth Housing Group (PHG), a Washington nonprofit corporation. The loan bears interest at 1% annually and all principal and interest are due January 2041. Provided the borrower complies with the loan regulatory agreement, all principal and interest will be forgiven January 2041.		856,912	—
Note due from the Mount Baker Housing Association for the Starlighter Apartments, which are secured by a deed of trust on the property. The note bears interest at an annual rate of 1%, which is deferred until October 31, 2040, at which time the loan will be forgiven if the project is operated in in accordance with the loan agreement.		270,000	—
Due from Madison Housing Partners Phase I, LLC and Madison Housing Partners Phase II, LLC. The notes are for the Views at Madison Apartments I and Views at Madison II, respectively, and are secured by deeds of trust on the properties. Both notes bear interest at an annual rate of 1.0% and are payable December 31, 2042.		826,106	—

	December 31, 2017	Due within one year
Due from the Seattle Chinatown International District Public Development Authority (SCIDPDA). The note bears interest at a rate of 1% per annum and all interest and principal are due on the maturity date of December 31, 2043.	1,622,881	—
Two notes due from the LIHI NW 85th, LLC, which are secured by a deed of trust on the property. One of the $500,000 notes bears interest at 1% per annum and is payable in full on December 31, 2042, provided the project is operated in accordance with Low Income Housing regulatory agreement and the terms of the loan agreement. The other note bears interest at 3% per annum. The balance of principal and accrued interest as of December 31, 2004 shall be amortized over a period of 20 years beginning on January 1, 2005. Payments of $2,942 will be required monthly until final maturity on December 31, 2025.	722,644	29,020
Due from the Andover Court Associates, LLC and secured by a deed of trust on the property. The note bears interest at 1% per annum and is payable in full on the maturity date of March 31, 2043, provided the project is operated in accordance with the Low Income Housing regulatory agreement and the terms of the loan agreement.	743,179	—
Due from LIHI Meadowbrook Associates, LLC. The note bears interest at a rate of 1% per annum. The balance of principal and interest is due in full on the maturity date of December 31, 2052.	600,000	—
Due from HRG for the purchase of Judkins Park Apartments. The note is secured by a deed of trust on the property and bears interest at 1%. Principal and interest are due on the maturity date of February 29, 2044.	400,340	—
Due from the Archdiocesan Housing Authority and ML King Housing Limited Partnership. The note is secured by a deed of trust on the property and bears interest at 1%. Principal and interest are due on the maturity date of July 31, 2044.	266,013	—
Due from Main Street Interim, LLC. The note is secured by a deed of trust, bears interest at 1% per annum, and matures December 1, 2054.	1,055,568	—

	December 31, 2017	Due within one year
Due from Denny Park, LLC. The note is secured by a deed of trust on the property and bears interest at 1%. Principal and interest are due on the maturity date of September 3, 2044.	250,000	—
Due from CHHIPS Pantages Apartments LLC. The note is secured by a deed of trust on the property and bears interest at 1%. Principal and interest are payable on the maturity date of August 16, 2044.	548,465	—
Due from Stoneway Apartments, LLC. The note is secured by a deed of trust on the property and bears interest at 1% per annum. Principal and interest are payable on the maturity date of July 31, 2055.	1,499,999	—
Due from CHHIPS for the construction of Broadway and Pine Apartments. The note is secured by a deed of trust and bears interest at 1%. Principal and interest are due on the maturity date of November 4, 2055.	548,465	—
Due from Delridge Neighborhood Development, managing member of the West Seattle Resource Center, LLC. The note is secured by a deed of trust and bears interest at 1%. Principal and interest are payable on the maturity date of February 1, 2056.	325,000	—
Due from Neighborhood House for land sold at Rainier Vista. The note bears no interest and matures August 31, 2054.	210,000	—
Allowance for loss	(722,233)	
Total notes receivable, net	$ 13,091,774	29,020

The Authority has gross notes receivable and an allowance of $4,767,816 for loans made to Neighborhood House and Boys and Girls Club that are excluded from the table above. The allowance fully covers the loans as a portion of the loan amounts is forgivable each year provided they comply with the terms of the loan agreements.

(b) Notes Receivable from Component Units

		Balance December 31, 2017	Due within one year
Two notes due from homeWorks I. One note for $12,000,000 bears interest at 4.82% per annum during rehabilitation and 2.75% per annum thereafter. The other note in the amount of $12,000,000 bears interest at 4.68% per annum during rehabilitation and 2.75% per annum thereafter. Both notes mature on January 1, 2046 with principal and interest payments due quarterly during rehabilitation and annually from available cash flows thereafter. As of December 31, 2017, the amount of interest payable to the Authority was $4,804,250.	$	24,000,000	—
Two notes due from Escallonia. One note in the amount of $13,430,695 and one note in the amount of $9,916,399. Both notes bear interest at 1% per annum and mature in fiscal year 2058. Interest payments are due annually from available net cash flows. As of December 31, 2017, interest payable to the Authority was $2,591,940.		23,347,094	—
Two notes due from High Point North in the amounts of $8,500,000 and $16,652,734. The notes bear compounding interest at 1% per annum and mature in in fiscal year 2054. Interest payments are due annually from available net cash flows. As of December 31, 2017, interest payable to the Authority was $3,575,112.		25,152,734	—
Due from Ritz Apartments. The note bears interest at 1% per annum and matures December 31, 2054. Principal and interest payments are due annually from available cash flows. Interest payable to the Authority on December 31, 2017 was $52,289.		265,856	—
Due from Alder Crest. The note bears interest at 5% per annum and matures March, 2057 with payments from available cash flows. Interest payable to the Authority on December 31, 2017 was $126,847.		220,000	—

	Balance December 31, 2017	Due within one year
Due from Alder Crest for renovations. The note bears interest at 0.5% per annum, payable annually beginning January 1, 2014. The loan shall not exceed $371,816 and matures January 31, 2029. No interest was due to the Authority on December 31, 2017.	361,231	—
Two notes due from Desdemona. One note in the amount of $10,149,991 bears interest at 3% per annum and the other note in the amount of $2,739,144 bears interest at 1% per annum. Both notes require interest only payments from available net cash flows and both notes mature March 1, 2058. Interest due to the Authority as of December 31, 2017 was $4,585,231.	12,889,135	—
Short term borrowing due from Desdemona. To allow for the dissolution of the partnership in January, 2018, the Authority loaned funds to Desdemona so that the partnership could pay off its long term bonds.	5,833,528	5,833,528
Two notes due from High Point South in the amounts of $4,606,506 and $8,606,159. The notes bear interest at at 1% per annum and mature in 2062. Interest payments are due annually from available net cash flows. As of December 31, 2017, interest payable to the Authority was $1,101,055.	13,212,665	—
Two notes due from homeWorks Phase II in the amounts of $12,000,000 and $16,051,551. The notes bear bear interest at 4.88% and 4.60%, respectively, during rehabilitation and 3.5% thereafter. Both notes mature December 21, 2046. As of December 31, 2017, interest payable to the Authority was $5,816,455.	28,051,551	—
Two notes due from homeWorks Phase III in the amounts of $9,200,000 and $11,750,000. The notes bear interest at 4.13% and 5.04%, respectively, during rehabilitation and 4.25%, thereafter. Both notes mature December 19, 2047. As of December 31, 2017, interest payable to the Authority was $4,198,289.	20,950,000	—

	Balance December 31, 2017	Due within one year
Due from Tamarack Place. The note bears interest at 1% per annum and matures in 2049. Interest payments are due annually from available net cash flows. As of December 31, 2017, interest payable to the Authority was $667,536.	10,400,000	—
Two notes due from Rainier Vista NE. One note in the amount of $10,700,000 and one note in the amount of $6,604,268. Both notes bear interest at 1.5% per annum and mature in 2060. Interest payments are due annually from available cash flows. As of December 31, 2017, interest payable to the Authority was $31,847.	16,604,267	—
Due from Lake City Court. The note accrues interest at 0.08% per annum and matures May 2065. As of December 31, 2017, interest payable to the Authority was $1,022,131.	16,358,505	—
Due from Lake City Court for long term capital lease. The note accrues interest at 4.7% and matures May 1, 2065 with payments subject to cash flow. As of December 31, 2017, interest payable to the authority was $76,783.	1,484,002	—
Due from South Shore Court. The note accrues interest at 4.80% per annum and matures June 2040. As of December 31, 2017, interest payable to the Authority was $6,920.	1,730,000	40,000
Two notes due from Kebero Court. The notes accrue interest at 3.0% per annum and mature April 1, 2065. As of December 31, 2017, interest payable to the Authority was $933,761.	8,783,628	—
Due from Raven Terrace. The note accrues interest at 2.5% and matures in 2069. As of December 31, 2017 interest payable to the Authority was $601,936.	10,190,761	—
Due from Leschi House. The note accrues interest at 1.0% per annum and matures April 30, 2065. As of December 31, 2017, interest payable to the Authority was $14,607.	628,250	—

(Continued)

	Balance December 31, 2017	Due within one year
Due from Hoa Mai Gardens. The note accrues interest at 1.0% per annum and matures December 1, 2065. As of December 31, 2017 interest payable to the Authority was $181,067.	14,909,396	—
Due from NewHolly Phase I. The acquisition loan accrues interest at 2.18% per annum and matures in 2066. As of December 31, 2017 interest payable to the Authority was $337,745.	13,034,079	—
Due from West Seattle Properties. The acquisition loan accrues interest at 2.64% and matures December 1, 2067. As of December 31, 2017 interest payable to the Authority was $49,071.	22,305,000	43,600
Allowance for loss	(6,663,385)	—
Total notes from component units, net	$ 264,048,297	5,917,128

(Continued)

(5) Capital Assets

The following is a summary of changes in capital assets of the Authority for the year ended December 31, 2017:

	Balance January 1, 2017	Additions and transfers-in	Dispositions and transfers-out	Balance December 31, 2017
Capital assets, not being depreciated:				
Land	$ 63,390,835	—	(919,077)	62,471,758
Construction in progress	38,538,291	22,295,628	(15,764,311)	45,069,608
Total capital assets, not being depreciated	101,929,126	22,295,628	(16,683,388)	107,541,366
Depreciable capital assets:				
Land improvements	44,238,796	—	—	44,238,796
Structures	394,704,786	5,738,137	—	400,442,923
Leasehold improvements	986,330	400,427	—	1,386,757
Equipment	18,294,365	1,162,302	(312,273)	19,144,394
	458,224,277	7,300,866	(312,273)	465,212,870
Less accumulated depreciation and amortization for:				
Land improvements	(6,850,026)	(933,428)	—	(7,783,454)
Structures	(219,023,315)	(7,604,588)	—	(226,627,903)
Leasehold improvements	(727,335)	(91,346)	—	(818,681)
Equipment	(15,944,864)	(803,066)	223,457	(16,524,473)
Total accumulated depreciation and amortization	(242,545,540)	(9,432,428)	223,457	(251,754,511)
Total capital assets, being depreciated, net	215,678,737	(2,131,562)	(88,816)	213,458,359
Total capital assets, net	$ 317,607,863	20,164,066	(16,772,204)	320,999,725

Substantial restrictions are imposed by HUD, as well as by state and local governments, on the use and collateralization of the Authority's capital assets.

Construction in Progress

Capital improvements made on the Authority's Low Rent housing stock are financed by grant funds provided by HUD under Capital Grants and the Choice Neighborhood Implementation Grants (CNI). The funds provided through these programs are used to rehabilitate the housing stock, which extends the useful life of the buildings. Capital grants are awarded annually based on a comprehensive modernization plan submitted by the Authority. CNI grants are awarded based on a specific application request. The Authority's construction in progress in the Low Rent program consists of the costs for modernization of public housing units. When modernization grants are completed, HUD issues a modernization cost certificate for each grant, at which time construction in progress for that grant is recorded in the building category. For the CNI redevelopment grants, some construction in progress amounts represent infrastructure costs, which will be ultimately transferred to and maintained by the City of Seattle. These transfers occur when the projects are complete.

Dispositions and transfers out from construction in progress also include the expense of soft costs and transfers to newly formed component units. It is not uncommon for the Authority to incur predevelopment costs for development projects prior to the completion of the legal process that establishes a component unit.

Component Units

The following is a summary of changes in the capital assets of the Authority's component units for the year ended December 31, 2017:

	Balance January 1, 2017	Additions and transfers-in	Dispositions and transfers-out	Balance December 31, 2017
Capital assets, not being depreciated:				
Land	$ 5,099,274	—	—	5,099,274
Construction in progress	28,961,920	50,041,057	(47,458,621)	31,544,356
Total capital assets not being depreciated	34,061,194	50,041,057	(47,458,621)	36,643,630
Depreciable capital assets:				
Land improvements	24,617,391	3,676,607	—	28,293,998
Structures	444,501,950	72,112,330	—	516,614,280
Equipment	9,962,607	49,794	—	10,012,401
	479,081,948	75,838,731	—	554,920,679
Less accumulated depreciation for:				
Land improvements	(9,409,574)	(1,594,401)	—	(11,003,975)
Structures	(93,041,324)	(12,124,120)	—	(105,165,444)
Equipment	(5,044,081)	(470,755)	—	(5,514,836)
Total accumulated depreciation	(107,494,979)	(14,189,276)	—	(121,684,255)
Total capital assets, being depreciated, net	371,586,969	61,649,455	—	433,236,424
Total capital assets, net	$ 405,648,163	111,690,512	(47,458,621)	469,880,054

(6) Short-Term Borrowings

The Authority maintains a $6,000,000 line of credit, which provides the Authority with a ready means of short-term financing for general operations of the Authority. The line of credit bears interest at 65% of the bank's prime rate plus 0.96%, or 3.9% at December 31, 2017, which is payable monthly. The line of credit matures August 2018. The line may be extended annually by the Executive Director until August 31, 2022 with the consent of the bank. At December 31, 2017, $1,656,760 was outstanding.

The Authority maintains a $15,000,000 revolving real property line of credit in order to provide a ready means of financing real property acquisitions. The Authority entered an agreement with the bank effective June 22, 2016. Under the terms of the agreement, the line of credit is split into series A in the amount of

$9,250,000 and series B in the amount of $5,750,000. Series A bears interest at 65.01% of the bank's prime rate plus 0.96% and is for a term of one year. Both Series A and Series B lines may be extended annually by the Executive Director until June 22, 2022 with consent of the bank. The rate for both lines was December 31, 2017 was 3.55%. As of December 31, 2017, no amounts were outstanding on either portion of the line of credit and no amounts were borrowed during the year.

The Authority has also established a $7,000,000 revolving taxable line of credit for the purpose of obtaining bridge financing for the Authority's acquisition of commercial or other nontax-exempt properties over the next five to seven years. The line of credit bears interest at the bank's prime rate minus 0.90%, or 3.6% as of December 31, 2017, which is payable monthly. The line matures on December 3, 2018, and is renewable annually through 2021. The total amount outstanding at December 31, 2017 was $5,833,527.

The following is a summary of changes in the Authority's short-term borrowings for the year ended December 31, 2017:

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017
Taxable line of credit for purchase of the Red Brick Apartments at at 6927 MLK Jr Way S.	$ 1,129,297	—	1,129,297	—
Taxable line of credit for loan to Desdemona partnership to pay off fixed rate bonds.	—	5,833,527	—	5,833,527
Operating line of credit to pay off NewHolly Phase I bonds on January 1, 2018.	—	1,656,760	—	1,656,760
Total short-term borrowings	$ 1,129,297	7,490,287	1,129,297	7,490,287

(7) Long-Term Debt and Other Long-Term Obligations

(a) *Authority Debt and Accrued Compensated Absences*

The following is a summary of changes in the Authority's long-term debt and accrued compensated absences for the year ended December 31, 2017:

		Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017	Due within one year
Loan payable to the City of Seattle for the Epstein Building remodel financed by HUD Community Development Block Grant funds. The loan was fully forgiven on December 31, 2017.	$	200,000	—	200,000	—	—
Notes payable issued in 1998 to the City of Seattle's General Fund, Urban Renewal, and Capital Facilities Fund for NewHolly Phase I. Interest accrues at 1% simple interest per year and is forgiven at the rate of 5% per year beginning on the 21st year subject to compliance with certain covenants. Principal payments may be deferred if the property is kept for low-income housing. If the Authority remains in compliance with the debt covenants for 75 years, the unpaid principal balance will be forgiven.		1,615,684	—	—	1,615,684	—
Note payable to the City of Seattle's Housing Development fund for NewHolly Phase II. Interest accrues at 1% simple interest per year and is payable on or before September 11, 2040.		1,700,000	—	—	1,700,000	—

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017	Due within one year
Notes payable issued in 2001 to the City of Seattle's Cumulative Reserve Fund and HOME Program for New Holly Phase II. Interest accrues at 1% simple interest per year up to the 20th year and is forgiven at the rate of 5% per year beginning on the 21st year, subject to compliance with certain covenants. Principal and interest payments may be deferred if the property is kept for low-income use. If the Authority remains in compliance with the debt covenants for 75 years, the unpaid principal balance and accrued interest will be forgiven.	$ 2,800,000	—	—	2,800,000	—
Note payable to the Washington State Office of Assistance Program for New Holly Phase II. Payments of principal and interest are deferred for 30 years until December 31, 2032 with interest accruing at 1%. Beginning on the 31st year, all unpaid principal and interest will be paid over 20 years with annual payments of $149,383.	2,000,000	—	—	2,000,000	—
Note payable to the State of Washington for the Villa Park project. Interest accrues at 1% per year compounded monthly, with 50 annual payments of $27,698. The note is secured by a deed of trust on the property.	735,184	—	20,346	714,838	20,550

(Continued)

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017	Due within one year
Note payable to the City for the Villa Park Apartments. Interest accrues at 1% simple interest per year for the first 20 years and is forgiven at the rate of 5% per year beginning on the 21st year, subject to compliance with certain covenants. Principal payments may be deferred if the property is kept for low-income housing. If the Authority remains in compliance with debt covenants for 75 years, the unpaid principal balance will be forgiven. The note is secured by a deed of trust on the property.	$ 1,785,723	—	—	1,785,723	—
Mortgage loan for Wedgewood Estates payable to CBRE. Term is 35 years, with final maturity September 1, 2046. The interest rate is 4.10% with monthly payments of $75,102. The loan is guaranteed with FHA insurance.	15,476,535	—	271,759	15,204,776	283,113
Mortgage loan for Wisteria Court payable to Prudential. Term is 35 years, with final maturity August 1, 2038. The interest rate is 5.51%, with monthly payments of $21,114. The loan is guaranteed with FHA Insurance. This note was fully repaid during the year.	3,213,759	—	3,213,759	—	—

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017	Due within one year
Note payable to the City from 1992 for the Beacon House project. Interest accrues at 1% simple interest per year for the first 20 years and is forgiven at the rate of 5% per year beginning on the 21st year, subject to compliance with certain covenants. Principal payments may be deferred if the property is kept for low-income housing. If the Authority remains in compliance with the debt covenants for 75 years, the unpaid principal balance will be forgiven.	$ 329,260	—	—	329,260	—
Loans payable to Seattle Office of Housing for the rehab of Willis House and Reunion House. Loans bear interest at 1%, which is payable at maturity, December 2059.	850,000	—	—	850,000	—
Loans payable to Seattle Office of Community Trade and Economic Development for rehab at Willis House and Reunion House which bear interest at 1%. Forgivable on maturity date in December 2049.	879,273	—	—	879,273	—
Loan payable to the City of Seattle for utility infrastructure at New Holly Rainier Visa and High Point. The loan matures July, 2019 and bears interest at 2.5%. This note was fully repaid during the year.	496,536	—	496,536	—	—

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017	Due within one year
Loans payable to Seattle Office of Housing for the rehab of Nelson Manor. The loan bears interest at 1%, which is payable at maturity, in August 2061.	$ 478,065	—	—	478,065	—
Loan payable to Seattle Office of Housing for the rehab of Olmsted Manor. The loan bears interest at 1% and is payable at maturity, August 2061.	477,974	—	—	477,974	—
Loan payable to Seattle Office of Housing for the rehab of Blakely Manor. The loan is payable at maturity November 18, 2061. Interest rate is 1%.	984,155	—	—	984,155	—
Loan payable to Seattle Office of Housing for the rehab of Bitter Lake Manor. The loan bears interest at 1% and is payable at maturity, January 25, 2062.	978,930	—	—	978,930	—
Loan to the State of WA for Beacon House payable at maturity in March 2043 and bears no interest.	114,212	—	—	114,212	—
Loan payable to WA State Community Reinvestment Assn for Tamarack Commercial property. Term is 15 years. Note bears interest at 6.5% and is due March, 2027.	1,022,054	—	16,538	1,005,516	17,646
CDBG loan payable to City of Seattle for Yesler Terrace redevelopment. Principal and interest at 1% are due at maturity, December 1, 2064.	375,027	—	—	375,027	—

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017	Due within one year
CDBG loan payable to City of Seattle for Yesler Terrace redevelopment. Principal and interest at 1% are due at maturity, December 1, 2065. for Yesler Terrace	$ 436,470	—	—	436,470	—
Total notes payable	36,948,841	—	4,218,938	32,729,903	321,309
Bonds payable for Gamelin and Genessee commercial condo units. The bonds mature in 2035 and bear interest at 4.3%. The bonds are to be repaid with revenues from the properties and are further secured by a pledge of general revenue of the Authority.	3,195,000	—	125,000	3,070,000	125,000
Bonds payable for the High Rise Rehabilitation project, Phase III. The bonds mature November 1, 2027 and bear interest of 5.15%. The bonds were repaid during the year.	8,550,000	—	8,550,000	—	—
Fixed rate bonds payable Longfellow Creek Apartments. Annual payments are $15,000 to $235,000 plus interest at rates of 1.90% to 5.35% with final due date of October 1, 2033. The bonds were repaid during the year.	2,715,000	—	2,715,000	—	—
Fixed rate bonds payable for Wisteria Court Apartments. Annual payments are $45,000 to $245,000 plus interest at rates of 1.2% to 5.3%, with final due date of October 20, 2038. The bonds were repaid during the year.	3,200,000	—	3,200,000	—	—

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017	Due within one year
Variable rate bonds for Wedgewood Estates. The bonds had a maturity date of August, 2036 and were repaid during the year.	$ 130,000	—	130,000	—	—
Variable rate bonds subject to remarketing for Douglas Apartments rehabilitation project and mature June 2040. The interest rate is reset every Wednesday with remarketing agent and was 0.19% on December 31, 2014. The bonds are secured by a letter of credit with Key Bank.	1,770,000	—	40,000	1,730,000	40,000
Fixed rate bonds for New Holly phase I acquired from Holly Park Limited partnership. Interest rates are 4.7–5.9% payable twice a year. The bonds were paid off in January 2017 in connection with the resyndication of New Holly Phase I.	3,665,000	—	3,665,000	—	—
Fixed rate bonds for Replacement housing properties, Montridge Arms, Main Street Apts and Yesler Court. Interest rates range from 0.7%-5.6%. Bonds mature September 2043 and are secured by a deed of trust on the properties.	11,970,000	—	210,000	11,760,000	220,000

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017	Due within one year
Fixed rate bonds for Market Terrace, Mary Avenue town-homes, Bayview Tower, Lake City Commons, Villa Park, Telemark Apartments, Main Place II, Place II, Delridge Triplexes, 5983 Rainier Ave, 924 MLK Way and Baldwin Apartments. Bonds mature December 1, 2044 and are secured by a deed of trust on the properties. properties. Rates range from 0.25 to 3.50%.	$ 13,125,000	—	275,000	12,850,000	280,000
Fixed rate bonds for New Holly Phase II. The bonds mature January, 2032 and bear interest at 7.0%. The bonds are backed by a deed of trust on the property and by a pledge of the Authority's general revenue.	1,855,000	—	65,000	1,790,000	70,000
Total bonds payable	50,175,000	—	18,975,000	31,200,000	735,000
Accrued compensated absences	2,903,239	2,753,939	2,683,843	2,973,335	294,359
Total long-term obligations	$ 90,027,080	2,753,939	25,877,781	66,903,238	1,350,668

For variable rate bonds, the Authority estimated interest payments based on the interest rates in effect at the end of the fiscal year and principal payments based on the maturity date on the bond indentures assuming the bonds will not be called before the maturity dates.

(Continued)

The following is a summary of debt service requirements of the Authority for long-term obligations as of December 31, 2017:

	Bonds	Notes	Total Principal	Total Interest
2018	$ 2,256,783	1,133,604	1,056,309	2,334,078
2019	2,267,358	1,120,625	1,094,524	2,293,459
2020	2,272,733	1,120,077	1,138,316	2,254,494
2021	2,272,240	1,100,658	1,177,707	2,195,191
2022	2,267,543	1,098,688	1,217,728	2,148,503
2023–2027	11,358,180	6,187,654	7,713,192	9,832,642
2028–2032	11,346,994	5,346,833	8,528,004	8,165,823
2033–2037	9,892,575	7,562,906	11,208,289	6,247,192
2038–2042	8,840,273	11,787,499	17,282,309	3,345,463
2043–2047	3,416,281	4,608,559	7,285,017	739,823
2048–2052	—	1,555,721	1,318,627	237,094
2053–2057	—	228,005	—	228,005
2058–2062	—	3,952,229	3,769,124	183,105
2063–2067	—	1,157,234	1,140,757	16,477
Total requirements	$ 56,190,960	47,960,292	63,929,903	40,221,349

There are several limitations and restrictions contained in the various debt instruments primarily requiring the Authority to maintain certain levels of low-income tenants. Authority management believes it is in compliance with all significant limitations and restrictions. As of December 31, 2017, Authority management also believes that all bond issues met debt coverage ratio requirements.

(b) *Conduit Debt*

The Authority has issued special revenue bonds to provide financial assistance to not-for-profit agencies and private developers for the purpose of constructing low-income housing. The bonds are limited obligation bonds of the Authority and are payable solely from project revenue. These nonrecourse conduit bonds are secured by the property financed and are often collateralized by a letter of credit issued by a major bank. The Authority is not obligated in any manner, and accordingly, the bonds have not been recorded in the accompanying financial statements except for the 14 series of bonds amounting to $116,532,674 that are obligations of the component units of the Authority. The component unit bonds are further backed by the general revenues of the Authority as described in Note 14.

As of December 31, 2017, there were 27 series of outstanding special revenue bonds for private non-profits and private developers. The aggregate principal payable could not be determined for two of the bonds, their original issue amount totaled $5,370,000. The aggregate principal payable as of December 31, 2017 for the remaining 25 series of bonds totaled $90,616,473.

(c) *Component Unit Debt*

Desdemona has short term borrowings of $5,833,527 from the Authority in order for the partnership to repay its fixed rate bonds.

As of December 31, 2017, Desdemona has other long-term debt totaling $16,955,806 secured by liens on the partnership's property. Of this amount, $12,889,135 represents the general partner loans made by the Authority and is secured by liens on the partnership's property. These loans accrue interest at the annual rate of 1% to 3%, and interest-only payments on the outstanding principal balances are due to the general partner from available net cash flows. As of December 31, 2017, interest payments totaling $194,180 were paid to the Authority. Desdemona also has a loan from the State of Washington Department of Community, Trade, and Economic Development, Office of Community Development in the amount of $2,000,000. Payments of principal and interest were deferred for 10 years until December 1, 2015, with interest accruing at 1% per annum during the deferral period. Beginning December 1, 2015, all unpaid principal and accrued interest is being paid over 20 years, with annual interest only payments of $22,104 for the first 10 years and $122,060 for the remaining 10 years and the final payment due on or before October 1, 2045. Desdemona also owes the City for a loan in the amount of $2,066,671. The loan accrues interest at 1% annually and matures on August 7, 2053. Payments of principal and interest are due from available net cash flows.

Escallonia has bonds outstanding at December 31, 2017 totaling $4,045,000. The bonds were issued by the Authority on behalf of the component unit and are backed by a deed of trust on the partnership's leasehold interest in the Rainier Vista redevelopment project. The bonds are further secured by a pledge of the Authority's unobligated general revenue. Interest is due monthly at a fixed rate of 3.98% under the interest rate swap agreement on the variable rate bonds. The bonds mature on December 1, 2036. The bonds were repaid in February, 2018.

As of December 31, 2017, Escallonia has other long-term debt totaling $23,347,094 of general partner loans made by the Authority and secured by liens on the partnership's property. These loans accrue noncompounding interest at the annual rate of 1% and mature in fiscal year 2058. Interest-only payments on the loans are due to the general partner from available net cash flows.

High Point North has fixed rate bonds outstanding at December 31, 2017 totaling $8,308,990. The bonds were issued by the Authority on behalf of the component unit and are backed by a deed of trust on High Point North's leasehold interest in the High Point Phase I redevelopment project. The bonds are further secured by a pledge of the Authority's unobligated general revenue. The bonds mature on June 1, 2036 and accrue interest at 5.295%.

As of December 31, 2017, High Point North has other long-term debt totaling $27,152,734. Of this amount, $25,152,734 represents the general partner loans made by the Authority and is secured by liens on the partnership's property. These loans accrue compounding interest at the annual rate of 1% and mature in fiscal year 2054. Interest-only payments on the loans are due to the general partner from available net cash flows. As of December 31, 2017, no interest payments had been made to the Authority. The remaining $2,000,000 represents a loan from the State of Washington Housing Assistance Program. Payments of principal and interest are deferred for 12 years, with interest accruing at 1% a year during the deferral period. Beginning April 30, 2016, quarterly interest

(Continued)

payments are due, and beginning April 30, 2021, quarterly payments of principal and interest are required until the final maturity date of January 31, 2046.

High Point South has bonds outstanding at December 31, 2017 totaling $14,360,000. The bonds were issued by the Authority on behalf of the component unit and are backed by a deed of trust on High Point South's leasehold interest in the High Point Phase II redevelopment project. The bonds are further secured by a pledge of the Authority's unobligated general revenue. Interest is due monthly at a fixed rate of 3.98% through an interest rate swap agreement, and at the variable rate of 65.01% of the one-month LIBOR rate plus 2.54%. The bonds mature on March 1, 2039.

As of December 31, 2017, High Point South has other long-term debt totaling $15,212,665. Of this amount, $13,212,665 represents the general partner loans made by the Authority and is secured by liens on the partnership's property. These loans accrue noncompounding interest at the annual rate of 1% and mature in fiscal year 2062. Interest-only payments on the loans are due to the general partner from available net cash flows. As of December 31, 2017, no interest payments had been made to the Authority. The remaining $2,000,000 represents a loan from the State of Washington Housing Trust Fund. Payments of principal and interest are deferred for 12 years, with interest accruing at 1% a year during the deferral period. Beginning December 31, 2019, quarterly interest payments are due, and beginning December 31, 2029, quarterly payments of principal and interest are required until the final maturity date of September 30, 2059.

Ritz Apartments has total loans outstanding totaling $1,715,052 as of December 31, 2017. The construction loan of $889,196 bears interest at 5.496%, requires monthly principal and interest payments, and is due September 1, 2036.

As of December 31, 2017, Ritz Apartments has other long-term notes payable outstanding totaling $825,856. Of this amount, $560,000 represents a note to the City that bears simple interest at 1% annually. Payments are due annually beginning June 30, 2006 from available net cash flows and the note is payable in full by August 9, 2054. The remaining $265,856 is payable to the general partner and bears interest at 1% annually. Payments are due annually beginning March 30, 2006 from available net cash flows, with final maturity on December 31, 2054.

Alder Crest has outstanding long-term obligations in the amount of $2,675,202 as of December 31, 2017. Of this amount, $992,283 represents a loan payable to the City that bears interest at 1% per annum and matures March 31, 2057. Alder Crest also has a loan payable to the City in the amount of $111,124. The loan bears interest at 1% per annum and matures March 31, 2057. The loan is secured by a third deed of trust on the property. Alder Crest has a loan payable to the State in the amount of $990,564. Of this amount, $440,564 requires quarterly payments. The entire amount bears no interest and is payable in full March 31, 2057. In addition, Alder Crest also has other borrowings outstanding in the amount of $581,231 from the Authority. One loan in the amount of $220,000 bears interest at 5% per annum and is secured by a fourth deed of trust on the property and matures March 31, 2057. The remaining $361,231 is a loan from the Authority for reimbursement of capital work needed on the stairways of the property. The loan amount shall not exceed $371,816, bears interest at 0.5% annually beginning January 1, 2014 and matures January 31, 2029.

Phase I homeWorks has long-term obligations totaling $24,000,000 as of December 31, 2017. Of this amount, $12,000,000 represents a promissory note from the general partner made by the Authority and secured by a deed of trust encumbering the partnership's interest in the project. During the rehabilitation phase of the project, interest-only payments are due quarterly beginning April 1, 2006, with interest accruing at a rate of 4.82%. After the rehabilitation stage, principal and interest shall be paid from available cash flows at an annual interest rate of 2.75%. The loan matures on January 1, 2046. homeWorks I has another loan from the general partner made by the Authority and secured by the land, buildings, and improvements in the amount of $12,000,000 as of December 31, 2017. During the rehabilitation phase of the project, interest only payments are due quarterly beginning April 1, 2006, with interest accruing at a rate of 4.68%. After the rehabilitation stage, principal and interest shall be paid from available cash flows at an annual interest rate of 2.75%. The loan matures on January 1, 2046.

Phase II homeWorks has long-term obligations totaling $28,051,551 as of December 31, 2017. Of this amount, $12,000,000 represents a promissory note from the general partner made by the Authority and secured by a deed of trust encumbering the partnership's interest in the project. During the rehabilitation phase of the project, interest-only payments are due quarterly beginning April 1, 2007, with interest accruing at a rate of 4.88%. After the rehabilitation stage, principal and interest shall be paid from available cash flows at an annual interest rate of 3.5%. The loan matures on December 21, 2046. homeWorks II has another loan from the general partner made by the Authority and secured by the land, buildings, and improvements in the amount of $16,051,551 as of December 31, 2017. During the rehabilitation phase of the project, interest-only payments are due quarterly beginning April 1, 2007, with interest accruing at a rate of 4.6%. After the rehabilitation stage, principal and interest shall be paid from available cash flows at an annual interest rate of 3.5%. The loan matures on December 21, 2046.

Phase III homeWorks has long-term obligations totaling $20,950,000 as of December 31, 2017. Of this, $9,200,000 represents a promissory note from the general partner made by the Authority and secured by a deed of trust encumbering the partnership's interest in the project. During the rehabilitation phase of the project, interest-only payments are due quarterly beginning April 1, 2008, with interest accruing at a rate of 4.13%. After the rehabilitation stage, principal and interest shall be paid from available cash flows at an annual interest rate of 4.25%. The loan matures on December 19, 2047. homeWorks III has another loan from the general partner made by the Authority and secured by the land, buildings, and improvements in the amount of $11,750,000 as of December 31, 2017. During the rehabilitation phase of the project, interest-only payments are due quarterly beginning April 1, 2008, with interest accruing at a rate of 5.04%. After the rehabilitation stage, principal and interest shall be paid from available cash flows at an annual interest rate of 4.25%. The loan matures on December 19, 2047.

South Shore Court has outstanding long-term obligations in the amount of $7,880,000 as of December 31, 2017. Of this amount, $3,650,000 represents a loan payable to the City that bears interest at 2% per annum and matures June 30, 2060. Also, the partnership has a long-term note payable to the Authority in the amount of $1,730,000, which bears interest at 4.8% annually and matures June 1, 2040. South Shore Court has another note payable to the Department of Commerce with the face amount of $2,500,000. The note bears no interest and is payable on June 30, 2060.

As of December 31, 2017, Tamarack Place has outstanding long-term obligations in the amount of $11,313,912. Of this amount, $913,912 represents a fixed rate construction loan payable to Washington Community Reinvestment Association (WCRA) at an interest rate of 6.5%. In addition, the Tamarack Place has a loan payable to the Authority in the amount of $10,400,000. The loan bears interest at 1% per annum and is secured by a leasehold deed of trust on the project.

As of December 31, 2017, Lake City Court has outstanding long-term obligations in the amount of $17,842,507. Of this amount, $16,358,505 represents a note payable to the Authority, which bears interest at 0.8% per annum and is secured by a leasehold dead of trust on the project. Lake City Court also has a lease payable to the Authority in the amount $1,484,002, which is payable from available cash flows.

As of December 31, 2017, Rainier Vista NE has outstanding long-term obligations in the amount of $19,079,869. Rainier Vista NE has a fixed rate note payable to U.S. Bank in the amount of $2,475,602, which is secured by a deed of trust on the property and carries an interest rate of 4.8%. The remaining long-term obligation balance consists of two loans payable to the Authority. Loan one bears interest at 1.5% per annum and is secured by a leasehold deed of trust on the project. As of December 31, 2015, $10,000,000 was outstanding. Loan two bears interest at 1.5% per annum and is also secured by a leasehold deed of trust on the project. As of December 31, 2017, $6,604,267 was outstanding.

As of December 31, 2017, Kebero Court has outstanding long-term obligations in the amount of $17,483,240. Of this amount, $6,884,838 represents a permanent, fixed rate loan which was converted from a variable rate construction loan in April, 2016. The original note amount was $7,050,000 and matures November 8, 2034 when the remaining portion will be paid off. Kebero Court also has a loan payable to the City of Seattle in the amount of $1,814,775, which bears interest at 1.0% and matures in April, 2065. The maximum loan amount is $1,855,000. The remaining $8,783,627 represents two notes from the Authority, which bear interest at 3.0% with principal and interest payable annually from the property's cash flow and matures April 2065. The notes are secured by a leasehold deed of trust and the maximum amount is $8,783,627. The variable construction loan was paid during the year.

As of December 31, 2017, Leschi House has outstanding long-term obligations in the amount of $7,775,378. Of this amount, $3,323,492 represents fixed bonds bearing interest of 5.13% annually and with a maturity date of August 1, 2045. In addition, Leschi House has a loan payable to the State of Washington Department of Commerce in the amount of $2,499,999. The loan began accruing interest of 1% per annum beginning on May 1, 2015 and matures on April 30, 2065. Leschi House has an additional loan payable to the City of Seattle Office of Housing in the amount of $1,323,637. The loan accrues interest at a rate of 1% per annum and matures on April 30, 2065. Leschi House also has a loan payable to the Authority for $628,250 which bears interest at 1% per annum and matures on April 30, 2065.

As of December 31, 2017, Raven Terrace has outstanding long-term obligations in the amount of $15,265,210. Of this amount $1,141,831 represents a loan from the City of Seattle with a maximum amount of $1,300,000. The loan accrues interest at 1% annually with no payments due until maturity on December 1, 2065. In addition, the partnership has a fixed rate loan in the amount of $3,932,618.

The loan matures December 7, 2046. The remaining $10,190,761 represents two loans from the Authority that mature in May 2069 and bear interest of 2.5%.

As of December 31, 2017, Hoa Mai Gardens has outstanding long-term obligations in the amount of $40,209,397. Of this amount $25,300,000 represents a variable rate, 32 month construction loan from Chase bank. The maximum loan amount is $25,300,000. After construction is completed, the construction loan will be converted to a fixed rate, permanent loan through additional capital contributions for up to $10,750,000 with a maturity date of February 17, 2037. Hoa Mai Gardens also has two notes from the Authority. The first note bears interest at 1% and a term of 50 years; matures in December 2065 and the amount of the note is $6,688,824. The second note bears interest at 1% and carries a term of 50 years with a maximum loan amount of $10,750,000. As of December 31, 2017 $8,220,573 was drawn from that note.

As of December 31, 2017, NewHolly Phase I has outstanding long-term obligations in the amount of $37,715,658. Of this amount $6,800,000 represents 30 year bonds with rates from 1.15% through 3.55% and $15,380,000 represents 2.5 year variable rate bonds with a rate of 1.25% as of December 31, 2017. In addition, NewHolly has an acquisition loan from the Authority in the amount of $13,034,079 which bears interest at 2.18% compounded annually and matures in 2066. The partnership also has two rehabilitation loans from the Authority which have not yet been funded. The first note is not to exceed $3,000,000 and the second note is not to exceed $2,500,000. Both of these loans carry an interest rate of 1% compounded annually and mature in 2066. Lastly, NewHolly Phase I acquired two loans from the Authority when the partnership was closed. One loan is in the amount of $1,700,000 from the State of Washington Department of Commerce. The loan matures on December 31, 2040 and does not accrue interest. The remaining note is in the amount of $801,579 from the City of Seattle. It matures in 2032 and has an interest rate of 1% per annum.

As of December 31, 2017, Red Cedar has outstanding long-term obligations in the amount of $1,742,404. Of this amount $50,001 represents an initial draw from a 32 month variable rate construction loan. The maximum loan amount is $35,000,000. After construction is completed, the construction loan will be converted to a fixed interest rate of 4.56% per annum permanent loan for up to $13,960,000 with a 35-year amortization period. As of December 31, 2017, $1,692,403 was drawn from the City of Seattle Office of Housing loan. The note bears interest at 1% and carries a term of 52 years with a maximum loan amount of $3,420,000. Also, Red Cedar has approved a $17,900,000 maximum note amount from the Authority. As of December 31, 2017 the project had not drawn any funds from this loan.

As of December 31, 2017, West Seattle Properties has outstanding long-term obligations in the amount of $47,305,000. Of this amount, $8,500,000 represents 30 year bonds with a rate of 3.6% and $16,500,000 represents short term bonds maturing June 1, 2020 with a rate of 1.95%. In addition, West Seattle Properties has an acquisition loan from the Authority in the amount of $22,305,000. Of this amount, $2,180,000 is payable within 50 years with annual payments of $43,600 in January of each year from cash flow. Any unpaid portion shall be deferred and accrues interest at 2.64% per annum. The remaining $20,125,000 of the acquisition loan bears interest at 2.64%, compounded annually and is also payable in 50 years, maturing December 1, 2067. The partnership also has a rehabilitation loan from the Authority which has not yet been funded. The loan will not exceed $2,500,000 and will bear interest at a rate of 1.00% per annum maturing December 1, 2067.

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The following is a summary of changes in long-term obligations for the component units:

	Balance January 1, 2017	Additions/ transfers	Retirements	Balance December 31, 2017	Due within one year
Loans payable to primary government from Desdemona	$ 12,889,135	—	—	12,889,135	—
Loan payable to Washington State Housing Trust fund from Desdemona	2,000,000	—	—	2,000,000	—
Loan payable to City of Seattle HOME fund from Desdemona	2,066,671	—	—	2,066,671	—
Loans payable to primary government from Escallonia	23,347,094	—	—	23,347,094	—
Loans payable to primary government from High Point North	25,152,734	—	—	25,152,734	—
Loan payable to Washington State Housing Trust fund from High Point North	2,000,000	—	—	2,000,000	—
Loans payable to primary government from High Point South	13,212,665	—	—	13,212,665	—
Loan payable to Washington State Housing Trust fund from High Point South	2,000,000	—	—	2,000,000	—
Loans payable to primary government from the Ritz Apartments	265,856	—	—	265,856	—
Loans payable to the City of Seattle from the Ritz Apartments	560,000	—	—	560,000	—
Loans payable to Washington Mutual from the Ritz Apartments	915,803	—	26,607	889,196	27,980
Loan payable to City of Seattle from Alder Crest	992,283	—	—	992,283	—
Loan payable to City of Seattle from Alder Crest	111,124	—	—	111,124	—
Loans payable to primary government from Alder Crest	581,231	—	—	581,231	—

(Continued)

	Balance January 1, 2017	Additions/ transfers	Retirements	Balance December 31, 2017	Due within one year
Loan payable to Washington State Housing Trust fund from Alder Crest	1,001,788	—	11,224	990,564	11,224
Loans payable to primary government from homeWorks I	24,000,000	—	—	24,000,000	—
Loans payable to primary government from homeWorks II	28,051,551	—	—	28,051,551	—
Loans payable to primary government from homeWorks III	20,950,000	—	—	20,950,000	—
Loan payable to City of Seattle from South Shore Court	3,650,000	—	—	3,650,000	—
Loan payable to primary government from South Shore Court	1,810,000	—	80,000	1,730,000	40,000
Loan payable to the Department of Commerce from South Shore Court	2,500,000	—	—	2,500,000	—
Loans payable to primary government from Tamarack Place	10,400,000	—	—	10,400,000	—
Loan payable to WCRA from Tamarack Place	929,810	—	15,898	913,912	16,943
Loan payable to primary government from Rainier Vista NE	16,604,267	—	—	16,604,267	—
Loan payable to US Bank for construction of Rainier Vista NE	2,525,292	—	49,690	2,475,602	51,746
Lease payable to primary government from Lake City Court	16,358,505	—	—	16,358,505	—
Lease payable to primary government from Lake City Court	1,553,566	—	69,564	1,484,002	—
Loan payable to Office of Housing from Leschi House	2,499,999	—	—	2,499,999	—
Loan payable to Washington State Housing Trust fund from Leschi House	1,323,637	—	—	1,323,637	—
Loan payable to primary government from Leschi House	628,250	—	—	628,250	—

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Notes to Basic Financial Statements

December 31, 2017

	Balance January 1, 2017	Additions/ transfers	Retirements	Balance December 31, 2017	Due within one year
Loan payable to Chase Bank from Kebero Court	6,981,978	—	97,140	6,884,838	102,740
Loan payable to primary government from Kebero Court	8,783,627	—	—	8,783,627	—
Loan payable to City of Seattle from Kebero Court	1,814,775	—	—	1,814,775	—
Loan payable to primary government from Raven Terrace	10,190,761	—	—	10,190,761	—
Loan payable to City of Seattle from Raven Terrace	1,141,831	—	—	1,141,831	—
Loan payable to Chase Bank from Raven Terrace	3,990,000	—	57,382	3,932,618	60,408
Construction loan payable to Chase Bank from Hoa Mai Gardens	11,154,337	14,145,663	—	25,300,000	70,376
Loan payable to primary government from Hoa Mai Gardens	11,458,291	3,451,106	—	14,909,397	—
Construction loan from Red Cedar	—	50,001	—	50,001	—
Loan payable to City of Seattle from Red Cedar	—	1,692,403	—	1,692,403	—
Loan payable to WA State Housing Trust fund from NewHolly Phase I	1,700,000	—	—	1,700,000	—
Loan payable to City of Seattle from NewHolly Phase I	801,579	—	—	801,579	—
Loan payable to primary government from NewHolly Phase I	13,034,079	—	—	13,034,079	—
Loan payable to primary government from West Seattle Properties	—	20,125,000	—	20,125,000	—
Capital lease to primary government from West Seattle Properties	—	2,180,000	—	2,180,000	43,600
Total notes	291,932,519	41,644,173	407,505	333,169,187	425,017

(Continued)

	Balance January 1, 2017	Additions/ transfers	Retirements	Balance December 31, 2017	Due within one year
Bonds payable – Desdemona	6,425,000	—	6,425,000	—	—
Bonds payable – Escallonia	4,175,000	—	130,000	4,045,000	135,000
Bonds payable – High Point North	8,553,564	—	244,574	8,308,990	272,179
Bonds payable – High Point South	14,665,000	—	305,000	14,360,000	360,000
Bonds payable – Leschi House	3,375,442	—	51,950	3,323,492	54,446
Bonds payable - NewHolly Phase I	22,340,000	—	160,000	22,180,000	160,000
Bonds payable - West Seattle Properties	—	25,000,000	—	25,000,000	70,000
Total bonds	59,534,006	25,000,000	7,316,524	77,217,482	1,051,625
Total long-term debt	$ 351,466,526	66,644,172	7,724,029	410,386,669	1,476,642

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December 31, 2017

Debt service requirements of long-term obligations of the component units as of December 31, 2017 are as follows:

	Bonds	Notes	Total Principal	Total Interest
2018	$ 2,982,774	7,279,324	1,476,642	8,785,456
2019	18,463,256	7,218,333	17,083,597	8,597,992
2020	19,415,797	7,208,634	18,301,557	8,322,874
2021	2,801,177	7,272,381	1,958,491	8,115,067
2022	2,772,380	7,303,448	2,006,112	8,069,716
2023–2027	14,086,281	37,093,111	11,609,020	39,570,372
2028–2032	14,549,494	39,311,031	16,306,760	37,553,765
2033–2037	14,102,975	38,083,961	16,354,721	35,832,215
2038–2042	9,388,544	40,483,599	16,950,178	32,921,965
2043–2047	4,511,444	106,795,559	82,974,103	28,332,900
2048–2052	—	31,135,704	14,042,303	17,093,401
2053–2057	—	61,182,981	45,917,957	15,265,024
2058–2062	—	85,153,208	72,972,557	12,180,651
2063-2067	—	97,840,996	90,740,268	7,100,728
2068–2072	2,069,501	—	1,692,403	377,098
Total requirements	$ 105,143,623	573,362,270	410,386,669	268,119,224

The component units have adopted Accounting Standards Update 2015-03, Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03) which requires debt issuance costs and discounts be reported as a reduction in the carrying amount of the related debt rather than an asset. Amortization of the debt issuance costs is reported as interest expense rather than as amortization expense. The table below shows the detail of those amounts.

		Notes payable to primary government	Notes payable	Bonds payable	Total
Amount of debt	$	264,878,154	68,291,033	77,217,482	410,386,669
Unamortized discount		—	—	(93,966)	(93,966)
Unamortized debt issuance costs		(1,279,191)	(374,460)	(1,866,756)	(3,520,407)
Net debt amount	$	263,598,963	67,916,573	75,256,760	406,772,296

(8) Unearned Revenue – Operating Leases

The Authority leased the building and land of the Ritz Apartments to the Ritz Apartments partnership beginning in August 2004. The lease term is 75 years and the Authority has received all required payments. The lease includes a purchase option in which Ritz Apartments has the right to require the Authority to convey legal title to the property for a total purchase price equal to $1 plus the sum of the amount remaining to be paid or outstanding on the bonds any time after all lease payments have been made. Assets held for lease included the land of $194,480, building and improvements with a cost of $1,395,225, and accumulated depreciation at December 31, 2017 of $494,055.

The Authority leased the building and land of the Alder Crest Apartments to the Alder Crest partnership beginning in December 2005. The lease matures December 31, 2080. The lease includes a purchase option in which Alder Crest has the right to require the Authority to convey legal title to the property for a total purchase price of $1 any time after December 31, 2104. The Authority has received all payments required under the terms of the lease. Assets held for lease included land of $595,017, building and improvements with a cost of $1,405,230, and accumulated depreciation at December 31, 2017 of $474,313.

Phase I homeWorks has leased seven public housing buildings and the related land from the Authority for the purpose of rehabilitating and operating the properties. The initial lease amount was $11,434,751 and all payments have been received. The lease matures December 31, 2104. Assets held for lease included land of $982,235, building and improvements with a cost of $17,052,143, and accumulated depreciation at December 31, 2017 of $16,856,474.

Phase II homeWorks has leased seven public housing buildings and the related land from the Authority for the purpose of rehabilitating and operating the properties. The initial lease amount was $11,062,522 and all payments have been received. The lease matures December 31, 2105. Assets held for lease included land of $804,323, building and improvements with a cost of $16,997,451, and accumulated depreciation at December 31, 2017 of $16,995,125.

Phase III homeWorks has leased seven public housing buildings and the related land from the Authority for the purpose of rehabilitating and operating the properties. The initial lease amount was $10,510,573 and all payments have been received. The lease matures December 31, 2106. Assets held for lease included land of $1,088,828, building and improvements with a cost of $18,442,567, and accumulated depreciation at December 31, 2017 of $17,883,156.

The Authority leased the building and land of the Douglas Apartments to South Shore Court beginning in December 2008. The lease matures December 31, 2083. The lease includes a purchase option in which South Shore Court has the right to require the Authority to convey legal title to the property for a total purchase price of $1 any time after December 31, 2058. The Authority has received all payments required under the terms of the lease. Assets held for lease included land of $813,062, building and improvements with a cost of $2,856,708, and accumulated depreciation at December 31, 2017 of $779.382.

The Lake City Court has leased land and improvements from the Authority beginning May 2010 for the purpose of constructing an 86-unit affordable apartment building in northeast Seattle. The initial lease amount was $2,750,000 of which $1,484,001 is a note payable due to the Authority no later than May 1, 2065, and payments are subject to available cash flow of the partnership. The lease matures December 31, 2109. Assets held for lease include land with a cost of $951,658.

The Authority has leased land to Kebero Court for the purpose of constructing a 103-unit affordable apartment building as part of the overall Yesler Terrace development. The initial lease amount was $365,615 based on the appraised land value and is shown as a capital contribution from the Authority. The lease matures December 31, 2112. Assets held for lease include land with a value of $8,327 as of December 31, 2017.

The Authority has leased land to Leschi House for the purpose of constructing a 35-unit addition to Leschi House. The initial lease amount was $3,110,000 based on the appraised land value and is shown as a capital contribution from the Authority. The lease matures December 31, 2112. Assets held for lease include land of $427,500, building and improvements with a cost of $1,700,469, and accumulated depreciation of $754,908 as of December 31, 2017.

The Authority has leased the land improvements and structures of phase one of the NewHolly redevelopment to the NewHolly Phase I partnership for the purpose of performing rehabilitation of the building exteriors in phase one of the redevelopment. The initial lease amount was $19,250,000. The lease matures December 31, 2115. Assets held for lease include land improvements of $1,341,315, building and improvements with a cost of $24,446,539, and accumulated depreciation of $7,457,465 as of December 31, 2017.

During the year, the Authority entered into a new lease for the West Seattle Properties partnership. The land held by the Authority at Longfellow Creek, Wisteria Court, and Roxhill Court was recorded at amounts of $1,058,491, $753,805, and $649,799, respectively. The initial lease amount for the land was $2,180,000. In addition, the Authority leased building and improvements to the partnership for Longfellow Creek, Wisteria Court, and Roxhill Court with an initial lease amount of $26,810,000. The building and improvements included were $5,720,718 at Longfellow Creek, $6,476,793 at Wisteria Court, and $2,203,033 at Roxhill Court. As of December 31, 2017 accumulated depreciation was $1,983,489, $2,262,957, and $1,374,047, respectively. Of the $26,810,000, $6,685,000 was paid at closing and the remaining $20,125,000 is in the form of a note payable to the Authority. The lease expires on December 31, 2116.

Unearned lease payments are shown as unearned revenue on the statement of net position. The following schedule shows related unearned rental revenue as of December 31, 2017.

	Original lease amount	Unearned revenue
Ritz Apartments	$ 1,600,000	1,315,559
Alder Crest Apartments	1,935,000	1,625,400
homeWorks I	11,434,750	10,049,015
homeWorks II	12,171,533	10,815,505
homeWorks III	11,446,098	10,285,923
South Shore Court	3,650,000	3,211,996
Lake City Court	2,750,000	1,155,903
Leschi House	3,110,000	2,981,835
Kebero Court	365,615	344,294
NewHolly Phase I	19,250,000	19,003,314
West Seattle Properties	28,990,000	28,990,000
Total	$ 96,702,996	89,778,744

Unearned lease revenues as of December 31, 2017 are reflected in the Statement of Net Position in current and long-term liabilities in the amounts of $673,772 and $89,104,972, respectively.

(9) Pension Plans

Substantially all of the Authority's full-time and qualifying part-time employees participate in the Washington State Public Employees Retirement System (PERS), a defined benefit, cost-sharing, multiple-employer public employee retirement system. PERS issues publicly available reports which can be obtained from the Washington State Department of Retirement Systems' (DRS) website at www.drs.wa.gov or at 402 Legion Way, Olympia, WA 98504.

(a) Aggregated Balances

The Authority's aggregated balances of net pension liability, net pension assets and deferred inflows and outflows of resources as of December 31, 2017 are presented in the table below.

	Net pension liability	Deferred outflows	Deferred inflows
PERS 1	$ 13,596,072	949,913	507,367
PERS 2/3	12,689,823	3,145,047	3,804,932
Total	$ 26,285,895	4,094,960	4,312,299

(b) *Plan Description*

The State legislature established PERS in 1947 under RCW Chapter 41.40. Membership in the system includes: elected officials; State employees; employees of the Supreme, Appeals, and Superior courts (other than judges); employees of legislative committees; college and university employees not in national higher education retirement programs; judges of district and municipal courts; noncertificated employees of school districts; and employees of local government. Approximately 50% of PERS members are State employees. PERS contains 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 is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of the benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

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-paid 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.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at age 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 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 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 Consumer Price Index), 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 five 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.

(c) Pension plan fiduciary net position

The pension plans' fiduciary net positions have been determined on the same basis used by the pension plans. DRS financial statements have been prepared in conformity with generally accepted accounting principles (GAAP). The retirement plans are accounted for as pension trust funds using the flow of economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized as revenues in the period in which the contributions are earned. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The Washington State Investment Board (WSIB) has been authorized by statute (chapter 43.33A of the RCW) as having the investment responsibility for the pension funds. Investments are reported at fair value, and unrealized gains and losses are included as investment income in the Statement of Changes in Fiduciary Net Position presented in the DRS Comprehensive Annual Financial Report. Purchases and sales of investments are recorded on a trade-date basis.

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

(d) *Contributions*

Each biennium, the legislature establishes Plan 1 and Plan 3 employer contribution rates and Plan 2 employer and employee contribution rates. Employee contribution rates for Plan 1 are established by legislative statute and do not vary from year to year. Employer rates for Plan 1 are not necessarily adequate to fully fund the system. The employer and employee contribution rates for Plan 2 and for Plan 3 are developed by the Office of the State Actuary to fully fund the system. The Plan 2/3 employer rates include an administrative expense that is currently at 0.18% and a component to address the PERS Plan 1 unfunded actuarial accrued liability as provided for in chapter 41.45 of the RCW. The methods used to determine the contribution requirements were established under State statute. All employers are required to contribute at the level established by the legislature and the Office of the State Actuary.

The actual contribution rates for the employers and employees were changed during the year. Effective July 1, 2017 employer rates were increased from 11.18% to 12.7% for all plans. Contributions rates for employees in plan 2 increased from 6.12% to 7.38% effective July 1, 2017.

The Authority's employer and employee contribution rates as a percentage of covered payroll and required contributions for employees covered by PERS as of December 31, 2017 were:

	PERS Plan 1 required	PERS Plan 2 required	PERS Plan 3 required
Employer	12.70%	12.70%	12.70%
Employee	6.00	7.38	varies
	18.70%	20.08%	12.70%

	PERS Plan 1 required	PERS Plan 2 required	PERS Plan 3 required
Employer	$ 7,396	3,463,879	969,991
Employee	3,796	1,958,682	549,756
	$ 11,192	5,422,561	1,519,747

(e) *Actuarial Assumptions*

The total pension liability for each of the plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The following actuarial assumptions have been applied to all prior periods included in the measurement:

Inflation	3.0 percent total economic inflation, 3.75 percent salary inflation
Salary increases	In addition to the base 3.75 percent salary inflation assumptions, salaries are also expected to grow by promotions and longevity
Investment rate of return	7.5 percent

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Washington State Office of the State Actuary (OSA applied offsets to the base tale and recognized future improvements in the mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2017 report were based on the results of OSA's 2007-2012 Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

(f) *Discount Rate*

The discount rate used to measure the total pension liability was 7.50 percent for all the plans. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net assets was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency tests for PERS included an assumed 7.70 percent long term discount rate to determining funding liabilities for calculating future contribution rate requirements.

Consistent with the long term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at the contractually required rates which includes the component of PERS 2/3 pertaining to the unfunded actuarial accrued liability for PERS 1, as provided for in chapter 41.45 of the RCW.

Based on those assumptions, the pension plan's 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 7.50 percent on pension plan investments was applied to determine the total pension liability.

(g) *Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The table below presents the Authority's net pension liability calculated using the discount rate of 7.50 percent as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate.

Plan		1% decrease	Current discount rate	1% increase
PERS 1	$	16,562,615	13,596,072	11,026,411
PERS 2/3		34,187,712	12,689,823	(4,924,508)
Total	$	50,750,327	26,285,895	6,101,903

(h) *Long-Term Expected Rate of Return*

The long-term expected rate of return on pension plan investments was determined by the WSIB using a building-block method in which the best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected real rate of return
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%

The inflation component used to create the table is 2.20 percent and represents WSIB's most recent long-term estimate of broad economic inflation.

(i) *Proportionate Share*

Collective pension amounts are determined as of a measurement date which can be no earlier than an employer's prior fiscal year. The measurement date for the net pension liabilities recorded by the

Authority as of December 31, 2017 was June 30, 2017, the Plan's fiscal year end. The Authority's contributions received and processed by DRS during DRS' fiscal year ended June 30, 2017 have been used as the basis for determining the Authority's proportionate share of the collective pension amounts reported by DRS in their June 30, 2017 Schedules of Employer and Nonemployer Allocations for PERS Plans 1, 2 and 3. The proportionate share for the years ended December 31, 2017 and 2016 was 0.287 percent and 0.286 percent for Plan 1, respectively, and 0.365 percent and 0.360 for Plan 2/3, respectively.

(j) *Proportionate share of Pension Expense and Deferrals*

The Authority's proportionate share of pension expense for the year ended December 31, 2017 was $848,667 for PERS 1 and $1,764,504 for PERS 2/3 and is reported on the Statement of Revenues, Expenses and Changes in Net Position as a component of Housing Operations and Administration expenses.

The Authority's deferred outflows of resources and deferred inflows of resources pertaining to PERS as of December 31, 2017 are presented in the following table:

Plan	Description		Deferred outflows of resources	Deferred inflows of resources
PERS 1	Difference between projected and actual earnings on plan investments, net	$	-	(507,367)
PERS 1	Contributions subsequent to the measurement date of the collective net pension liability		949,913 *	-
PERS 2/3	Difference between projected and actual earnings on plan investments, net		-	(3,382,802)
PERS 2/3	Contributions subsequent to the measurement date of the collective net pension liability		1,410,516 *	-
PERS 2/3	Difference between expected and actual experience		1,285,779	(417,346)
PERS 2/3	Change in proportionate share		313,962	(4,784)
PERS 2/3	Change of assumptions		134,790	-
	Total	$	4,094,960	(4,312,299)

* PERS 2/3 employer rates include a component to address the PERS 1 Unfunded Actuarial Accrued Liability (UAAL). Those contributions for PERS 2/3 related to the UAAL have been reflected as PERS 1 contributions subsequent to the measurement date of the collective net pension liability above.

Deferred outflows of resources related to the Authority's contributions subsequent to the measurement date of $2,360,429 will be recognized as a reduction of the net pension liability as of December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year		PERS 1	PERS 2/3	All Plans
2018	$	(342,948)	(1,260,478)	(1,603,426)
2019		108,274	449,442	557,716
2020		(25,140)	(253,649)	(278,789)
2021		(247,553)	(1,332,723)	(1,580,276)
2022		—	142,176	142,176
Thereafter		—	184,831	184,831
Total	$	(507,367)	(2,070,401)	(2,577,768)

(10) Deferred Compensation Plan

The Authority, in conjunction with the State, offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is managed by the Washington State Department of Retirement Systems. In June 1998, the State Deferred Compensation Program plan assets were placed into trust for the exclusive benefit of participants and their beneficiaries. Pursuant to GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, since the Authority is not the owner of these assets, the plan assets and liabilities are not reported as part of the Authority.

(11) Other Postemployment Benefits (OPEB)

(a) Plan Description and Funding Policy

The Authority participates in the City Health Care Blended Premium Subsidy, a cost-sharing multiple-employer postemployment healthcare plan administered by the City. Employees who retire from the Authority and spouses of employees who have passed away may continue medical coverage until age 65. Eligible retirees self-pay 100% of the premium based on blended rates, which were established by including the experience of retirees with the experience of active employees for underwriting purposes. The Authority's employees are included with the City of Seattle for this plan. The Authority provides implicit subsidy of the postretirement health insurance costs and funds the subsidy on a pay-as-you-go basis. The postemployment benefit provisions are established and may be amended by City Ordinances.

(b) OPEB Obligation

The actuarial valuation is updated biannually. The most recent actuarial valuation was as of January 1, 2016. The net OPEB obligation is recorded on the statement of net position as of December 31, 2017, which is calculated based on the excess of Annual Required Contribution over the actual contribution.

(c) Funded Status and Funding Progress

As of December 31, 2017, based on the actuarial valuation dates for each of the plans, the unfunded actuarial accrued liability (UAAL) was equal to the actuarial accrued liability (AAL) due to the Authority's pay-as-you-go policy. Following is the funded status for the plans as of December 31, 2017:

Actuarial valuation date		January 1, 2017	January 1, 2016	January 1, 2015
Actuarial value of assets (a)	$	—	—	—
Entry age normal AAL (b)		1,900,000	1,754,000	1,125,000
UAAL (b-a)	$	1,900,000	1,754,000	1,125,000
Funded ratio (a/b)		—	—	—
Covered payroll	$	36,130,791	35,249,552	32,805,691
UAAL as a percentage of covered payroll ((b-a)/c)		5%	5%	3%

There were no required contributions for the Authority for the year ended December 31, 2017 or for either of the two prior years.

(d) Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the time of the valuation and the pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of any assets.

In the January 1, 2016 actuarial valuation, the entry age normal method was used and the actuarial assumptions included a discount rate of 3.09%. The adjusted health care trend rates (for medical and prescriptions combined) were 7.0% for the 2016 to 2017 plan year. The trend shows reductions through 2025 when the rate is 4.5%. The excise tax threshold is estimated to be reached in 2019 for the Aetna plans, 2022 for the Group Health Deductible plan, and 2023 for the Group Health Standard plan. The values of benefits were assumed to increase 2.5% per year. Unfunded actuarial accrued liability is being amortized as a level amount over past and future service. The remaining amortization period at January 1, 2016 was 30 years.

(Continued)

(12) Risk Management

The Authority maintains insurance against most normal hazards. Property insurance coverage is at a limit of $100 million, with a deductible of $50,000. The total insured value for buildings, business personal property and business income are insured on a blanket basis. Earthquake insurance coverage is $1 million per occurrence, with a deductible of $100,000 per occurrence. The Authority participates in the Housing Authority Risk Retention Group (HARRG) in order to obtain stable and affordable general liability insurance coverage. General liability coverage provided is $15 million per year, with a deductible of $25,000 per occurrence. The Authority also maintains a number of other insurance policies necessary and appropriate in the normal course of business, including employee fidelity, Public Official liability and cyber liability insurance. The amount of settlements has not exceeded insurance coverage for each year of the past three fiscal years.

The Authority's economic risk as a participant in HARRG is limited to the Authority's initial surplus contribution of $90,000 and the payment of annual premiums for its general liability insurance coverage. Although the underwriting experience of HARRG may result in increased annual premium charges and/or assessments against each participant's surplus contribution account, the Authority's exposure to any net loss allocation is restricted to its surplus contribution account balance.

The Authority has elected to pay for its employment security coverage via quarterly reimbursements to the Washington State Department of Employment Security. This reimbursable method of payment is in lieu of unemployment taxes and the election is authorized for all political subdivisions under Washington State Law (RCW 50.44.060).

(13) Contingencies

In connection with various federal and state grant programs, the Authority is obligated to administer related programs and spend the grant moneys in accordance with regulatory restrictions, and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the Authority to refund program moneys. The amount, if any, of expenses, which may be disallowed by the grantor, cannot be determined at this time although the Authority expects such amount, if any, to be immaterial.

As of December 31, 2017, the Authority and its component units have outstanding construction contracts and other commitments totaling approximately $75.8 million. These commitments are primarily related to the implementation of redevelopment activities and capital projects funded by federal, state, and local financial assistance, tax-exempt bonds, and tax credit equity contributions.

The Authority is also contingently liable in connection with claims and contracts arising in the normal course of its activities. Authority management is of the opinion that the outcome of such matters will not have a material effect on the accompanying financial statements.

(14) General Revenue Pledge

The Authority issues certain bonds and short-term borrowings that are backed by the general revenues of the Authority. The Authority also backs 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. As of December 31, 2017 the amount of available general revenue was $175.1M and the total pledged revenues are as follows:

Description of debt	Purpose of Debt	Year Issued	Total future revenues pledged	Proportion of annual debt service pledged to 2017 general revenue	Term of commitment	Annual debt service
Obligations of the Authority						
Project revenues are primary repayment source:						
Fixed Rate taxable	Refunding of bonds for Gamelin/Genesee mixed use buildings	2015	$ 4,472,999	0.14%	2035	$ 245,683
Fixed Rate bonds	2013 Refunding for Montridge Arms, Main Street Apartments, 2002 Replacement Housing projects, Yesler Court properties	2013	22,831,651	0.48	2043	847,906
Fixed Rate bonds	2014 Refunding for Market Terrace, Mary Avenue Townhomes, Bayview Tower, Lake City Commons, Villa Park, Telemark Apartments, Main Place II, Delridge Triplexes, 5983 Rainier Ave, 924 MLK Way and Baldwin Apartments	2014	23,207,750	0.49	2044	861,144
Fixed Rate bonds	Construction of housing units at NewHolly redevelopment, Phase II - paid off January, 2018	2000	2,885,850	0.11	2032	192,850
General revenues are primary repayment source:						
Variable Rate bonds	Rehabilitation of Douglas Apartments	2009	2,792,710	0.06	2040	109,200
Taxable short term line of credit	Bridge financing to repay NewHolly Phase III bonds	2017	5,833,527	0.12	2018	210,007
Operating short term line of credit	Bridge financing to repay NewHolly Phase II bonds	2017	1,656,760	0.04	2018	64,614

(Continued)

Description of debt	Purpose of Debt	Year Issued	Total future revenues pledged	Proportion of annual debt service pledged to 2017 general revenue	Term of commitment	Annual debt service
Obligations of the Authority for component units:						
Project revenues are primary repayment source:						
Fixed Rate bonds for component unit	Construction of housing units at Rainier Vista redevelopment, Phase I	2003	$ 5,954,654	0.17	2036	295,991
Fixed Rate bonds for component unit	Construction of housing units at High Point redevelopment, Phase I	2004	13,053,412	0.40	2036	705,953
Fixed Rate bonds for component unit	Construction of housing units at High Point redevelopment, Phase II	2007	20,310,000	0.37	2039	640,000
Fixed Rate bonds for component unit	Rehabilitation of houring units at NewHolly Phase I	2017	10,524,560	0.21	2046	359,578
Fixed Rate bonds for component unit	Rehabilitation of houring units at Longfellow creek, Roxhill Court and Wisteria Court	2017	14,081,863	0.20	2017	349,297
Fixed Rate bonds for component unit	Construction of housing units at Hoa Mai Gardens	2016	22,344,774	0.21	2034	369,285
Equity investment is are primary repayment source:						
Variable rate bonds construction loan	Construction of housing units at Hoa Mai Gardens	2013	14,936,146	0.22	2045	386,146
Variable rate construction loan	Construction of housing units at NewHolly Phase I	2013	15,572,250	0.11	2046	192,250
Variable rate construction loan	Construction of housing units at Red Cedar	2014	54,183	—	2017	-
Variable rate construction loan	Rehabilitation of houring units at Longfellow creek, Roxhill Court and Wisteria Court	2017	17,295,144	0.18	2047	311,919
Total General Revenue Pledge and annual debt service			$ 197,808,233			$ 6,141,823

(15) Discretely Presented Component Units Condensed Financial Information

The following tables reflect the condensed statements of net position and statements of revenues, expenses, and changes in net position for the discretely presented component units as of and for the year ended December 31, 2017:

	Condensed statements of net position				
	Desdemona	Escallonia	Tamarack Place	Rainier Vista NE	High Point North
Cash and cash equivalents	$ 1,279,998	1,198,842	662,406	1,467,739	3,346,223
Current receivables from primary government	47,592	—	7,455	935	16,243
Capital assets, net	27,130,957	24,672,868	11,520,187	18,868,043	40,662,888
Other assets	119,590	187,657	16,527	97,845	234,132
Total assets	28,578,137	26,059,367	12,206,575	20,434,562	44,259,486
Current payables due to primary government	6,156,246	250,557	234,507	31,166	112,776
Other current payables	704,370	446,530	81,969	190,520	846,469
Long-term payables to primary government	17,280,186	26,051,534	10,864,081	16,635,236	28,881,223
Bonds and other long-term liabilities	4,045,393	3,857,132	886,809	2,380,046	9,554,547
Total liabilities	28,186,195	30,605,753	12,067,366	19,236,968	39,395,015
Net investment in capital assets	4,367,617	(2,533,269)	201,027	(148,134)	5,731,519
Restricted net position	883,209	1,012,735	505,227	1,078,659	1,954,492
Unrestricted net position	(4,858,884)	(3,025,852)	(567,045)	267,069	(2,821,540)
Total net position	391,942	(4,546,386)	139,209	1,197,594	4,864,471
	Condensed statements of revenues, expenses and changes in net position				
Operating revenues	2,271,490	1,937,285	907,872	1,562,632	3,954,004
Depreciation/amortization	(1,150,295)	(1,111,434)	(400,299)	(837,728)	(1,766,274)
Other operating expenses	(1,525,332)	(1,518,018)	(608,359)	(860,627)	(2,789,125)
Operating income (loss)	(404,137)	(692,167)	(100,786)	(135,723)	(601,395)
Nonoperating expense	(916,975)	(316,622)	(165,156)	(373,133)	(798,082)
Change in net position before partners' contributions	(1,321,112)	(1,008,789)	(265,942)	(508,856)	(1,399,477)
Partners' contributions	—	—	—	—	—
Beginning net position	1,713,054	(3,537,597)	405,151	1,706,450	6,263,948
Ending net position	$ 391,942	(4,546,386)	139,209	1,197,594	4,864,471

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Notes to Basic Financial Statements

December 31, 2017

	Condensed statements of net position				
	High Point South	Ritz Apartments	Alder Crest	South Shore Court	homeWorks I
Cash and cash equivalents	$ 2,106,974	99,353	342,689	456,911	3,320,456
Current receivables from primary government	17,028	73,754	—	7,061	—
Capital assets, net	45,245,367	1,727,747	4,793,224	8,532,728	23,874,124
Other assets	254,314	11,676	31,431	30,492	340,119
Total assets	47,623,683	1,912,530	5,167,344	9,027,192	27,534,699
Current payables due to primary government	85,854	—	7,071	46,920	559,386
Other current payables	3,113,330	163,750	204,183	681,122	333,412
Long-term payables to primary government	15,587,566	511,941	862,300	1,826,678	28,419,711
Bonds and other long-term liabilities	15,695,519	1,389,968	2,035,628	6,156,029	39,871
Total liabilities	34,482,269	2,065,659	3,109,182	8,710,749	29,352,380
Net investment in capital assets	16,004,015	43,943	2,167,617	758,881	258,663
Restricted net position	1,279,157	90,003	331,289	381,128	3,156,369
Unrestricted net position	(4,141,758)	(287,075)	(440,744)	(823,566)	(5,232,713)
Total net position	13,141,414	(153,129)	2,058,162	316,443	(1,817,681)
	Condensed statements of revenues, expenses and changes in net position				
Operating revenues	3,814,947	270,141	349,405	453,563	4,741,942
Depreciation/amortization	(1,625,631)	(104,805)	(247,401)	(245,866)	(845,541)
Other operating expenses	(2,082,000)	(140,009)	(359,144)	(244,682)	(4,423,844)
Operating income (loss)	107,316	25,327	(257,140)	(36,985)	(527,443)
Nonoperating expense	(551,463)	(60,790)	(22,844)	(165,695)	(668,474)
Change in net position before partners' contributions	(444,147)	(35,463)	(279,984)	(202,680)	(1,195,917)
Partners' contributions	—	—	—	—	—
Beginning net position	13,585,561	(117,666)	2,338,146	519,123	(621,764)
Ending net position	$ 13,141,414	(153,129)	2,058,162	316,443	(1,817,681)

(Continued)

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Notes to Basic Financial Statements

December 31, 2017

	Condensed statements of net position				
	homeWorks II	homeWorks III	Lake City Court	Leschi House	Kebero Court
Cash and cash equivalents	$ 2,917,156	2,076,464	831,677	716,021	1,309,278
Current receivables from primary government	—	—	24,756	—	—
Capital assets, net	28,303,805	22,012,759	23,206,006	12,345,438	27,342,012
Other assets	307,587	294,837	116,173	3,204,899	1,071,770
Total assets	31,528,548	24,384,060	24,178,612	16,266,358	29,723,060
Current payables due to primary government	208,365	141,335	127,168	330,445	40,009
Other current payables	319,752	241,577	94,843	293,950	346,953
Long-term payables to primary government	33,521,481	24,814,298	18,771,270	1,452,857	10,465,876
Bonds and other long-term liabilities	32,927	48,576	14,927	6,821,959	8,534,710
Total liabilities	34,082,525	25,245,786	19,008,208	8,899,211	19,387,548
Net investment in capital assets	598,779	1,396,750	5,384,859	4,841,011	9,932,190
Restricted net position	2,752,131	1,937,464	600,115	297,462	522,284
Unrestricted net position	(5,904,887)	(4,195,940)	(814,570)	2,228,674	(118,962)
Total net position	(2,553,977)	(861,726)	5,170,404	7,367,147	10,335,512
	Condensed statements of revenues, expenses and changes in net position				
Operating revenues	5,925,124	4,930,728	807,203	722,190	1,325,077
Depreciation/amortization	(979,274)	(735,495)	(866,525)	(390,801)	(812,025)
Other operating expenses	(4,649,419)	(3,807,669)	(708,426)	(377,641)	(606,799)
Operating income (loss)	296,431	387,564	(767,748)	(46,252)	(93,747)
Nonoperating (expense) revenue	(989,703)	(898,085)	(206,773)	(258,092)	(671,215)
Change in net position before partners' contributions	(693,272)	(510,521)	(974,521)	(304,344)	(764,962)
Partners' contributions	—	—	—	—	—
Beginning net position	(1,860,705)	(351,205)	6,144,925	7,671,491	11,100,474
Ending net position	$ (2,553,977)	(861,726)	5,170,404	7,367,147	10,335,512

		Raven Terrace	Hoa Mai Gardens	NewHolly Phase I
		Condensed statements of net position		
Cash and cash equivalents	$	770,289	3,703,556	8,841,956
Current receivables from primary government		—	47,999	—
Capital assets, net		24,961,575	45,879,358	33,715,417
Other assets		198,348	223,430	154,895
Total assets		25,930,212	49,854,343	42,712,268
Current payables due to primary government		64,649	42,159	948,860
Other current payables		254,233	2,240,817	1,992,488
Long-term payables to primary government		11,814,907	18,027,687	14,071,201
Bonds and other long-term liabilities		4,984,851	25,233,715	24,329,690
Total liabilities		17,118,640	45,544,378	41,342,239
Net investment in capital assets		9,744,519	5,794,353	(3,742,079)
Restricted net position		469,290	36,850	1,388,103
Unrestricted net position		(1,402,237)	(1,521,238)	3,724,005
Total net position		8,811,572	4,309,965	1,370,029
		Condensed statements of revenues, expenses and changes in net position		
Operating revenues		945,266	301,034	2,910,219
Depreciation/amortization		(830,996)	(635,566)	(703,360)
Other operating expenses		(472,485)	(440,597)	(2,089,218)
Operating income(loss)		(358,215)	(775,129)	117,641
Nonoperating revenue (expense)		(470,727)	(416,804)	(403,245)
Change in net position before partners' contributions		(828,942)	(1,191,933)	(285,604)
Partners' contributions		—	2,176,395	—
Beginning net position		9,640,514	3,325,503	1,655,633
Ending net position	$	8,811,572	4,309,965	1,370,029

	Condensed statements of net position		
	Red Cedar	West Seattle Properties	Total
Cash and cash equivalents	$ 643,837	19,187,734	55,279,559
Current receivables from primary government	—	31,071	273,894
Capital assets, net	14,857,947	30,227,604	469,880,054
Other assets	—	193,712	7,089,434
Total assets	15,501,784	49,640,121	532,522,941
Current payables due to primary government	2,480,182	43,600	11,911,255
Other current payables	4,191,337	347,142	17,088,747
Long-term payables to primary government	—	22,310,471	302,170,504
Bonds and other long-term liabilities	1,742,404	24,525,034	142,309,735
Total liabilities	8,413,923	47,226,247	473,480,241
Net investment in capital assets	13,115,543	(16,672,430)	57,245,374
Restricted net position	318,827	1,208,668	20,203,462
Unrestricted net position	(6,346,509)	17,877,636	(18,406,136)
Total net position	7,087,861	2,413,874	59,042,700

	Condensed statements of revenues, expenses and changes in net position		
Operating revenues	—	132,655	38,262,777
Depreciation/amortization	—	(36,428)	(14,325,744)
Other operating expenses	—	(83,598)	(27,786,992)
Operating income(loss)	—	12,629	(3,849,959)
Nonoperating revenue (expense)	14	(98,855)	(8,452,719)
Change in net position before partners' contributions	14	(86,226)	(12,302,678)
Partners' contributions	7,087,847	2,500,100	11,764,342
Beginning net position	—	—	59,581,036
Ending net position	$ 7,087,861	2,413,874	59,042,700

(16) Lease Commitment

During August 2011, the Authority executed a long-term operating lease for the central office. The lease began on April 1, 2012 and the following schedule shows the future minimum rentals under the lease:

Year ending December 31:		
2018	$	1,676,291
2019		1,676,291
2020		1,676,291
2021		1,676,291
2022		1,676,291
Thereafter		419,073
Total	$	8,800,528

Total lease expense for the year ended December 31, 2017 was $1,638,749.

(17) Pollution remediation

The Authority has a purchase and sale agreement to sell certain property in the Phase III area of the NewHolly Community known as the Othello Corner. Chevron has agreed to pay for environmental cleanup required to sell the property, however the costs are expected to exceed Chevron's obligation and the Authority projects that a total of $400,000 will be needed in 2019 above the settlement amount in order to prepare the land for sale. The pollution is related to soil contamination on the property.

(18) Subsequent Events

On January 1, 2018, the Desdemona Limited Partnership was dissolved and all assets and obligations were transferred to the Authority. On February 7, 2018 the Escallonia Limited Partnership was dissolved and all assets and obligations were transferred to the Authority.

In a related transaction, on February 7, 2018, the Authority issued bonds in the amount of $35,850,000. The proceeds of the bond issuance were used to refund outstanding debts for NewHolly Phase II, NewHolly Phase III (the former Desdemona Limited Partnership), Rainier Vista Phase I (the former Escallonia Limited Partnership) and Wedgewood Estates. In addition, the bond proceeds will provide approximately $7 million for improvements on the four properties as well as others owned by the Authority.

REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Schedules of Required Supplemental Information

Schedule of Proportionate Share of the Net Pension Liability

Last Ten Fiscal Years (Unaudited)

		2014	2015	2016	2017
PERS 1					
Proportion of the net pension liability		28.322700%	0.279123%	0.285530%	0.286530%
Proportionate share of the net pension liability	$	14,267,693	14,600,729	15,334,306	13,596,072
Covered - employee payroll through the measurement date	$	361,085	252,404	223,081	137,438
Proportionate share of the net pension liability as a percentage of covered-employee payroll		3951.34%	5784.67%	6873.87%	9892.51%
Plan fiduciary net position as a percentage of the total pension liability		61.19%	59.10%	57.03%	61.24%
PERS 2/3					
Proportion of the net pension liability		0.354434%	0.354073%	0.360458%	0.365225%
Proportionate share of the net pension liability	$	7,164,391	12,651,234	18,148,776	12,689,823
Covered - employee payroll through the measurement date	$	30,375,164	31,546,379	33,932,176	36,047,071
Proportionate share of the net pension liability as a percentage of covered-employee payroll		23.59%	40.10%	53.49%	35.20%
Plan fiduciary net position as a percentage of the total pension liability		93.29%	89.20%	85.82%	90.97%

Schedule of Pension Plan Contributions

Last Ten Fiscal Years (Unaudited)

		2014	2015	2016	2017
PERS 1					
Contractually required contribution	$	28,502	22,792	22,957	7,396
Contributions in relation to the contractually required contribution	$	(28,502)	(22,792)	(22,957)	(7,396)
Contribution deficiency (excess)	$	—	—	—	—
Covered-employee payroll	$	309,471	223,273	205,337	63,272
Contributions as a percentage of covered-employee payroll		9.21%	10.21%	11.18%	11.69%
PERS 2/3					
Contractually required contribution	$	2,827,178	3,329,025	3,918,248	4,433,870
Contributions in relation to the contractually required contribution	$	(2,827,178)	(3,329,025)	(3,918,248)	(4,433,870)
Contribution deficiency (excess)	$	—	—	—	—
Covered-employee payroll	$	30,697,958	32,579,187	35,044,215	37,096,578
Contributions as a percentage of covered-employee payroll		9.21%	10.22%	11.18%	11.95%

Notes to the Required Supplementary Information for the year ended December 31, 2017.

Changes in benefit terms

There were no changes in the benefit terms for pension plans.

Changes of assumptions

There were no changes in the assumptions for pension plans.

SUPPLEMENTARY INFORMATION
COST CERTIFICATES (SEE INDEPENDENT AUDITORS' REPORT)

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)

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:	Modernization Project Number:
Housing Authority of the City of Seattle	WA19R001502-13

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

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

A. Funds Approved	$ 1,970,484.00
B. Funds Disbursed	$ 1,970,484.00
C. Funds Expended (Actual Modernization Cost)	$ 1,970,484.00
D. Amount to be Recaptured (A–C)	$ -0-
E. Excess of Funds Disbursed (B-C)	$ -0-

2. That all modernization work in connection with the Modernization Grant has been completed;
3. That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;
4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work;
5. That the time in which such liens could be filed has expired; and
6. That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.
7. Please mark one:

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

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

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.
Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name & Title of Authorized Signatory (type or print clearly):
Andrew J. Lofton, Executive Director

Signature of Executive Director (or Authorized Designee):	Date:
X	9/1/2017

For HUD Use Only

The Cost Certificate is approved for audit (**if box 7A is marked**): Approved for Audit (Director, Office of Public Housing)	Date:
X	09.11.2017

The costs shown above agree with HUD verified costs (**if box 7A or 7B is marked**): Approved: (Director, Office of Public Housing)	Date:
X	

form HUD-53001 (10/96)
ref Handbooks 7485.1 &.3

Actual Choice Neighborhoods Cost Certificate

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

OMB Approval No. 2577-0269 (exp. 04/30/2018)

Public reporting burden for this collection of information is estimated to average 1 hour 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. 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.
This collection of information requires that each Grantee submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the Choice Neighborhoods 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 the Choice Neighborhoods Grant Agreement. The information requested does not lend itself to confidentiality.

Lead Grantee Name	Grant Number
Housing Authority of the City of Seattle	WA0A001CNI110

The Grantee hereby certifies to the Department of Housing and Urban Development as follows:
1. That the Actual Program Cost of the Choice Neighborhoods Grant is as shown below:

A. Original Funds Approved	$ 10,270,000.00
B. Funds Disbursed	$ 10,270,000.00
C. Funds Expended (Actual Program Cost)	$ 10,270,000.00
D. Amount to be Recaptured (A–C)	$ 0
E. Excess of Funds Disbursed (B-C)	$ 0

2. That all work in connection with the Choice Neighborhoods Grant has been completed;
3. That the entire Actual Program Cost or liabilities therefor incurred by the Grantee have been fully paid;
4. That there are no undischarged mechanics', laborers', contractors', or materialmen's liens against such Program work on file in any public office where the same should be filed in order to be valid against such Program work; and
5. That the time in which such liens could be filed has expired.

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)

Signature of Executive Officer

Date (mm/dd/yyyy) 12/12/17

For HUD Use Only

The Cost Certificate is approved for audit (signature of approving official)

Date (mm/dd/yyyy) 1/25/18

The audited costs agree with the costs shown above
Verified (signature)

Date (mm/dd/yyyy)

Approved (signature)

Date (mm/dd/yyyy)

Previous editions are obsolete

form **HUD-50163** (04/2015)

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Statistical Section
(Unaudited)

Section III

Statistical Section

This section provides additional information regarding the Authority in the following categories:

Financial Trends	show how the Authority's financial position has changed over time	Tables 1–2
Revenue Capacity	the tables in this section show the Authority's ability to generate revenue	Tables 3–4
Debt Capacity	shows the Authority's debt burden over time and provide information on the ability to issue debt	Tables 5–6
Demographics and Economic Statistics	the tables in this section portray the socioeconomic environment and provide information to allow comparisons over time and comparisons to other governments	Table 7–9
Operating Information	the purpose of these tables is to show the Authority's operations and provide information to assess the government's economic condition	Tables 10–12

Table 1

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Financial Trends

Net Position by Component – Primary Government

Last Ten Fiscal Years (Unaudited)

Year		Net investment in capital assets	Restricted	Unrestricted	Total
2008	$	222,001,336	5,326,536	142,674,746.	370,002,618
2009		227,083,324	5,550,146	151,794,210	384,427,680
2010		229,826,301	6,486,917	170,526,030	406,839,248
2011 (a)		224,771,337	8,543,577	185,863,188	419,178,102
2012 (a)		199,273,982	9,406,113	212,444,630	421,124,725
2013 (b)		210,293,958	10,069,831	228,421,457	448,785,246
2014 (c)		218,243,381	11,669,052	217,985,386	447,897,819
2015		223,534,799	13,578,114	243,740,195	480,853,108
2016		242,874,725	14,808,756	259,687,843	517,371,324
2017		258,799,822	32,548,011	271,111,243	562,459,076

Notes: (a) Net position for 2011 and 2012 were restated as a result of the adoption of GASB 65.

(b) Net position for 2013 was restated as a result of the merger with Ravenna School Limited Partnership, a component unit of the Authority.

(c) Net position for 2014 was restated as a result of the merger with Othello Street Limited Partnership, a component unit of the Authority and as a result of GASB 68.

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Financial Trends

Changes in Net Position – Primary Government

Last Ten Fiscal Years (Unaudited)

	2008	2009	2010	2011 (b)	2012 (b, c)	2013 (c)	2014	2015	2016	2017
Operating revenues:										
Tenant rentals	$ 18,548,105	18,963,514	19,853,164	21,338,005	20,690,177	21,550,029	22,785,736	22,837,426	23,540,026	22,223,467
Housing assistance payment subsidies	84,099,962	87,253,047	96,202,546	95,645,677	105,422,182	103,981,489	109,438,967	115,101,121	126,672,548	128,201,000
Operating subsidies and grants (a)	17,523,075	18,006,286	21,258,217	22,814,568	19,522,792	28,020,480	28,898,006	29,245,755	31,641,807	34,150,522
Other	22,594,560	19,212,557	19,480,446	21,762,895	18,081,083	18,619,880	21,002,883	28,511,890	21,451,962	42,965,995
Total operating revenues	142,765,702	143,435,404	156,794,373	161,561,145	163,716,234	172,171,878	182,125,592	195,696,192	203,306,343	227,540,984
Operating expenses:										
Housing operations and administration	41,515,711	38,998,671	42,453,709	44,662,095	41,680,059	39,786,646	48,731,040	49,455,950	51,948,733	53,387,373
Tenant services	1,307,592	1,644,363	3,729,452	3,937,994	3,602,554	3,542,648	4,096,481	5,072,113	4,878,898	4,695,275
Utility services	4,092,002	4,540,982	4,718,662	4,998,955	5,393,684	5,990,952	6,334,799	6,045,785	6,061,780	5,623,438
Maintenance	17,053,995	18,159,325	20,082,664	18,824,304	15,081,988	17,409,835	18,696,116	18,481,187	18,552,983	19,977,187
Housing assistance payments	64,270,568	71,064,302	73,550,131	76,942,437	79,476,249	78,552,745	79,543,161	82,775,844	88,541,664	97,660,333
Other	2,767,976	2,115,315	4,209,600	1,318,772	2,021,796	30,221,452	1,398,022	3,344,964	2,585,239	3,772,810
Depreciation and amortization	10,299,572	9,281,594	10,059,962	10,676,293	10,258,105	10,232,876	10,077,223	9,314,799	9,230,730	9,454,919
Total operating expenses	141,307,416	145,804,552	158,804,180	161,360,850	157,516,435	185,737,154	168,876,842	174,490,642	181,800,027	194,571,335
Operating income (loss)	1,458,286	(2,369,148)	(2,009,807)	200,295	6,199,799	(13,565,276)	13,248,750	21,205,550	21,506,316	32,969,649
Nonoperating revenues (expenses):										
Interest expense	(8,532,367)	(7,956,814)	(7,479,432)	(6,887,452)	(5,721,825)	(5,500,338)	(5,082,076)	(4,572,533)	(3,979,539)	(3,124,286)
Interest income	6,547,470	5,337,931	5,257,848	1,536,648	1,397,221	461,197	3,698,302	3,520,102	3,947,513	6,970,057
Change in fair value of investments	(332,725)	430,908	44,842	68,742	(74,996)	(94,819)	(40,763)	(1,704)	(32,797)	(118,927)
Insurance proceeds, net	—	—	—	—	—	—	—	—	1,157,909	—
Loss on notes receivable	—	—	—	(479,017)	—	—	—	—	—	—
Loss on investment in limited partnerships	(1,505,687)	(1,480)	(67,624)	(1,321)	(621,387)	(70,809)	(2,320,774)	(1,160)	(1,230,014)	(3,442,579)
Disposition of assets	(1,735,402)	(4,472,397)	(19,878,330)	(16,774,091)	(12,343,242)	(11,826)	(2,540,988)	(403,789)	(73,161)	—
Net nonoperating expenses	(5,558,711)	(6,661,852)	(22,122,696)	(22,536,491)	(17,364,229)	(5,216,595)	(6,286,299)	(1,459,084)	(210,089)	284,265
Change in net position before contributions	(4,100,425)	(9,031,000)	(24,132,503)	(22,336,196)	(11,164,430)	(18,781,871)	6,962,451	19,746,466	21,296,227	33,253,914
Capital contributions	19,849,951	23,456,062	46,544,071	34,675,050	13,249,971	17,146,108	21,307,488	13,208,823	15,221,989	11,833,838
Increase (decrease) in net position	15,749,526	14,425,062	22,411,568	12,338,854	2,085,541	(1,635,763)	28,269,939	32,965,289	36,518,216	45,087,752
Net position at beginning of year	354,253,092	370,002,618	384,427,680	406,839,248	419,178,102	421,263,643	419,627,880	447,897,819	480,853,108	517,371,324
Net position at end of year	$ 370,002,618	384,427,680	406,839,248	419,178,102	421,263,643	419,627,880	447,897,819	480,853,108	517,371,324	562,459,076

Notes: (a) Beginning with reporting year 2010, the Authority has classified Operating subsidies and grants as operating revenues. Prior years have been restated on this schedule to reflect comparative results.

(b) Net position for 2011 and 2012 were restated as a result of the adoption of GASB 65.

(c) Net position for 2013 was restated as a result of the merger of Ravenna School LLC, a component unit of the Authority.

(d) Net position for 2014 was restated as a result of the adoption of GASB 68 and as a result of the merger with Othello Street Limited Partnership, a component unit of the Authority.

Table 3

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Revenue Capacity

Operating Revenues by Source – Primary Government

Last Ten Fiscal Years (Unaudited)

Year	Tenant rentals		Housing assistance payment subsidies		Operating subsidies and grants		Other		Total	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Total
2008	$ 18,548,105	13.0	84,099,962	58.9	17,523,075	12.3	22,594,560	15.8	142,765,702	100.0
2009	18,963,514	13.2	87,253,047	60.9	18,006,286	12.6	19,212,557	13.3	143,435,404	100.0
2010	19,853,164	12.7	96,202,546	61.3	21,258,217	13.6	19,480,446	12.4	156,794,373	100.0
2011	21,338,005	13.2	95,645,677	59.2	22,814,568	14.1	21,762,895	13.5	161,561,145	100.0
2012	20,690,177	12.6	105,422,182	64.4	19,522,792	11.9	18,081,083	11.1	163,716,234	100.0
2013	21,287,096	12.4	103,981,489	60.5	28,020,480	16.3	18,618,710	10.8	171,907,775	100.0
2014 (a)	22,785,736	12.5	109,438,967	60.1	28,898,006	15.9	21,002,883	11.5	182,125,592	100.0
2015	22,837,426	11.7	115,101,121	58.8	29,245,755	14.9	28,511,890	14.6	195,696,192	100.0
2016	23,540,026	11.6	126,672,548	62.3	31,641,807	15.6	21,451,962	10.5	203,306,343	100.0
2017	22,223,467	9.8	128,201,000	56.4	34,150,522	15.0	42,965,995	18.8	227,540,984	100.0

Notes: (a) Year 2014 was restated due to the merger with Othello Street Limited Partnership, a component unit of the Authority

Table 4

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Revenue Capacity

Nonoperating Revenues by Source – Primary Government

Last Ten Fiscal Years (Unaudited)

Year	Interest income		Change in fair value of investments		Insurance proceeds, net		Total	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Total
2008	$ 6,547,470	105.3	(332,725)	(5.3)	—	—	6,214,745	100.0
2009	5,337,931	92.5	430,908	7.5	—	—	5,768,839	100.0
2010	5,257,848	99.2	44,842	0.8	—	—	5,302,690	100.0
2011	1,536,648	95.7	68,742	4.3	—	—	1,605,390	100.0
2012	1,397,221	105.7	(74,996)	(5.7)	—	—	1,322,225	100.0
2013	444,930	127.1	(94,819)	(27.1)	—	—	350,111	100.0
2014 (a)	3,698,302	101.1	(40,763)	(1.1)	—	—	3,657,539	100.0
2015	3,520,102	100.0	(1,704)	—	—	—	3,518,398	100.0
2016	3,947,513	77.8	(32,797)	(0.6)	1,157,909	22.8	5,072,625	100.0
2017	6,970,057	101.7	(118,927)	(1.7)	—	—	6,851,130	100.0

Notes: (a) Year 2014 was restated due to the merger with Othello Street Limited Partnership, a component unit of the Authority

Table 5

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE,
WASHINGTON

Debt Capacity

Schedule of General Revenue Bond Coverage

Last Ten Fiscal Years (Unaudited)

Fiscal year	Debt service		Total debt service	General expense (a)	Ratio of debt service to general expenses
	Principal	Interest			
2013 Bond Refunding					
2014	205,000	627,845	832,845	1,080,325	0.8
2015	205,000	642,406	847,406	1,135,804	0.7
2016	205,000	640,356	845,356	1,185,802	0.7
2017	210,000	634,206	844,206	1,224,700	0.7
2014 Bond Refunding					
2014	185,000	400,569	585,569	1,781,030	0.3
2015	270,000	588,129	858,129	1,822,150	0.5
2016	275,000	586,644	861,644	1,888,396	0.5
2017	275,000	584,581	859,581	1,901,600	0.5
Wedgewood 2001 Variable Rate Bonds:					
2008	160,000	69,529	229,529	808,109	0.3
2009	165,000	40,280	205,280	812,350	0.3
2010	170,000	12,862	182,862	821,552	0.2
2011	—	13,320	13,320	860,218	—
2012	—	7,755	7,755	897,637	—
2013	765,000	4,511	769,511	935,755	0.8
2014	475,000	2,672	477,672	943,186	0.5
2015	450,000	1,456	451,456	966,690	0.5
2016	595,000	1,714	596,714	1,038,953	0.6
2017 (b)	130,000	247	130,247	1,324,467	0.1
Douglas Bonds					
2010	3,750,000	21,565	3,771,565	24,010	157.1
2011	20,000	6,752	26,752	52,454	0.5
2012	30,000	5,760	35,760	44,543	0.8
2013	30,000	5,601	35,601	46,971	0.8
2014	30,000	3,827	33,827	42,993	0.8
2015	30,000	3,384	33,384	45,342	0.7
2016	40,000	9,950	49,950	42,085	1.2
2017	40,000	17,194	57,194	46,156	1.2
Gamelin/Genesee 2015 bond refunding					
2015	—	—	—	45,322	—
2016	125,000	120,446	245,446	182,271	1.3
2017	125,000	121,631	246,631	187,057	1.3
NewHolly Phase II					
2015	60,000	136,150	196,150	686,053	0.3
2016	60,000	131,950	191,950	770,435	0.2
2017	65,000	127,575	192,575	842,366	0.2

Table 5

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Debt Capacity

Schedule of General Revenue Bond Coverage

Last Ten Fiscal Years (Unaudited)

Fiscal year	Debt service		Total debt service	General expense (a)	Ratio of debt service to general expenses
	Principal	Interest			
Longfellow Creek 2003 Bonds:					
2008	70,000	175,085	245,085	282,268	0.9
2009	75,000	172,891	247,891	343,526	0.7
2010	75,000	170,379	245,379	335,457	0.7
2011	80,000	167,670	247,670	420,657	0.6
2012	80,000	165,450	245,450	445,630	0.6
2013	85,000	161,419	246,419	540,047	0.5
2014	90,000	158,805	248,805	432,176	0.6
2015	95,000	154,125	249,125	540,538	0.5
2016	100,000	149,185	249,185	529,294	0.5
2017 (b)	2,715,000	135,309	2,850,309	526,667	5.4

Notes: (a) General expense includes operating expenses except for depreciation and amortization.

(b) Bonds were paid off in 2017

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Debt Capacity

Ratio of Debt to Capital Assets – Primary Government

Last Ten Fiscal Years (Unaudited)

Year	Bonds payable	Notes payable	Total debt	Capital assets, net	Ratio of total debt to capital assets	Ratio of debt for housing units to total debt (a)
2008	$ 123,459,433	32,485,160	155,944,593	337,110,417	46.26	44.43
2009	108,984,688	60,573,959	169,558,647	337,089,410	50.30	44.71
2010	98,950,816	62,277,978	161,228,794	343,138,706	46.99	51.45
2011	79,675,557	55,221,591	134,897,148	322,532,095	41.82	53.07
2012	77,128,664	49,564,954	126,693,618	291,056,484	43.53	54.07
2013	71,408,875	40,188,127	111,597,002	288,455,844	38.69	54.71
2014 (b)	73,169,909	40,493,796	113,663,705	299,240,816	37.98	57.27
2015	65,436,551	39,990,204	105,426,755	306,245,985	34.43	42.15
2016	50,175,000	36,948,841	87,123,841	317,607,863	27.43	32.57
2017	31,200,000	32,729,903	63,929,903	320,999,725	19.92	14.70

Note: (a) Unit count excludes Section 8 units not owned by the Authority and excludes units owned by component units where the related debt is held by the component unit.

(b) 2014 was restated due to the merger with Othello Street Limited Partnership, a component unit of the Authority

Table 7

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Demographics and Economic Statistics

Tenant Demographics – Population Statistics

Last Ten Fiscal Years (Unaudited)

Calendar year	Adults	Public housing program: Elderly	Public housing program: Minors	Total number of tenants	Nonelderly handicapped/ disabled
2008	4,730	1,685	2,814	9,229	1,739
2009	4,897	1,767	3,230	9,894	1,782
2010	4,888	1,823	3,089	9,800	1,839
2011	5,029	1,909	3,180	10,118	1,807
2012	5,140	1,970	3,317	10,427	1,774
2013	4,953	2,008	3,148	10,109	1,691
2014	4,795	2,049	3,079	9,923	1,716
2015	4,582	2,073	3,003	9,658	1,655
2016	4,603	2,883	3,133	10,619	1,738
2017	4,442	3,118	2,924	10,484	1,581

Calendar year	Adults	Section 8 program (a): Elderly	Section 8 program (a): Minors	Total number of tenants	Nonelderly handicapped/ disabled
2008	7,616	1,970	5,258	14,844	3,044
2009	8,084	1,995	5,998	16,077	3,289
2010	8,371	2,059	5,937	16,367	3,451
2011	8,694	2,307	5,949	16,950	3,520
2012	8,654	2,477	5,938	17,069	3,510
2013	8,528	2,547	5,717	16,792	3,503
2014	8,295	2,638	5,733	16,666	3,419
2015	8,252	2,695	5,639	16,586	3,387
2016	8,185	2,621	5,880	16,686	3,480
2017	8,122	2,964	5,582	16,668	3,585

(Continued)

Table 7

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Demographics and Economic Statistics

Tenant Demographics – Population Statistics

Last Ten Fiscal Years (Unaudited)

Calendar year	Senior and local housing programs [b] Adults	Elderly	Minors	Total number of tenants	Nonelderly handicapped/ disabled
2008	711	906	310	1,927	170
2009	924	1,023	424	2,371	126
2010	926	1,001	424	2,351	117
2011	994	1,039	426	2,459	86
2012	1,023	1,042	434	2,499	110
2013 [c]	1,040	1,058	499	2,597	93
2014 [d]	994	1,074	474	2,542	102
2015	929	1,136	442	2,507	91
2016	1,138	1,117	549	2,804	83
2017 [e]	1,129	1,087	575	2,791	83

Calendar year	Agency wide totals Adults	Elderly	Minors	Total number of tenants	Nonelderly handicapped/ disabled
2008	13,057	4,561	8,382	26,000	4,953
2009	13,905	4,785	9,652	28,342	5,197
2010	14,185	4,883	9,450	28,518	5,407
2011	14,717	5,255	9,555	29,527	5,413
2012	14,817	5,489	9,689	29,995	5,394
2013	14,521	5,613	9,364	29,498	5,287
2014	14,084	5,761	9,286	29,131	5,237
2015	13,763	5,904	9,084	28,751	5,133
2016	13,864	5,723	9,562	29,149	5,256
2017	13,693	7,169	9,081	29,943	5,249

Notes: [a] Includes incoming portable vouchers and excludes outgoing portable vouchers and participants living in the Authority's Senior Housing program.

[b] Effective 2009, Senior and Local Housing Programs includes tenants from privately managed properties.

[c] Excludes 36 households whose age is unknown

[d] Excludes 37 households whose age is unknown

[e] Excludes 58 households whose age is unknown

Table 8

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Demographics and Economic Statistics

Regional Demographics – Population Statistics

Last Ten Fiscal Years (Unaudited)

Year	King County population (a)	Seattle population (a)	Per capita income King County (b)	Per capita income King Metro region (b)	Public school (d)	King County average annual unemployment rate (c)
2008	1,884,200	592,800	62,329	53,999	45,572	5.7
2009	1,909,300	602,000	55,569	50,644	45,944	8.5
2010	1,931,249	608,660	55,503	51,370	47,008	8.4
2011	1,942,600	612,100	58,688	53,931	48,496	7.1
2012	1,957,000	616,500	65,345	52,267	49,525	6.1
2013	1,981,900	626,600	66,073	55,190	51,094	5.6
2014	2,017,250	640,500	71,882	62,481	52,819	4.2
2015	2,052,800	662,400	75,518	65,817	53,844	4.5
2016	2,105,100	686,800	77,213	N/A	54,489	3.4
2017	2,153,700	713,700	77,213	N/A	55,007	3.6

Notes:

(a) As of April 1, source: Washington State Office of Financial Management, 2015 Population Trends for Washington State estimates only.

(b) Source: U.S. Bureau of Economic Analysis, 2015 is most current available.

(c) Preliminary source: Washington State Employment Security Department.

(d) Source: Seattle Public Schools P 233 Enrollment Report September 11, 2017 (pre-adjusted)

Table 9

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Demographics and Economic Statistics

Principal Industries

Last Ten Fiscal Years (Unaudited)

Industry	2017 Number of employees	2017 Percentage of Employment	2017 Rank	2016 Number of employees	2016 Percentage of Employment	2016 Rank	2015 Number of employees	2015 Percentage of Employment	2015 Rank
Retail trade	152,200	10.86%	1	141,000	10.19%	1	133,800	10.19%	1
Professional and technical	124,500	8.88	2	120,800	8.79	2	115,500	8.79	2
Information	103,000	7.35	3	96,000	6.81	5	89,400	6.81	5
Local government	100,800	7.19	4	98,100	7.25	3	95,200	7.25	3
Food services and drinking places	100,000	7.14	5	96,800	7.03	4	92,400	7.03	4
Manufacturing durable goods	77,200	5.51	6	80,100	6.29	6	82,600	6.29	6
Administrative and waste services	72,400	5.17	7	70,900	5.35	7	70,300	5.35	7
Wholesale trade	64,700	4.62	8	63,000	4.74	8	62,300	4.74	8
State government	61,000	4.35	9	60,200	4.49	9	59,000	4.49	9
Ambulatory health care services	59,500	4.25	10	57,100	4.23	10	55,500	4.23	10
Transportation and warehousing	52,600	3.75	11	50,600	3.70	11	48,600	3.70	11
Finance and insurance	42,600	3.04	13	44,800	3.19	13	41,900	3.19	12
	1,010,500	72.11%		979,400	72.06%		946,500	72.06%	

Industry	2014 Number of employees	2014 Percentage of Employment	2014 Rank	2013 Number of employees	2013 Percentage of Employment	2013 Rank	2012 Number of employees	2012 Percentage of Employment	2012 Rank
Retail trade	128,000	10.02%	1	120,200	9.75%	1	113,600	9.62%	1
Professional and technical	112,000	8.76	2	107,100	8.68	2	102,200	8.66	2
Local government	92,400	7.23	3	90,400	7.33	3	89,100	7.55	3
Food services and drinking places	88,300	6.91	4	84,100	6.82	4	79,600	6.74	6
Information	85,600	6.70	5	82,300	6.67	5	80,900	6.85	4
Manufacturing durable goods	83,000	6.49	6	82,100	6.66	6	80,000	6.78	5
Administrative and waste services	67,400	5.27	7	66,100	5.36	7	64,000	5.42	7
Wholesale trade	61,700	4.83	8	60,600	4.91	8	59,400	5.03	8
State government	57,200	4.48	9	56,800	4.61	9	55,500	4.70	9
Ambulatory health care services	54,100	4.23	10	50,400	4.09	10	49,200	4.17	10
Transportation and warehousing	46,200	3.62	11	43,500	3.53	12	42,700	3.62	12
Finance and insurance	45,000	3.52	12	45,500	3.69	11	43,600	3.69	11
	920,900	72.06%		889,100	72.10%		859,800	72.83%	

Industry	2011 Number of employees	2011 Percentage of Employment	2011 Rank	2010 Number of employees	2010 Percentage of Employment	2010 Rank	2009 Number of employees	2009 Percentage of Employment	2009 Rank
Retail trade	109,300	9.47%	1	105,900	9.33%	1	106,000	9.19%	1
Professional and technical	97,900	8.49	2	93,400	8.23	2	92,900	8.05	2
Local government	88,800	7.70	3	89,300	7.87	3	89,300	7.74	3
Food services and drinking places	76,400	6.62	6	74,400	6.56	6	74,000	6.42	6
Information	80,200	6.95	4	79,400	7.00	4	80,200	6.95	4
Manufacturing durable goods	77,100	6.68	5	75,200	6.63	5	79,000	6.85	5
Administrative and waste services	63,000	5.46	7	61,000	5.37	7	61,100	5.30	7
Wholesale trade	58,500	5.07	8	58,000	5.11	8	59,700	5.18	8
State government	55,000	4.77	9	55,800	4.92	9	55,800	4.84	9
Ambulatory health care services	48,400	4.20	10	47,400	4.18	10	46,400	4.02	11
Transportation and warehousing	43,400	3.76	12	42,400	3.74	12	43,500	3.77	12
Finance and insurance	44,400	3.85	11	44,500	3.92	11	46,900	4.07	10
	842,400	73.02%		826,700	72.86%		834,800	72.38%	

Industry	2008 Number of employees	2008 Percentage of Employment	2008 Rank
Retail trade	116,900	9.62%	1
Professional and technical	100,600	8.28	2
Local government	89,500	7.37	3
Food services and drinking places	77,700	6.39	6
Information	79,800	6.57	5
Manufacturing durable goods	83,700	6.89	4
Administrative and waste services	72,500	5.97	7
Wholesale trade	63,400	5.22	8
State government	57,100	4.70	9
Ambulatory health care services	44,800	3.69	12
Transportation and warehousing	46,600	3.83	11
Finance and insurance	49,000	4.03	10
	881,600	72.56%	

Source: Washington Employment Security Department Labor Market and Economic Analysis.

Data provided for King County, which includes the Seattle Metropolitan Area and other surrounding communities.

Table 10

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Operating Information

Number of Units by Program (c)

Last Ten Fiscal Years (Unaudited)

Fiscal year	Public housing	Section 8	Senior housing	Other housing programs (i)	Hope IV nonpublic units (i)	Total
2008	5,263	9,260	993	971	539	17,026
2009	5,261	9,425	993	910	629	17,218
2010	5,316	9,612	994	915	661	17,498
2011 (c)	5,408	10,164	994	915	385	17,866
2012 (c)	5,441	10,558	994	876	739	18,608
2013 (c, d)	5,401	10,775	994	876	739	18,785
2014 (e)	5,259	11,036	1,029	826	596	18,746
2015 (f)	5,146	11,248	1,029	929	596	18,948
2016 (g)	5,146	11,262	1,030	961	596	18,995
2017 (h)	5,139	11,299	1,030	1,102	739	19,309

Households Served and Waiting List Data

Last Ten Fiscal Years (Unaudited)

Fiscal year	Total households served (a)	Total households on waiting lists (b)
2008	12,359	6,879
2009	12,912	7,751
2010	13,220	8,179
2011	13,765	7,523
2012	13,769	7,586
2013	13,601	9,435
2014	13,532	8,569
2015	13,516	8,481
2016	13,526	7,380
2017	13,471	10,526

Notes:
(a) Excludes Mod rehab, outgoing portable vouchers, nonpublic housing tax credits, and local programs, but includes incoming portable vouchers.
(b) Reflects unique households. Excludes HOPE VI communities.
For year 2013 – Housing Choice Voucher waiting list opened and reflects unique households. Includes HOPE VI communities
(c) 894 Senior housing units were added to public housing but are represented with senior and other local housing programs.
(d) 40 units at Yesler Terrace were demolished in 2013.
(e) 142 public housing units demolished or sold in 2014. 35 senior housing units added at Leschi House.
(f) 113 public housing units demolished or sold in 2015. 103 other affordable units added at Kebero Court.
(g) Completion of Raven Terrace added 50 project based units and 33 afordable units.
(h) Completion of Hoa Mai Gardens added 111 units. 7 units demolished at Yesler.
(i) Totals include section 8 project based units which are also included in Section 8 units.

Table 11

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Operating Information

Property Characteristics and Dwelling Unit Composition

December 31, 2017 (Unaudited)

Public housing

Name of development	Address	Number of units	Year built or acquired
Ballard House	2445 NW 57th Street	79	1969
Barton Place	9201 Rainier Avenue S.	91	1971
Beacon Tower	1311 S. Massachusetts	108	1971
Bell Tower	2215 1st Avenue	120	1970
Cal-Mor Circle	6420 California Avenue SW	75	1968
Capitol Park	525 14th Avenue E.	125	1970
Cedarvale House	11050 8th Avenue NE	118	1970
Cedarvale Village	11050 8th Avenue NE	24	1971
Center Park	2121 26th Avenue S.	137	1969
Center West	533 3rd Avenue W.	91	1969
Denny Terrace	100 Melrose Avenue E.	220	1968
Green Lake Plaza	505 NE 70th Street	130	1969
Harvard Court	610 Harvard Avenue E.	81	1968
High Point	3000 SW Graham Street	250	Various
Holly Court	3804 S. Myrtle	97	1980
International Terrace	202 6th Avenue S.	100	1972
Jackson Park House	14396 30th Avenue NE	71	1970
Jackson Park Village	14396 30th Avenue NE	41	1970
Jefferson Terrace	800 Jefferson Street	299	1967
Lake City Court	12536 33rd Avenue NE	51	2011
Lake City House	12546 33rd Avenue NE	115	1971
Lictonwood	9009 Greenwood Avenue N.	81	1970
Longfellow Creek*	5915 Delridge Way SW	30	1993
NewHolly	7050 32nd Avenue S.	400	Various
Olive Ridge	1700 17th Avenue	105	1969
Olympic West	110 W. Olympic Place	75	1970
Partnership units	Various	50	Various
Queen Anne Heights	1212 Queen Anne Avenue N.	53	1970
Rainier Vista	2917 S Snoqualmie St	251	Various
Ross Manor	1420 Western Avenue	100	1984
Roxhill Court Apartments*	9940 27th Ave SW	13	1980
Scattered Sites	Various	711	Various
Stewart Manor	6339 34th Avenue	74	1968
Tri-Court	720 N. 143rd	87	1971
University House	4700 12th Avenue NE	101	1971
University West	4544 7th Avenue NE	113	1971
West Town View	1407 2nd Avenue W	59	1977
Westwood Heights	9455 27th Avenue SW	130	1978
Wisteria Court*	7544 24th Ave SW	20	1987
Yesler Terrace	903 E. Yesler Way	263	1941
	Total units – public housing	5,139	

*Nonpublic housing units are listed under "Other housing program" section.

(Continued)

Table 11

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Operating Information

Property Characteristics and Dwelling Unit Composition

December 31, 2017 (Unaudited)

Section 8

Name of development	Address	Number of units	Year built or acquired
Housing Choice Vouchers [a]	Various	10,521	—
Moderate Rehabilitation	Various	648	—
Bay View Tower	2614 4th Ave	100	1979
Market Terrace	1115 NW Market St.	30	1980
	Total number of Section 8 units	11,299	

Senior housing

Name of development	Address	Number of units	Year built or acquired
Leschi House	1011 S. Weller	69	1988
Ravenna School Apartments	6564 Ravenna Avenue NE	39	1979
South Park Manor	520 S. Cloverdale	27	1983
Bitter Lake Manor	620 N. 130th	72	1983
Blakeley Manor	2401 NE Blakeley	70	1984
Carroll Terrace	600 5th Avenue W.	26	1985
Columbia Place	4628 S. Holly	66	1983
Daybreak	1515 2nd Ave N	1	1978
Fort Lawton Place	3401 W. Government Way	24	1984
Fremont Place	4601 Phinney Avenue N.	31	1983
Gideon-Mathews Gardens	323 25th Avenue S.	45	1986
Island View	3031 California Avenue SW	48	1984
Michaelson Manor	320 W. Roy	57	1985
Nelson Manor	220 NW 58th	32	1985
Olmsted Manor	501 NE Ravenna Blvd.	35	1986
Phinney Terrace	6561 Phinney Avenue N.	51	1984
Pinehurst Court	12702 15th Avenue NE	73	1984
Pleasant Valley Plaza	3801 34th Avenue W.	41	1984
Primeau Place	308 14th Avenue E.	53	1984
Reunion House	530 10th Avenue E.	28	1984
Schwabacher House	1715 NW 59th Street	44	1984
Sunrise Manor	1530 NW 57th Street	32	1985
Wildwood Glen	4501 SW Wildwood	24	1983
Willis House	6341 5th Ave NE	42	1983
	Total number of senior housing units	1,030	

(Continued)

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Operating Information

Property Characteristics and Dwelling Unit Composition

December 31, 2017 (Unaudited)

Other housing programs

Name of development	Address	Number of units	Year built or acquired
104th St Townhomes	528 N 104th	3	2001
127th & Greenwood	12701 Greenwood Ave N	6	1983
5983 Rainier Ave S	5983 Rainier Ave S	12	2002
924 MLK Jr Way S	924 MLK Jr Way S	5	1998
Alder Crest Apartments	6520 35th Ave SW	36	1977
Baldwin Apartments	1305 E Fir Street	15	2014 rehab
Beacon House	1545 12th Ave S	6	1993
Delridge Triplexes	8136 and 8144 Delridge Way SW	6	1993
Fir Street Townhomes	Various	7	Various
Hoa Mai Gardens	221 10th Ave W	111	2017
Kebero Court	1105 E Fir St	103	2015
Lake City Commons	12745 30th Ave NE	15	2002
Lam Bow Apartments	6935 Delridge Way SW	30	1970
Longfellow Creek Apartments [b]	5915 Delridge Way SW	54	1993
Main Place II	308 22nd Ave S	25	1993
Main Street Apartments	2035 S Main St	12	1993
Mary Avenue Townhomes	8550-84 Mary Ave NW	8	2001
MLK Townhomes	Various	6	1996
Montridge Arms Apartments	9000 27th Ave SW	33	1968
Norman Street Townhomes	Various	15	Various
Raven Terrace	820 Yesler Way	83	2016
Ravenna Springs/Bryant Apts	Various	13	Various
Referendum 37	Various	2	Various
Ritz Apartments	1302 E Yesler Way	30	1908
Roxhill Court Apartments [b]	9940 27th Ave SW	11	1980
Spruce Street Townhomes	Various	10	1997
South Shore Court	4811 S Henderson	44	1962
Stone Ave Townhomes	8514 Stone Ave N	4	2001
Telemark Apartments	2850 NW 56th St	24	1975
Villa Park Townhomes	9111 50th Avenue S.	43	1997
Wedgewood Estates	3716 NE 75th	203	1948
Westwood Heights East Apts	9440 27th Ave SW	42	1997
Wisteria Court [b]	7544 24th Ave SW	76	1987
Yesler Court	114 23rd Ave	9	1994
	Total other housing units	1,102	
HOPE VI nonpublic housing units:			
High Point		350	
Lake City Village		35	
NewHolly		220	
Rainier Vista		134	
	Total HOPE VI Nonpublic housing (a)	739	
	Total units – All programs	19,309	

Notes: (a) Includes overlap of other housing program units and senior housing units which also have project based and program based Housing Choice Vouchers.

(b) Public housing units are listed under the public housing section.

Table 12

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Operating Information

Regular Staff Headcount by Department

Last Ten Fiscal Years (Unaudited)

Fiscal year	Executive	Development and asset management	Housing operations	Admissions and Section 8	Finance and administrative services	Information systems	Human resources	Total
2008	16	31	362	60	42	18	10	539
2009	14	33	362	59	41	19	10	538
2010	15	33	350	63	43	22	10	536
2011	12	32	367	54	43	19	10	537
2012	12	33	343	54	45	18	10	515
2013	13	29	308	57	40	16	9	472
2014	18	26	309	55	39	15	9	471
2015	26	50	332	61	47	18	11	545
2016	27	53	340	64	47	18	11	560
2017	30	52	353	60	47	19	12	573

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THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Federal Uniform Guidance Reports

Year ended December 31, 2017

(With Independent Auditors' Reports Thereon)

THE HOUSING AUTHORITY OF THE
CITY OF SEATTLE, WASHINGTON

December 31, 2017

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KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Commissioners
The Housing Authority of the City of Seattle, Washington:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of The Housing Authority of the City of Seattle, Washington (the Authority), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 25, 2018. Our report also includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the Authority's financial statements. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*. Accordingly, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

KPMG LLP

Seattle, Washington
May 25, 2018

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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by The Uniform Guidance

The Board of Commissioners
The Housing Authority of the City of Seattle, Washington:

Report on Compliance for Each Major Federal Program

We have audited The Housing Authority of the City of Seattle, Washington's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the Authority as of and for the year ended December 31, 2017 and have issued our report thereon dated May 25, 2018, which contained an unmodified opinion on those financial statements. Our report also includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the Authority's financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Seattle, Washington
May 25, 2018

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Schedule of Expenditures of Federal Awards

Year ended December 31, 2017

Grantor agency/pass-through agency/program/grant name	CFDA number	Grant number	Expenditures	Amounts passed through to Sub recipients
U.S. Department of Housing and Urban Development (HUD):				
Moving to Work Program:				
Public and Indian Housing – Comprehensive Grant Program:	14.881			
Capital Funds Program - Replacement Housing Fund (623)		WA19R00150213	$ 189,055	—
Capital Funds Program Year 15-Fund 624		WA19P00150114	1,122,140	—
Capital Funds Program - Replacement Housing Fund (624)		WA19R00150214	576,520	—
Capital Funds Program Year 16-Fund 625		WA19P00150115	4,803,127	—
Capital Funds Program Year 16-Fund 626		WA19P00150116	3,109,163	—
			9,800,005	—
Moving to Work Section 8 Housing Choice Program		WA001VOW114-120	115,801,823	—
Public and Indian Housing Conventional-Operating		SF-151	32,013,464	—
Moving to Work Program Total			157,615,292	—
Choice Neighborhoods Implementation Grants:	14.889			
Choice Neighborhoods Implementation Grants -Yesler CNI I		WA0A001CNI110	12,672	—
Choice Neighborhoods Implementation Grants -Yesler CNI II		WA0A001CNG112	2,021,161	366,409
			2,033,833	366,409
Section 8 Project-Based Cluster:				
Lower Income Housing Assistance Program:				
Section 8 New Construction/Substantial Rehabilitation:	14.182			
Bayview		WA19-0003-002	820,694	—
Market Terrace		WA19-0054-002	466,400	—
			1,287,094	—
Section 8 Moderate Rehabilitation	14.856	WA001MR0004-K001015	4,778,489	—
Section 8 Project-Based Cluster Total			6,065,583	—
Section 8 Housing Choice Program:	14.871			
Non-MTW – Mainstream Disabilities		WA001DV0024,25,26,27	728,050	—
Non-MTW – Family Unification Program		WA001FU0001-0002	2,408,107	—
Non-MTW – Administrative Fee Funding		WA001AF0113,115-118	1,015,839	—
Non-MTW – Arion Court RAD 2		WA001R20001	237,299	—
Non-MTW – Arion Court RAD 2 - Special Fees		WA001AF0114	6,800	—
Non-MTW – Veterans Affairs Supportive Housing		WA001VO0293,294 & PB04	3,224,593	—
Section 8 Housing Choice Program			7,620,688	—
ROSS-Service Coordinators Program	14.870	WA001RPS134A015	244,895	—
ROSS-Service Coordinators Program	14.870	WA0A001ROS116	181,173	—
ROSS-Public Housing Family Self-Sufficiency	14.870	WA001FSH654A016	414,000	—
			840,068	—
Continuum of Care for Beacon House Project	14.267	WA0008LOT001508	9,896	9,896
			9,896	9,896
Total HUD			174,185,360	376,305
Department of Energy- American Recovery and Reinvestment Act				
Pass through from City of Seattle Office of Housing				
Weatherization Assistance	81.042	F16-43103-404	116,002	116,002
Total Department of Energy			116,002	116,002
Department of Health and Human Services - Low Income Home Energy Assistance				
Pass through from City of Seattle Office of Housing				
Weatherization Assistance	93.568	F16-43101-404	22,998	22,998
Total Department of Health and Human Services			22,998	22,998
Total Federal Expenditures			$ 174,324,360	515,305

See accompanying notes to the schedule of expenditures of federal awards.

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2017

(1) General

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal financial assistance programs administered by The Housing Authority of the City of Seattle, Washington (the Authority). The Authority's organizational structure is defined in note 1 of the notes to the Authority's basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through from other government agencies or organizations have been included in the accompanying Schedule.

(2) Basis of Accounting

The accompanying Schedule is presented using the accrual basis of accounting, which is described in note 1 of the notes to the Authority's basic financial statements.

(3) Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule may not agree with the amounts reported in the related federal financial reports filed with grantor agencies because of accruals reflected in the Schedule that would be included in a future report filed with the agencies.

(4) Cost Rate

The Authority has elected not to use the de minimis 10% indirect cost rate.

THE HOUSING AUTHORITY OF THE
CITY OF SEATTLE, WASHINGTON

Schedule of Findings and Questioned Costs

Year ended December 31, 2017

(1) Summary of Auditor's Results

(a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**

(b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:

- Material weaknesses: **No**
- Significant deficiencies: **None Reported**

(c) Noncompliance material to the financial statements: **No**

(d) Internal control deficiencies over major programs disclosed by the audit:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

(e) Type of report issued on compliance for major programs: **Unmodified**

(f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**

(g) Major programs:

- Moving to Work Program – CFDA 14.881
- Choice Neighborhoods Implementation Grants – 14.889

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$3,000,000**

(i) Auditee qualified as a low-risk auditee: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

None