



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Housing Authority of the City of Renton

King County

For the period January 1, 2016 through December 31, 2016

Published September 28, 2017

Report No. 1019965





Office of the Washington State Auditor
Pat McCarthy

September 28, 2017

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

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

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

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Housing Authority of the City of Renton
King County
January 1, 2016 through December 31, 2016**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs:

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

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

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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

**Housing Authority of the City of Renton
King County
January 1, 2016 through December 31, 2016**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Renton, King County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated September 20, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



Pat McCarthy

State Auditor

Olympia, WA

September 20, 2017

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

**Housing Authority of the City of Renton
King County
January 1, 2016 through December 31, 2016**

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

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

We have audited the compliance of the Housing Authority of the City of Renton, King County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended December 31, 2016. The Housing Authority's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE


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

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

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

Purpose of this Report

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

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

Pat McCarthy

State Auditor

Olympia, WA

September 20, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Housing Authority of the City of Renton King County January 1, 2016 through December 31, 2016

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Housing Authority of the City of Renton, King County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 15.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the Housing Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Renton, as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 21 and pension plan information on pages 49 through 50 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 an opinion on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2017 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

September 20, 2017

FINANCIAL SECTION

**Housing Authority of the City of Renton
King County
January 1, 2016 through December 31, 2016**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2016

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2016
Statement of Revenues, Expenses and Changes in Net Position – 2016
Statement of Cash Flows – 2016
Notes to the Financial Statements – 2016

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2016
Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2016
Notes to the Schedule of Expenditures of Federal Awards – 2016
Financial Data Schedule – 2016
Actual Modernization Cost Certificate – WA019P01150112

HOUSING AUTHORITY OF THE CITY OF RENTON

MANAGEMENT DISCUSSION AND ANALYSIS

The Housing Authority of the City of Renton (the "Authority") management discussion and analysis are designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position, and (d) identify individual fund issues and concerns.

This first section of the annual financial report presents a discussion and analysis of the Authority's financial performance during the calendar year ended December 31, 2016. It should be read in conjunction with the Authority's financial statements, accompanying notes, and the Independent Auditor Report.

The Authority administers a broad range of federal and locally financed housing programs in the City of Renton. The Authority owns 704 units of housing of which 289 units are publicly subsidized housing. The Authority also provided rental subsidies to over 900 households through the Section 8 Housing Choice Voucher Program at the end of 2016.

The financial statements included in this report are in conformance with the Governmental Accounting Standards Board's (GASB) financial model as set forth in GASB Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, GASB Statement No. 37, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments: Omnibus, and GASB Statement No. 38, Certain Financial Statement Note Disclosures.

Year 2016 Financial Highlights

The Authority's net position on December 31, 2016 was \$33,021,257. Of this amount, \$23,648,539 was net investment in capital assets. The Authority's total Net Position decreased by \$61,463 after recording a loss from normal operations during calendar year 2016.

Total operating revenues of \$11,041,984 included rental income of \$4,409,371, Port-in Section 8 revenue of \$6,052,261 from other Housing Authorities, \$373,264 management fees earned for Section 8 Port-in vouchers, and other income of \$207,088. Total non-operating revenues included \$6,331,417 in HUD subsidies, and \$28,924 from investment income. The Authority also received \$343,342 in Capital Funds Program dollars from HUD used to maintain the Low Income properties.

Total operating expenses were \$17,416,542 and included housing assistance payments in the amount of \$4,362,356 for the Authority's jurisdictional voucher payments and \$6,052,186 for Port-in voucher payments to landlords, \$2,504,174 administration, \$512,834 utilities, \$2,216,822 maintenance, \$1,028,692 general expenses, and \$739,480 depreciation.

Federal program income and expense represents funds received and disbursed related to projects and activities funded by the HUD - Section 8 New Construction, Housing Choice Vouchers, Low Income Public Housing, and Capital Fund Program totaling \$6,674,759 in 2016. This is an increase of \$843,813 from calendar year 2015 and is primarily due to an increase in the S8 budget authority to mitigate the rising cost of rents in the Seattle/King County area.

The Authority must maintain a staff sufficient to administer the Section 8 Housing Choice Voucher program where the number of port-in vouchers served from other jurisdictions exceeds the agency's allocation of 415 vouchers. The Authority is reimbursed 80% of the administrative fee rate or approximately \$50.00 on approximately 490 port-in vouchers.

Renton Housing Authority-wide Financial Statements

The following financial statements are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire Housing Authority.

These Statements include a Statement of Net Position. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Position," formerly known as Equity or Net Assets. Assets and liabilities are classified as "Current" (convertible into cash in one year), and "Non-current."

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to present the net available liquid (non-capital) assets, net of liabilities, for the entire Housing Authority. Net Position is reported in three broad categories:

NET POSITION, NET INVESTMENT IN CAPITAL ASSETS:

This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

RESTRICTED NET POSITION:

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

UNRESTRICTED NET POSITION:

Consist of Net Position that does not meet the definition of "Net Position, Investment in Capital Assets, Net of Related Debt," or "Restricted Net Position."

The Authority-wide financial statements also include a STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses (administration, utilities, maintenance, general expense, housing assistance payments, and depreciation), and Non-Operating Revenue and Expenses (grant revenue, investment income, gains and interest expense).

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position," which is similar to Net Income or Loss.

Finally, a STATEMENT OF CASH FLOWS is included, which discusses net cash provided by, or used for operating activities, non-capital financing activities, from capital and related financing activities, and investing activities.

Financial Analysis of the Renton Housing Authority

Table 1 – Condensed Statement of Net Position

The following table reflects the condensed Statement of Net Position. The Authority is engaged only in business type-activities.

	<u>2016</u>	<u>2015</u>
Assets:		
Current Assets	12,564,739	12,106,709
Non-Current Assets	33,066,353	33,231,464
Total Assets	<u>45,631,092</u>	<u>45,338,172</u>
 Deferred Outflows	 449,119	 262,724
Liabilities:		
Current Liabilities	977,873	3,049,359
Non-current Liabilities	11,636,291	9,162,686
Total Liabilities	<u>12,614,164</u>	<u>12,212,045</u>
 Deferred Inflows	 444,790	 306,131
Net Position:		
Net Investment in Capital Assets	23,752,599	23,795,514
Restricted	2,504,082	2,488,485
Unrestricted	6,764,576	6,798,722
Total Net Position	<u>33,021,257</u>	<u>33,082,720</u>

For more detailed information, see the financial statements for the Statement of Net Position and notes No. 3, 4, 5, 6, 7, 8, and 9 to the financial statements.

Major Factors Affecting the Statement of Net Position

Total “Current Assets” for the calendar year ended December 31, 2016 totalled \$12,564,739 including several categories such as cash and cash equivalents, short-term investments, tenant security deposits, accounts receivable, and prepaid expenses.

A majority of the Authority’s Net Position (72%) reflects its investment in capital assets (e.g. land, buildings, and equipment). The Authority uses these assets to provide subsidized housing for eligible low-income tenants. Therefore, these are committed assets and this portion of the net asset balance is not available for future spending. The remainder is available to support future obligations for housing operations.

The Authority sold a portion of four parcels of land to the City of Renton during 2016 as part of the overall redevelopment of Sunset area. The southern portion of land will be included in the new Sunset Terrace Park. The northern portion of land sold is designated to the new extension of NE 10th street that will encircle the park. The Authority incurred a loss on sale of \$143k.

The Authority constructed a new garbage/recycle station at Hillcrest Terrace financed by Capital Funds grants from HUD in the amount of \$124k.

The Authority partnered with the King County Housing Authority and other strategic partners in an effort to secure a CNI grant from HUD to expedite the development of the Sunset Area. The Authority expended \$169k in costs related to the grant application process. If successful, the grant would have amounted to nearly \$30M. The Authority was not successful in securing the grant and the charges related to the effort were expensed in 2016.

The Authority incurred \$157k in repairs to the roof and common area of Houser Terrace during 2016.

The Authority expended nearly \$700k in predevelopment costs related to the construction of Sunset Court Apartments anticipated to begin construction during 2017 as well as other potential development sites slated for development beyond 2017.

The Authority also refinanced the JPMorgan/Chase \$5M line of credit during 2016 and incurred \$67k in closing costs.

The Authority’s overall Net Position decreased by \$61,463 during the calendar year 2016, from a beginning balance of \$33,082,721 to ending balance of \$33,021,257. The decrease was caused by the items mentioned above.

Current liabilities included retainage payable, accounts payable due to contractor, prepaid rents, tenant security deposits, payroll taxes, and liability for accrued leaves. In 2016, the Authority carried \$6,198 in retainage payable, \$404,440 in accounts payable and accrued expenses, \$236,068 in security deposits, \$7,629 in payroll related liabilities, \$237,668 for employee compensated absences, \$17,725 in accrued interest, and \$68,145 in current portion of long-term notes payable.

The Authority owed \$2,979,829 in long-term principal and interest to King County relating to the financing of the Glennwood Townhomes and the Kirkland Avenue Townhomes. The Authority owed \$1,224,231 to the Washington State Housing Trust Fund relating to the financing of the Kirkland Avenue Townhomes. The Authority also owed \$1,142,905 on two notes payable to the Washington Community Reinvestment Association (WCRA) related to permanent financing on the Glennwood Townhomes project and the Kirkland Avenue Townhomes project. The Authority owed \$1,792,511 to Banner Bank relating to the financing of Rolling Hills Townhomes and reclassified the \$2,012,665 line of credit to JPMorgan/Chase to long-term debt. The Authority also carried \$2,445,029 in Net Pension Liability and \$39,122 in long-term compensated absences.

Table 2 – Condensed Statement of Revenues, Expenses and Changes in Net Position

The following table reflects the condensed Statement of Revenues, Expenses and Changes in Net Position.

	2016	2015
Operating Revenues:		
Tenant Rents	4,409,371	4,352,365
Port-in Payments from Other HA	6,052,261	5,439,991
Other Revenues	580,352	386,683
Total Operating Revenues	11,041,983	10,179,039
Non-Operating Revenues:		
HUD Subsidies	6,331,417	5,527,377
Net Loss on Sale of Assets	(137,254)	-
Investment Income	28,924	11,679
Total Non-Operating Revenues	6,223,087	5,539,056
Total Revenue	17,265,070	15,718,095
Operating Expenses:	17,416,542	15,405,245
Non-Operating Expenses - Interest Expenses	253,334	198,261
Total Expenses	17,669,876	15,603,506
Excess (Deficiency) before Contributions	(404,806)	114,589
Capital Contributions		
HUD Capital Fund Program	343,342	303,569
Other Grant	-	50,000
Total Capital Contributions	343,342	353,569
Change in Net Position	(61,464)	468,158
Beginning Net Position	33,082,721	34,670,427
Change in Accounting Principle-GASB 68	-	(2,055,864)
Ending Net Position	33,021,257	33,082,721

Major Factors Affecting the Statement of Revenues, Expenses and Changes in Net Position

Revenues are classified as operating or non-operating. Operating revenues are dwelling unit rents, other fees received and tenant charges, Port-in Section 8 management fees, and housing assistance payments received from other housing authorities. Operating revenue contributed 62% of the total revenues for 2016. Non-operating revenues include HUD subsidies, capital fund program, gain on sale of property, and investment income which contributed 38% of the Authority's total revenues.

Tenant rental revenue increased in 2016 by 1.3%. Port-in revenues increased by 17% due to an increase in the Seattle area fair-market rents prescribed by HUD in 2015. A similar increase in Port-In expense occurred for the same reason. The subsidy for jurisdictional vouchers increased by 18% due to increase in fair-market rents in the Seattle area as well.

Capital fund programs are grants designated for modernization of the conventional low income projects, and the funding was based on project expenditure. In 2016 the Authority expended \$343,342 from the Capital Fund Program and a portion was used to construct the Hillcrest Terrace garbage/recycle station.

The Authority invested a majority of its funds in the Local Government Investment Pool with the State of Washington. Investment income increased in 2016 because of higher interest rates earned on State Pool Funds.

Total operating expenses in the amount of \$17,416,542 included administration, utilities, maintenance and operation, housing assistance payments to landlords and to other housing authorities, capital fund program, general, depreciation and other operating expenses. Operating expenses increased by 13% compared to 2015 primarily due to the increase in the HUD prescribed fair-market rents and the related Section 8 rent subsidies. Other increases include the CNI grant application costs, the refinance cost related to the JPMorgan/Chase line of credit and the Houser Terrace repair work.

Capital Assets and Debt Administration

Table 3 – Capital Assets at Year End (Net of Depreciation)

At year end the Authority had \$32,868.825 invested in a variety of capital assets which included land, buildings, machinery and equipment. More detail information about the capital assets is presented in note No. 9 to the financial statements.

	2016	2015
Land	14,097,246	14,451,157
Construction in Progress	960,682	264,677
Buildings	33,603,481	33,479,579
Equipment	942,427	875,097
Less Accumulated Depreciation	(16,735,012)	(16,036,570)
Total Net Capital Assets	32,868,825	33,033,940

Table 4 – Non-Current Liabilities

	2016	2015
Compensated Absences	39,122	34,331
Line of Credit-JPMorgan/Chase *	2,012,665	-
Note Payable-King County Government	2,900,000	2,900,000
Long-Term Interest Payable-King County	79,829	55,133
Note Payable- Washington Housing Trust Fund	1,200,000	1,200,000
Long-Term Interest Payable-Washington HTF	24,231	12,000
Note Payable-Banner Bank	1,792,511	1,810,024
Note Payable-W CRA	1,142,905	1,165,883
Net Pension Liability	2,445,029	1,985,315
Total Non-current Liabilities	11,636,291	9,162,686

- The \$2,012,665 JPMorgan/Chase line of credit was reclassified to long-term liabilities in 2016 after refinancing for another three years. This facility has a borrowing limit of \$5M.

Contacting The Authority's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of financial operation and to demonstrate the Authority's accountability for its resources. Any questions about this report or requests for additional information should be directed to the Director of Finance of the Housing Authority of the City of Renton, at (425) 226-1850 Ext. 271, P. O. Box 2316, Renton, WA 98056-0316.

HOUSING AUTHORITY OF THE CITY OF RENTON
STATEMENT OF NET POSITION
AT DECEMBER 31, 2016

ASSETS

Current Assets:

Cash & Cash Equivalents-Unrestricted	9,307,402	
Cash & Cash Equivalents-Restricted	2,504,082	
TOTAL CASH AND EQUIVALENTS		11,811,484

Other Current Assets:

Investment (Short-term)-Unrestricted		222,457
Tenant Security Deposits - Restricted		244,914
Account Receivable		179,691
Prepaid Expenses		106,193
TOTAL CURRENT ASSETS		12,564,739

Noncurrent Assets:

Investments		197,528
Capital Assets Not Being Depreciated		
Land		14,097,246
Construction in Progress		960,682
Capital Assets Being Depreciated		
Buildings		33,603,481
Equipment		942,427
Less Depreciation		(16,735,012)
TOTAL CAPITAL ASSETS (NET)		32,868,825
TOTAL NONCURRENT ASSETS		33,066,353

Total Assets		45,631,092
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Pension Charges		449,119
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LIABILITIES

Current Liabilities:

Retainage Payable		6,198
Accounts Payable-Vendors		245,906
Accounts Payable-Tenant Refunds		1,145
Tenant Security Deposits		236,068
Accrued Expenses		157,389
Payroll Taxes		7,629
Interest Payable		17,725
Compensated Absences		237,668
Current Portion-Long Term Debt		68,145
TOTAL CURRENT LIABILITIES		977,873

Noncurrent Liabilities:

Net Pension Liability		2,445,029
Compensated Absences-Long Term		39,122
Long-Term Interest Payable		104,060
Line of Credit Payable-JPMorgan/Chase		2,012,665
Notes Payable- Banner Bank		1,792,511
Notes Payable-King County		2,900,000
Notes Payable-WA State Housing Trust Fund		1,200,000
Notes Payable-WCRA		1,142,905
TOTAL NONCURRENT LIABILITIES		11,636,291

Total Liabilities		12,614,164
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DEFERRED INFLOWS OF RESOURCES

Deferred Pension Credits		44,019
Deferred Grant Receipt		400,771

NET POSITION

Net Investment in Capital Assets		23,752,599
Restricted		2,504,082
Unrestricted		6,764,576
TOTAL NET POSITION		33,021,257

**HOUSING AUTHORITY OF THE CITY OF RENTON
COMBINED STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDING DECEMBER 31, 2016**

	<u>ENTERPRISE FUNDS</u>
<u>OPERATING REVENUES</u>	
Dwelling Rent Income	4,409,371
Port-in Section 8 Revenue from Other Housing Authorities	6,052,261
Management Fees Earned - S8 Portables	373,264
Other Income	207,088
TOTAL OPERATING REVENUES	<u>11,041,984</u>
<u>OPERATING EXPENSES</u>	
Administration	2,504,174
Utilities	512,834
Maintenance and Operations	2,216,822
General Expenses	1,028,692
Housing Assistance Payments	4,362,356
Section 8 Port-in Housing Assistance Payments to Landlords	6,052,186
Depreciation	739,480
TOTAL OPERATING EXPENSES	<u>17,416,542</u>
OPERATING INCOME (LOSS)	(6,374,559)
<u>NON OPERATING REVENUES (EXPENSES)</u>	
Investment Income	28,924
Gain/(Loss) on Sale	(137,254)
HUD Subsidy	6,331,417
Interest Expense	(253,334)
TOTAL NON OPERATING REVENUES	<u>5,969,753</u>
Capital Contributions	
HUD Capital Grant	343,342
TOTAL CAPITAL CONTRIBUTIONS	<u>343,342</u>
CHANGE IN NET POSITION	(61,463)
NET POSITION AT 1/1/16	33,082,721
NET POSITION AT 12/31/16	<u><u>33,021,257</u></u>

**HOUSING AUTHORITY OF THE CITY OF RENTON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	4,739,738
Cash received from other housing authorities	6,479,900
Cash paid to landlords for Port-in vouchers	(6,052,186)
Cash paid to vendors and landlords for RHA S8 vouchers	(7,095,224)
Cash paid for wages and benefits	(3,399,036)
Net cash used by operating activities	<u>(5,326,808)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

HUD subsidies	6,732,188
Grant - CFP	343,342
Net cash provided by noncapital financing activities	<u>7,075,530</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds from Sale of Fleet Vehicles	9,145
Proceeds from Sale of Land	409,918
Purchase of Fleet Vehicles	(108,368)
Principal Payments -Banner Bank	(33,061)
Principal Payments - WCRA	(22,007)
Pre-Construction Activity	(898,411)
Construction Activity-Hillcrest Terrace Recycle Station	(123,901)
Interest paid on capital debt	(209,343)
Net cash provided by capital & related activities	<u>(976,028)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Income from investments	28,923
Short term investment transactions	(802)
Long term investment transactions	(4)
Net cash from investing activities	<u>28,117</u>

NET INCREASE IN CASH & CASH EQUIVALENTS	<u>800,811</u>
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CASH & CASH EQUIVALENTS AT 1/1/2016	11,010,673
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CASH & CASH EQUIVALENTS AT 12/31/16	<u><u>11,811,484</u></u>
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The attached notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF RENTON

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Housing Authority of the City of Renton is a municipal corporation established September 10, 1941 pursuant to Chapter 35.82 RCW. The Authority is governed by a five member Board of Commissioners appointed by the Mayor of the City of Renton. Each Commissioner serves a five year term. The terms are set in a manner where one term expires each year. In accordance with income limits prescribed by the U.S. Department of Housing and Urban Development (HUD), the Authority administers housing programs for extremely low-income to low-income families, persons living with a disability and the elderly, with the aid of construction financing and operating subsidies from HUD. The Authority is not a component of any government agency. The Authority does not have any divisions or departments involved in any joint ventures with any government agencies.

b. Programs

During the period covered by the financial statements, the following programs were in effect:

PHA 1. Three Conventional Low Income projects consisting of 138 units of public housing. The Authority received approval from HUD to dispose of all units of Sunset Terrace which is in the process of redevelopment. All residents were relocated with Section 8 Housing Choice Vouchers and a portion of Sunset Terrace has been sold to the City of Renton and a private developer. The Authority retains a portion of Sunset Terrace for future development.

The remaining Low-Income projects offer income based rental assistance for elderly, disabled, and families who qualify under the HUD income guidelines. The Authority received funds from HUD to maintain and improve the public housing projects under the Capital Fund Program. Substantially all major improvements and additions to the land, structures, and equipment of the public housing are accomplished through these capital grant funds. The Authority also received a Resident Opportunity Self-Sufficiency (ROSS) grant which is designed to provide life skills to residents of the Conventional Low Income projects. The ROSS grant remained in effect during 2016.

- a. Hillcrest Terrace. 60 units of low-rent disabled and senior housing.
- b. Evergreen Terrace. 50 units of low-rent disabled and senior housing.
- c. Cole Manor. 28 units of low-rent, multi-family public housing.

PHA 4. Cedar River Terrace. A Section 8 New Construction Project of 72 dwelling units for low-income elderly on one site.

PHA 5. Cedar Park Apartments. 244 units of market and sub-market rate housing for low-income and non subsidized moderate income tenants, acquired from the Resolution Trust

Commission. One hundred of the units are to be occupied by families earning less than 50% area median income and are reviewed annually by the Washington State Housing Finance Commission.

PHA 6. Houser Terrace. 104 dwelling units of housing for low-income elderly constructed with proceeds of a City of Renton Senior Housing Bond Issue owned and managed by the Authority under an affordable housing operating agreement with the City.

PHA 9. Section 8 Voucher Program. 415 jurisdictional Housing Choice Vouchers for various dwelling units largely owned by private landlords or otherwise unsubsidized. The HUD subsidy is calculated based on regulatory voucher payment standards designated for each bedroom size reduced by a percentage of net family earnings and the associated dwelling utility allowance. RHA also administers roughly 490 Port-In Vouchers from other housing authorities for residents living Renton, WA.

PHA 10. Renton Regional Non-Profit Housing is a non-profit corporation that was established in August, 1997 with donations of \$920 from the Authority Board of Commissioners. In 2006, the Authority Board adopted a resolution to designate the Renton Regional Non-Profit Housing entity as a conduit for scholarship donations for the benefits of the Authority tenants; and in 2009 it adopted a resolution to designate rents received from the YWCA to fund the scholarship program. The total balance of the trust fund at 12/31/16 was \$7,622. As disbursement of the fund is controlled by a separate authority, a non-profit entity, they are not deemed as assets of the Authority; revenues and expenses are not included in the Authority's Statement of Revenues, Expenses, and Changes in Net Position.

PHA 11. Golden Pines Apartments. A Section 8 New Construction Project of 53 dwelling units for low-income elderly residents. The Authority received a grant in 2012 for resident support services to fund the expenses of a service coordinator to provide life skills for residents of Golden Pines. This grant is similar to the ROSS grant mentioned in the PHA 1 section and remained in effect during 2016.

PHA 12. Local Fund. Included in this fund are:

- a. Four apartments that are used for emergency housing and are managed by the East Valley YWCA.
- b. A Four-plex with four apartments that are rented at fair market rates.
- c. Highland House Apartments acquired in 2004 contain 15 apartments that are rented at just below fair market rates.
- d. Chantelle Apartments acquired in 2004 contain 17 apartments that are rented at just below fair market rates.
- e. 20 acres of land located at 13302 SE 180th Street, Renton was acquired in 2006.
- f. Brickshire Apartments acquired in 2007 contain 12 apartments that are rented at just below fair market rates.
- g. Four (4) duplexes were purchased in 2011 adjacent to the Sunset Terrace Low Income Housing Project. These units, and more specifically the parcels on which they sit, were purchased for redevelopment of Sunset Terrace and have been categorized as land on the Authority's financial statements. The parcels were combined in 2016

and the structures were demolished. The majority of land was sold to the City of Renton to be developed as part of the Sunset Terrace Park and the extension of NE 10th street. The Authority retains the remaining land from these parcels for future development.

- h. Central Office Building - An office building that was purchased in June 1999. This building is used as a Central Office for all the Authority activities.
- i. Rolling Hills Townhomes acquired in 2012 contains 15 townhomes that are rented at fair market rates. The Authority obtained permanent financing with Banner Bank in the amount of \$1,950,000 in 2014.
- j. The Authority acted as a conduit for tax exempt bond - The Fifth & Williams Apartments, now known as Liberty Square, is a 92-unit affordable housing residential apartment building developed by DASH (Downtown Action To Save Housing) and Sherman Development, Inc. to provide housing with rents affordable to eligible families with incomes at 50% (25 units of the families admitted) and 60% (66 units of the families admitted) of the area median income (AMI) in the City of Renton, Washington. DASH has agreed to further increase rent affordability at Liberty Square beginning in year 2021 on a unit turn basis to achieve an occupancy ratio of 69 units at 50% AMI and 22 units at 60% AMI. DASH, a Washington nonprofit corporation, and Sherman Development Inc., a Washington corporation, formed Renton Fifth and Williams Limited Partnership, to acquire and construct the \$18-million project. The Authority acted as a conduit for issuance of the non-recourse Multifamily Housing Revenue tax-exempt bonds in the principal amount of \$9 million on March 9th, 2007 for the purpose of making the Loan to Renton Fifth and Williams Limited Partnership. As set forth in the bond agreement, the US Bank National Association acts as the Trustee on the Authority's behalf to collect payments on the principal and interest of the Bonds. The Authority assumes no risk of the Bonds or title of the project. The Authority has no obligation for any principal or interest payments on the Bonds. The Authority has also provided 6 project-based Section 8 vouchers on specifically designated units in order for eligible victims of domestic violence to receive subsidized and service-enriched housing.
- k. The Authority administers 22 Veterans Administration Section 8 Housing (VASH) vouchers for Veterans living at the Compass Veterans Center in Renton, WA. The vouchers are project-based vouchers funded and allocated through the King County Housing Authority (KCHA). RHA receives 70% of the administrative fee from KCHA for administering the program. The Authority also administers 2 VASH vouchers that subsidize the rents for 2 units reserved for veterans in the Kirkland Avenue Townhomes
- l. Three (3) duplexes were purchased in 2014 near the Sunset Terrace Low Income Housing Project. These units, and more specifically the parcels on which they sit, were purchased for redevelopment of Sunset Terrace and have been categorized as land on the Authority's financial statements. The structures were demolished in 2016.
- m. Two additional parcels were purchased in 2015 near the Sunset Terrace Low Income Housing Project. These parcels will also be contributed to redevelopment activities in the Sunset Area. The structure on one of the parcels was demolished in 2016.

PHA 14

a) Glennwood Townhomes- 8 4BR townhomes constructed in 2012 representing the first replacement housing for Sunset Terrace residents. The project was funded by Federal HOME funds awarded by the local King County government, a grant from the City of Renton, a loan from WCRA, and contributions of land and unrestricted funds from the Authority. These units are subsidized by project-based Section 8 vouchers from HUD where residents pay 30% of their income for rent and utilities. Upon turnover, admission to five of the units is reserved for families at fifty percent area median income (AMI) and three of the units to families at thirty percent AMI.

b) Kirkland Avenue Townhomes- 14 2BR townhomes and 4 3BR townhomes constructed in 2013/2014 representing the second replacement housing for Sunset Terraces residents. The project was funded by Federal HOME funds awarded by local King County government as well a local veterans levy, a grant from the City of Renton, Washington State Housing Trust Fund dollars, a loan from WCRA, and contributions of land and unrestricted funds from the Authority. The restricted proceeds from the sale of Phase I of Sunset Terrace were also used to finance the project. 16 of these units are deemed Sunset Terrace replacement housing units and are subsidized by project-based Section 8 vouchers from HUD where residents pay 30% of their income for rent and utilities. Upon turnover, admission of the units is reserved for families at fifty percent area median income (AMI). Two of the units are reserved for low-income veterans and are subsidized by the King County Housing Authority with VASH vouchers.

As a part of financial report components on the FDS, the three conventional low income projects were reported separately along with its individual funding and expenditure on the Capital Fund Program; Cedar Park, Houser Terrace and the majority of the Local Fund properties were combined and reported as Business Activities; Cedar River Terrace and Golden Pines were reported as N/C S/R Section 8 Programs; the Glennwood Townhomes project and the Kirkland Avenue Townhomes project were reported as HOME funds.

c. Summary of Significant Accounting Policies

1. Accounting Method

The Authority maintains the accounting records for all of its programs in accordance with Generally Accepted Accounting Principles (GAAP) and Government Accounting Standards Board (GASB) publications. The Authority employs a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long term debt and obligations.

The Authority implemented GASB 68 and GASB 71 beginning with the fiscal year-end, December 31, 2015. This pronouncement required the Authority to account for its share of the Washington State's Public Employees Retirement System's (PERS) unfunded pension liability as calculated by the Department of Retirement Systems. A \$2M charge to equity was recorded in 2015 to account for the unfunded liability. The adjustment is shown on the Statement of Revenues and Expenses as "Change in Accounting Principle-GASB 68". The entry reduced "Unrestricted Net Position" by the same \$2M.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and

delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the Authority are dwelling rent payments, payments from other housing authorities for Section 8 port-in rental payments, and Section 8 administrative fees associated with those payments. Operating expenses for proprietary funds include the cost of goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

2. Income Taxes

The Authority is a non-taxable public agency. Accordingly, no provision for income taxes is reflected in the accompanying income statements.

3. Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

4. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, 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.

d. **Assets, Liabilities, and Equities**

1. **Cash and Cash Equivalents**

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The interest earned on these investments is prorated to the various programs. This policy covers all funds operated by the Authority.

For the purposes of the statement of cash flows, the Authority classifies the Washington State Local Government Investment Pool as cash. Investments in the State Investment Pool are classified as cash equivalents on the financial statements.

2. **Investments**

Certain Investments for the Authority are reported at fair value in accordance with GASB statement No. 72, *Fair Value Measurement and Application*. Likewise, some investments are reported at amortized costs.

Interest is recognized in non-operating revenues as earned. Changes in the fair value of the Investments are also included in non-operating revenues (expenses). Unrealized gains and losses are recognized on the books as of the statement of net position date. A detailed listing is shown in Note 3, Deposits and Investments.

3. Amounts Due to and from Other Governments

On December 31, 2016, there were \$7,629 payroll related liabilities due for the payroll checks processed in December 2016. The Authority also incurred \$2,900,000 in long-term debt payable to King County to construct the Glennwood Townhomes and the Kirkland Avenue Townhomes. The Authority incurred \$1,200,000 in long-term debt from the Washington State Housing Trust Fund to construct the Kirkland Avenue Townhomes. The Authority had a receivable due from HUD in the amount of \$72,472 for December CFP, Operating Subsidies, and ROSS grant reimbursement, as well as \$41,163 due from other housing authorities for Port-In Section 8 reimbursement.

4. Restricted Assets and Liabilities

At December 31, 2016 the Tenant Security Deposits had a balance of \$244,914 restricted for refunds to vacated tenants. These funds are used to cover the \$236,068 liability for Security Deposits. The Authority also held \$2,387,591 in a restricted account at US Bank representing the proceeds from the sale on Phase II of Sunset Terrace and interest earned on the account. These funds are restricted for the purpose of developing and constructing the replacement housing and must have HUD's approval prior to distribution. The Authority also held \$85,531 in restricted reserve accounts with WCRA associated with the Glennwood Townhomes and Kirkland Avenue Townhomes loan covenants. These funds are to be used for equipment and capital replacement and certain operating purposes. The Authority also classifies a portion of the cash balance in the Section 8 program as restricted. These funds are restricted for future landlord rent payments and amounted to \$30,960 at 12/31/16.

5. Capital Assets See Note 9.

Capital assets include property, plant, and equipment which are reported in the applicable business type columns in the financial statements. Capital assets are valued at historical cost in the land, structures, and equipment accounts. All capital assets with a value greater than \$5,000 and a useful life of over five years or more are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation is computed using the straight-line method and useful lives of forty years for structures and five years for equipment and automobiles.

6. Accrued Leave

The Authority personnel policy provides for accumulation of vacation leave and sick leave. At termination or retirement, employees with the required length of service may

receive cash payment for all unused vacation up to 30 days plus the amount accrued during the employee's last year of employment, and up to 960 hours of unused sick leave calculated at 50%. This payment is based on current wages at time of termination and is not available to employees terminated for cause.

The accrued vacation and sick leaves incurred in 2016 were considered as current liability and any remaining balance as non-current liability; the Authority accrued \$237,667 vacation and sick leaves in 2016 and carried \$39,123 non-current accrued leaves.

There are no post employment benefits paid by the Authority.

7. Deferred Revenue

There was no Deferred Revenue as of 12/31/16

8. Long Term Debt See Note 5.

9. Allowance for Doubtful Accounts

The Authority uses the direct charge-off method for accounting for bad debts. The Board of Commissioners approves each bad debt write-off at least annually. As a result, no allowance or estimate is recorded.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 3 – CASH AND CASH EQUIVALENTS

The Authority's deposits are entirely covered by the Federal Depository Insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

As of December 31, 2016, the Authority's cash and cash equivalents are as follows:

	<u>Amount</u>	<u>Subtotal</u>
Nonrestricted:		
Petty Cash	250	
U.S. Bank Checking Accounts	4,445,896	
Banner Bank - Saving Account	249,639	
Washington State Local Government Investment Pool	<u>4,611,617</u>	
		9,307,402
Restricted:		
U.S. Bank - Section 8	30,960	
US Bank-Sunset Terrace Phase II Proceeds	2,387,591	
WCRA-Escrow Reserves	<u>85,531</u>	
		<u>2,504,082</u>
Total		<u>11,811,484</u>

Tenant Security Deposits:

Washington State Local Government Investment Pool	152,112
Banner Bank - Money Market Account	13,777
U.S. Bank - Money Market Account	<u>79,025</u>
Total Tenant Security Deposits	<u>244,914</u>

Deposits:

Custodial credit risk (deposits). Custodial risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned. The Authority has not adopted a policy that addresses deposit custodial risk; however, the Authority's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). In the event of a bank failure, claims for the Authority's deposits would be satisfied by the FDIC or from the sale of collateral held in the PDPC pool.

Amounts held in Washing State banks approved by the Public Deposit Protection Commission (PDPC) are covered by federal depository insurance up to \$250,000 and by the PDPC for amounts over \$250,000. The PDPC constitutes a multiple financial institution pool that provides for additional assessments against participants of the pool

on a pro rata basis. Accordingly, the deposits covered by PDPC are considered to be insured.

Investments:

Custodial credit risk (investments). Custodial risk is the risk that in the event of a failure of the counterparty to an investment transaction the Authority would not be able to recover the value of the investment or collateral securities. None of the securities held by the Authority are exposed to custodial credit risk because the investments are either covered by the FDIC or are Federally guaranteed/HUD approved investments in U.S. Government-backed securities.

Investments Measured at Amortized Cost

As of December 31, 2016, the Authority had the following investments at amortized cost:

Investment	Authoritys own investments
Banner Bank CD Maturing 10/19/17	105,981
First Savings Bank of Renton CD Maturing 5/25/17	116,476
State Investment Pool (LGIP)	4,763,729
Total	4,986,186

These are reported at amortized cost because the State Pool has elected to measure in this manner. The only restriction on withdrawals from the State investment Pool is when a deposit is received by ACH. In this case, a five day waiting period exists.

The LGIP operates in accordance with appropriate state laws and regulations. The LGIP transacts with its participants at a stable net asset value per share and meets the portfolio maturity, quality, diversification, liquidity and shadow pricing requirements that allows it to report at amortized costs. Further, The LGIP is classified as an unrated 2a-7 investment pool per the Securities and Exchange Commission.

The weighted average maturities of the LGIP is less than three (3) months, with cash available to the Authority on demand. The on demand availability of these funds defines them as cash equivalent liquid investments and not subject to interest rate risk. Cash investments are not subject to interest rate risk or any market value reporting requirements. All LGIP investments are either obligations of the United States government, government-sponsored enterprises, or insured demand deposit accounts and certificates of deposit. The investments are either fully insured or held by a third party custody provider in the name of the LGIP. The LGIP is audited by the Washington State

Auditor's office and regulated by Washington RCW's and the LGIP Advisory Committee.

Investments Measured at Fair Value

The Authority measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles. All of the investments reported at fair value are measured at Level 1: *Quoted prices in active markets for identical assets or liabilities*.

At December 31, 2016, The Authority had the following investments measured at fair value:

	<u>Cost</u>	<u>Fair Value</u>
Resolution Funding Corporation Bond maturing 10/15/2019.	97,292	95,820
Federal Home Loan Mortgage Corporation	<u>100,237</u>	<u>98,579</u>
Total Investments reported at Fair Value	<u>197,528</u>	<u>194,399</u>

NOTE 4- ACCOUNTS RECEIVABLE

On December 31, 2016, Accounts Receivable consisted of tenant accounts receivables of \$58,948, \$72,472 due from HUD for December CFP, Operating Subsidies, and ROSS grant activity, \$41,164 account receivable from the port-in housing authorities for the S8 voucher program, and \$7,106 other.

NOTE 5 - LONG TERM DEBT

	Beginning Balance	Additions/ (Reductions)	Long-Term Interest Accrual	Payments	Principal Due Within One Year	Ending Balance
Notes Payable	7,143,040	2,100,387	36,926	55,068	73,145	9,152,140
Compensated Absences	34,331	4,791				39,122
Net Pension Liability	1,985,315	459,714				2,445,029
Total Long-term Debt	9,162,686	2,564,892	36,926	55,068	73,145	11,636,291

Details of each issuance of long-term obligations:

Notes Payable	Fiscal Year Issued	Amount Issued	Interest Rates	Fiscal Year Maturity	Amount Outstanding	Current Portion
JPMorgan/Chase Line of Credit	2016	2,012,665	LIBOR +190pbs	2019	2,012,665	-
King County/Glenwood	2011/2012	\$ 1,950,000	1.00%	2063	\$ 1,950,000	\$ -
King County/Interest	2011/2012		1.00%	2063	\$ 65,646	\$ 5,000
WCRA/Glenwood	2012	\$ 500,000	4.25%	2019	\$ 463,210	\$ 10,024
King County/Kirkland	2014	\$ 950,000	1.00%	2064	\$ 950,000	\$ -
King County/Interest	2014		1.00%	2064	\$ 19,183	
WA State HTF	2014	\$ 1,200,000	1.00%	2064	\$ 1,200,000	\$ -
WA State HTF/Interest	2014		1.00%	2064	\$ 24,231	
Banner Bank	2014	\$ 1,950,000	4.00%	2024	\$ 1,837,678	\$ 45,167
WCRA/Kirkland	2015	\$ 725,000	4.375%	2022	\$ 702,672	\$ 12,954
Total Mortgage Note		9,287,665			9,225,285	73,145

JPMorgan/Chase Line of Credit						
Year	Principal	Interest	Total	Due	Due	Payments Due
2017	-	48,304	48,304	-	48,304	48,304
2018	-	48,304	48,304	-	48,304	48,304
2019	2,012,665	44,477	2,057,142	2,012,665	44,477	2,057,142
Total	2,012,665	141,085	2,153,750	2,012,665	141,085	2,153,750

Notes Payable King County-Glenwood						
Year	Principal	Interest	Total	Total Principal Due	Total Interest Due	Total Debt Payments Due
2017	-	5,000	5,000	-	5,000	5,000
2018	-	5,000	5,000	-	5,000	5,000
2019		5,000	5,000	-	5,000	5,000
2020		5,000	5,000	-	5,000	5,000
2021 though 2063	1,950,000	1,184,360	3,134,360	1,950,000	1,184,360	3,134,360
Total	1,950,000	1,204,360	3,154,360	1,950,000	1,204,360	3,154,360

Notes Payable WCRA						
Year	Principal	Interest	Total	Total Principal Due	Total Interest Due	Total Debt Payments Due
2017	10,024	19,492	29,516	10,024	19,492	29,516
2018	10,458	19,058	29,516	10,458	19,058	29,516
2019	442,729	17,072	459,801	442,729	17,072	459,801
Total	463,211	55,622	518,833	463,211	55,622	518,833

Notes Payable King County-Kirkland						
Year	Principal	Interest	Total	Due	Due	Payments Due
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021-2064	950,000	551,830	1,501,830	950,000	551,830	1,501,830
Total	950,000	551,830	1,501,830	950,000	551,830	1,501,830

Notes Payable WA State Housing Trust Fund-Kirkland						
Year	Principal	Interest	Total	Due	Due	Payments Due
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021-2064	1,200,000	672,000	1,872,000	1,200,000	672,000	1,872,000
Total	1,200,000	672,000	1,872,000	1,200,000	672,000	1,872,000

Notes Payable -Banner Bank						
Year	Principal	Interest	Total	Due	Due	Payments Due
2017	45,167	79,117	124,284	45,167	79,117	124,284
2018	47,173	77,111	124,284	47,173	77,111	124,284
2019	49,269	75,015	124,284	49,269	75,015	124,284
2020	51,457	72,827	124,284	51,457	72,827	124,284
2021-2024	1,644,612	246,690	1,891,302	1,644,612	246,690	1,891,302
Total	1,837,678	550,760	2,388,438	1,837,678	550,760	2,388,438

Notes Payable -WCRA-Kirkland Avenue Townhomes						
Year	Principal	Interest	Total	Due	Due	Payments Due
2017	12,954	30,484	43,438	12,954	30,484	43,438
2018	13,532	29,906	43,438	13,532	29,906	43,438
2019	14,136	29,302	43,438	14,136	29,302	43,438
2020	14,767	28,671	43,438	14,767	28,671	43,438
2021-2022	647,283	31,614	678,897	647,283	31,614	678,897
Total	702,672	149,977	852,649	702,672	149,977	852,649

- a. Changes in long-term debts were as follows:

- b. On November 25, 2016, The Authority renewed a \$5M line of credit with JPMorgan Chase Bank, N.A. The debt matures in November 2019 and carries an interest rate of 190 basis points in excess of the 30 day LIBOR rate. On December 31, 2016, the interest rate was 2.4%. The outstanding balance was \$2,012,665 at the end of the year. The Authority intends to use the line of credit primarily to fund timing differences on construction activity over the next three years. This note was reclassified to long-term with a maturity due in 2019.

- c. On November 21st 2011, the Authority received an award of \$1,950,000 from the King County Department of Community and Human Services which originated as Federal HOME funds. The award was in the form of a 50 year loan accruing 1% interest annually. Annual debt payment of \$5,000 began December 31, 2013 with the unpaid balance due on December 31, 2063. The funds were used to construct an 8 4-BR townhome project called the Glennwood Townhomes serving low-income families as replacement housing for the 8 4-BR units in Sunset Terrace redevelopment.

- d. On October 12, 2012, the Authority closed on a \$500,000 note payable with the Washington Community Reinvestment Association (WCRA). These funds were used to complete the construction of the Glennwood Townhomes in 2012. The note is a seven year note maturing on November 1st 2019 at the rate of 4.25% interest amortized over a 30 year period.

- e. On April 30, 2014, the Authority received an award of \$950,000 from the King County Department of Community and Human Services which originated as Federal HOME funds. The award was in the form of a 50 year loan accruing 1% interest annually. Annual debt payments of \$30,000 will begin in 2045 with the unpaid balance due on December 31, 2064. The funds were used to construct an 18 unit townhome project called the Kirkland Avenue Townhomes serving low-income families as replacement housing for Sunset Terrace redevelopment.

- f. On April 28, 2014, the Authority received an award of \$1,200,000 from the Washington State Housing Trust Fund. The award was in the form of a 50 year loan accruing 1% interest annually. Annual debt payments of \$50,000 will begin in 2045 with the unpaid balance due on December 31, 2064. The funds were used to construct an 18 unit townhome project called the Kirkland Avenue Townhomes serving low-income families as replacement housing for Sunset Terrace redevelopment.
- g. On August 20, 2014, the Authority closed on a \$1,950,000 loan with Banner Bank in the form of a 10 year note with a variable interest rate set at 2% over the 5 year Federal Home Loan Bank rate. The rate will reset after 5 years with a rate of 2.25% over the 5 year Federal Home Loan Bank rate with a floor of 4%. The loan is due August 19, 2024 and is amortized over a 25 year period with monthly payments of \$10,357. The loan is secured by a market-rate property called the Rolling Hills Townhomes. The funds were used to pay down the JPMorgan/Chase line of credit and to purchase additional properties in the Sunset Terrace area for future development.
- h. On February 27 2015, the Authority closed on a \$725,000 note payable with the Washington Community Reinvestment Association (WCRA). These funds were used to complete the construction of the Kirkland Avenue Townhomes. The note is a seven year note maturing on February 28, 2022 at the rate of 4.375% interest amortized over a 30 year period

NOTE 6 - SHORT TERM DEBT

The first annual installment of \$5,000 on the King County Note occurred in December 2013 and will continue each December 31st until the debt matures in 2063. The WCRA payments occur monthly with \$10,024 due within the next twelve months. The Banner Bank loan payments occur monthly with \$45,167 due within the next twelve months. The WCRA-Kirkland payments occur monthly with \$12,954 due within the next twelve months.

	Beginning Balance	Additions	Redemptions	Balance
Chase-Line of Credit	2,012,665	-	2,012,665	-
NP-King County Glennwood	5,000	5,000	5,000	5,000
NP-WCRA-Glenwood	9,607	10,024	9,607	10,024
NP-Banner Bank	60,715	45,167	60,715	45,167
NP-WCRA-Kirkland	12,400	12,954	12,400	12,954
Total	2,100,387	73,145	2,100,387	73,145

NOTE 7 - CAPITAL ASSETS AND DEPRECIATION

Property, Plant, and Equipment

This account has the following three components:

1. Development Costs - Represents the capitalized costs of construction or acquisition of housing projects.
2. Modernization Costs - Represents the hard costs incurred to improve or make major repairs to an existing project in the conventional low income program.
3. Property, Plant and Equipment - Represents cost of all capital assets owned by the Authority, including costs of completed Development and Modernization projects. The balance in this account appears on the Statement of Net Position as a net amount because of the reduction with accumulated depreciation.

Major expenses for capital assets are capitalized at cost. Maintenance repairs, supplies, and materials are accounted for as expenses when incurred.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight line method of 5 years for equipment and automobiles, and 40 years for buildings.

A summary of capital assets activity for the year ended December 31, 2016 is presented below:

	Balance @ 12/31/2015	Additions	Sales/Demolition of Property	Reclassification	Balance @ 12/31/16
Land - not depreciated	14,451,157	202,406	(556,317)	-	14,097,246
Construction in Progress	264,677	696,005		-	960,682
Capital Assets being depreciated					
Buildings	33,479,579	123,901		-	33,603,481
Machinery & equipment	875,097	108,369	(41,038)	-	942,427
Total capital assets being depreciated	34,354,676	232,270	(41,038)	-	34,545,908
Less accumulated depreciation					
Buildings	15,267,438	709,000			15,976,438
Machinery & equipment	769,132	30,480	(41,038)		758,574
Total accumulated depreciation	16,036,570	739,480	(41,038)	-	16,735,012
Total buildings & equipment (net)	18,318,106	(507,210)	-	-	17,810,896
Total land, buildings, & equipment (net)	33,033,940	391,201	(556,317)	-	32,868,825

NOTE 8 - PENSION PLANS

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$2,445,029
Pension assets	\$0
Deferred outflows of resources	\$449,119
Deferred inflows of resources	\$44,019
Pension expense/expenditures	\$291,670

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

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

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

Contributions

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

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

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

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

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

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

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon

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

Contributions

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

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

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

The Renton Housing Authority actual PERS plan contributions were \$121,619 to PERS Plan 1 and \$158,843 to PERS Plan 2/3 for the year ended December 31, 2016.

Actuarial Assumptions

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

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

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

		% Long-Term
--	--	--------------------

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

Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$1,340,454	\$1,111,580	\$914,620
PERS 2/3	\$2,455,118	\$1,333,448	(\$694,137)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2016, the Renton Housing Authority reported a total pension liability of \$2,445,029 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$1,111,580
PERS 2/3	\$1,333,448

At June 30, the Renton Housing Authority proportionate share of the collective net pension liabilities was as follows):

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.020163%	0.020698%	0.000535%
PERS 2/3	0.026045%	0.026484%	0.000439%

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2016. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2016, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2016, the state of Washington contributed 39.46 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.54 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2016, the Renton Housing Authority recognized pension expense as follows:

	Pension Expense
PERS 1	\$90,757
PERS 2/3	\$200,913
TOTAL	\$291,670

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, the Renton Housing Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Net difference between projected and actual investment earnings on pension plan investments	\$27,988	\$
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$61,088	\$
TOTAL	\$89,076	\$

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$71,005	\$44,019
Net difference between projected and actual investment earnings on pension plan investments	\$163,176	\$
Changes of assumptions	\$13,782	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$32,296	\$
Contributions subsequent to the measurement date	\$79,785	\$
TOTAL	\$360,044	\$44,019

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$71,005	\$44,019
Net difference between projected and actual investment earnings on pension plan investments	\$191,164	\$
Changes of assumptions	\$13,782	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$32,296	\$
Contributions subsequent to the measurement date	\$140,872	\$
TOTAL	\$449,119	\$44,019

Deferred outflows of resources related to pensions resulting from the Renton Housing Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflows:

Year ended December 31:	PERS 1
2017	(\$6,891)
2018	(\$6,891)
2019	\$25,704
2020	\$16,066
2021	\$0
Thereafter	\$0

Year ended December 31:	PERS 2/3
2017	\$26,691
2018	\$26,691
2019	\$145,925
2020	\$80,982
2021	\$0
Thereafter	\$0

Deferred Inflows:

Year ended December 31:	PERS 2/3
2017	(\$13,756)
2018	(\$13,756)
2019	(\$13,756)
2020	(\$2,751)
2021	\$0
Thereafter	\$0

NOTE 9 – ACCOUNTING & REPORTING CHANGES

The Authority implemented GASB 68 in 2015. A charge to Unrestricted Net Position in amount of \$2,055,864 was needed to record the Authority's pro-rata share of the Washington State PERS unfunded pension liability. The change in pension liability, deferred outflows and inflows were included in the 2016 operating results.

NOTE 10 - RISK MANAGEMENT

The Authority faces risk normally occurred by entity of any type. The Authority is insured for loss of property; loss of rental income; liability; auto; crime; umbrella; professional liability; and employee practices liability through policies issued by the Housing Authorities Risk Retention Pool (HARRP) located

in Vancouver, Washington. There have been no insurance settlements that exceeded insurance coverage for the past three years. The Authority had no commitments for capital leases, construction contracts, or contingent liabilities. There have been no material violations of financial contracts. HARRP, the Authority Risk Retention Pool, is a risk sharing pool approved by the Washington State Auditor's Office and Washington State risk manager since 1987. HARRP is also approved by the states of Oregon, California, and Nevada and by the U.S. Department of Housing and Urban Development. The coverage from HARRP is the same as the coverage previously provided by Coregis Insurance Company through the Arthur J. Gallagher Company. The Authority has realized a significant savings in premiums by purchasing insurance coverage through HARRP.

NOTE 11 – LITIGATION

As of year-end, there were no legal actions pending or underway, the outcome of which would have significant effect on the Authority's financial position.

NOTE 12 – SUBSEQUENT EVENTS

Sunset Court LLLP-A Washington State limited liability partnership that was formed in January 2017 to construct, develop and operate a 50-unit apartment complex known as the Sunset Court Apartments in Renton, WA. The Authority serves as the sole general partner. The Investment Limited Partner is the Royal Bank of Canada. The partnership was formed to provide new affordable housing within the city limits of Renton, WA. The dwelling units will be restricted to certain income limits and will provide "Low Income Housing Tax Credits" to the limited partner. Debt funding for the partnership will be provided by Banner Bank and King County government. The new partnership entity will create a "component unit" for the Authority beginning with the fiscal year ending December 31, 2017.

2017 Private Activity Bonds-The Authority's Board of Commissioners authorized the issuance of private activity/revenue bonds on June 12, 2017 with resolution number 2570-2017. The maximum amount of the bonds is \$5,000,000. The bonds were underwritten by Banner Bank on July 25, 2017 as part of the overall financing structure relating to the Sunset Court LLLP partnership and the construction of the Sunset Court Apartments. Banner Bank also provided \$6,500,000 in "taxable" debt to the Sunset Court LLLP entity.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans				
Housing Authority of the City of Renton				
Schedule of Proportionate Share of the Net Pension Liability				
PERS 1				
As of June 30				
Last 10 Fiscal Years				
		2016	2015	2014
Employer's proportion of the net pension liability (asset)	%	0.020698%	0.020163%	0.019598%
Employer's proportionate share of the net pension liability	\$	1,111,580	1,054,712	987,258
TOTAL	\$			
Employer's covered employee payroll	\$	2,506,936	2,326,624	2,193,971
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	44.34%	45.33%	45.00%
Plan fiduciary net position as a percentage of the total pension liability	%	57.03%	59.10%	61.19%
Housing Authority of the City of Renton				
Schedule of Proportionate Share of the Net Pension Liability				
PERS 2/3				
As of June 30				
Last 10 Fiscal Years				
		2016	2015	2014
Employer's proportion of the net pension liability (asset)	%	0.026484%	0.026045%	0.025233%
Employer's proportionate share of the net pension liability	\$	1,333,448	930,603	510,050
TOTAL	\$			
Employer's covered employee payroll	\$	2,506,936	2,326,624	2,193,971
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	53.19%	40.00%	23.25%
Plan fiduciary net position as a percentage of the total pension liability	%	85.82%	89.20%	93.29%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans				
Housing Authority of the City of Renton				
Schedule of Employer Contributions				
PERS 1				
As of December 31				
Last 10 Fiscal Years				
		2016	2015	2014
Statutorily or contractually required contributions	\$	121,619	105,380	91,229
Contributions in relation to the statutorily or contractually required contributions	\$	(121,619)	(105,380)	(91,229)
Contribution deficiency (excess)	\$	0	0	0
Covered employer payroll	\$	2,549,654	2,395,661	2,261,858
Contributions as a percentage of covered employee payroll	%	4.77%	4.40%	4.03%
Housing Authority of the City of Renton				
Schedule of Employer Contributions				
PERS 2/3				
As of December 31				
Last 10 Fiscal Years				
		2016	2015	2014
Statutorily or contractually required contributions	\$	158,843	135,362	113,017
Contributions in relation to the statutorily or contractually required contributions	\$	(158,843)	(135,362)	(113,017)
Contribution deficiency (excess)	\$	0	0	0
Covered employer payroll	\$	2,549,654	2,395,661	2,261,858
Contributions as a percentage of covered employee payroll	%	6.23%	5.65%	5.00%

**Housing Authority of the City of Renton
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Section 8 Project-Based Cluster							
Office of Public and Indian Housing Department of Housing and Urban Development	Section 8 New construction and Substantial Rehabilitation	14.182	127-38055	-	511,597	511,597	d-1
Office of Indian and Public Housing Department of Housing and Urban Development	Section 8 New Construction and Substantial Rehabilitation	14.182	127-38017	-	360,819	360,819	D-2
Total Section 8 Project-Based Cluster:				-	872,416	872,416	-
Office Of Housing-federal Housing Commissioner, Department Of Housing And Urban Development	Multifamily Housing Service Coordinators	14.191	WA19HS10002	-	32,084	32,084	F
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Public and Indian Housing	14.850	SF-187	-	578,874	578,874	A
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Resident Opportunity and Supportive Services - Service Coordinators	14.870	WA011RPS078A 010	-	60,366	60,366	e
Housing Voucher Cluster							
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Section 8 Housing Choice Vouchers	14.871	S-0088V	-	4,787,677	4,787,677	c
Total Housing Voucher Cluster:				-	4,787,677	4,787,677	-
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Public Housing Capital Fund	14.872	SF-187	-	343,342	343,342	b
Total Federal Awards Expended:				-	6,674,759	6,674,759	-

HOUSING AUTHORITY OF THE CITY OF RENTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. **Reporting Entity**

The schedule of expenditures of federal awards presents the activities of the federal financial assistance program administered by the Housing Authority of the City of Renton.

The Authority owns and manages housing projects that are not part of the Authority for reporting purposes. Accordingly, expenditures relating to those projects are not included in the schedule of expenditures of federal awards.

2. **Accounting Principles**

The schedule of expenditures of federal awards is prepared in accordance with generally accepted accounting principles as required by the U.S. Department of Housing and Urban Development. Significant accounting policies are discussed in Note 1 to the financial statements.

The Authority maintains the accounting records for all of its programs in accordance with Generally Accepted Accounting Principles (GAAP) and Government Accounting Standards Board (GASB) publications. The Authority employs a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations.

3. **SEFA footnotes**

- a) Represents HUD Grants for day to day operations of the Conventional Public Housing program.
- b) Represents HUD Grants for Modernization improvements to Conventional Public Housing program
- c) Represents HUD rental subsidy for Section 8 Housing Choice Vouchers
- d) Represents HUD rental subsidy for two Section 8 New Construction senior housing projects.
- e) Represents HUD grant to provide Resident Opportunity/Self Supportive services for Conventional Public Housing residents
- f) Represents HUD grant to provide Support Services for residents of Golden Pines; one of the S8 New Construction projects.

4. The Renton Housing Authority has selected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

5. **Program Costs**

The amounts shown as current year expenditures represent on the federal grant portion of the program costs. Entire program costs, including the Housing Authority of the City of Renton's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

HA City of Renton (WA011)
Renton, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 12/31/2016							
	Project Total	14.191 Multifamily Housing Service Coordinators	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	14.239 HOME Investment Partnerships Program	1 Business Activities	Subtotal	Total
111 Cash - Unrestricted	\$1,201,933			\$527,331	\$3,790,007	\$352,298	\$3,278,444	\$9,150,013	\$9,150,013
112 Cash - Restricted - Modernization and Development									
113 Cash - Other Restricted	\$2,387,591			\$30,960		\$85,531		\$2,504,082	\$2,504,082
114 Cash - Tenant Security Deposits	\$44,294				\$30,839	\$17,726	\$152,055	\$244,914	\$244,914
115 Cash - Restricted for Payment of Current Liabilities				\$157,389				\$157,389	\$157,389
100 Total Cash	\$3,633,818	\$0	\$0	\$715,680	\$3,820,846	\$455,555	\$3,430,499	\$12,056,398	\$12,056,398
121 Accounts Receivable - PHA Projects				\$41,164				\$41,164	\$41,164
122 Accounts Receivable - HUD Other Projects	\$72,473							\$72,473	\$72,473
124 Accounts Receivable - Other Government									
125 Accounts Receivable - Miscellaneous	\$7,107							\$7,107	\$7,107
126 Accounts Receivable - Tenants	\$7,481				\$546		\$50,922	\$58,949	\$58,949
126.1 Allowance for Doubtful Accounts - Tenants	\$0	\$0	\$0	\$0	\$0		\$0	\$0	\$0
126.2 Allowance for Doubtful Accounts - Other	\$0			\$0	\$0		\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery									
128.1 Allowance for Doubtful Accounts - Fraud									
129 Accrued Interest Receivable									
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$87,061	\$0	\$0	\$41,164	\$546	\$0	\$50,922	\$179,693	\$179,693
131 Investments - Unrestricted	\$105,981				\$116,476	\$197,528		\$419,985	\$419,985
132 Investments - Restricted									
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets	\$20,926			\$4,295	\$15,925	\$5,777	\$59,270	\$106,193	\$106,193
143 Inventories									
143.1 Allowance for Obsolete Inventories									
144 Inter Program Due From					\$1,811,976			\$1,811,976	\$1,811,976
145 Assets Held for Sale									
150 Total Current Assets	\$3,847,786	\$0	\$0	\$761,139	\$5,765,769	\$658,860	\$3,540,691	\$14,574,245	\$14,574,245
161 Land	\$2,111,858			\$6,000	\$1,221,736	\$992,147	\$9,765,506	\$14,097,247	\$14,097,247
162 Buildings	\$7,201,421			\$23,037	\$4,185,159	\$7,483,032	\$14,710,831	\$33,603,480	\$33,603,480
163 Furniture, Equipment & Machinery - Dwellings	\$315,155				\$147,913		\$450,795	\$913,863	\$913,863
164 Furniture, Equipment & Machinery - Administration				\$28,564				\$28,564	\$28,564
165 Leasehold Improvements									
166 Accumulated Depreciation	\$6,439,564			\$-33,475	\$-2,999,233	\$-528,265	\$-6,734,474	\$-16,735,011	\$-16,735,011

HA City of Renton (WA011)
Renton, WA
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 12/31/2016							
	Project Total	14.191 Multifamily Housing Service Coordinators	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	14.239 HOME Investment Partnerships Program	1 Business Activities	Subtotal	Total
167 Construction in Progress							\$960,682	\$960,682	\$960,682
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$3,188,870	\$0	\$0	\$24,126	\$2,555,575	\$7,946,914	\$19,153,340	\$32,868,825	\$32,868,825
171 Notes, Loans and Mortgages Receivable - Non-Current									
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									
173 Grants Receivable - Non Current									
174 Other Assets									
176 Investments in Joint Ventures									
180 Total Non-Current Assets	\$3,188,870	\$0	\$0	\$24,126	\$2,555,575	\$7,946,914	\$19,153,340	\$32,868,825	\$32,868,825
200 Deferred Outflow of Resources	\$103,297			\$94,315	\$58,385		\$193,121	\$449,118	\$449,118
280 Total Assets and Deferred Outflow of Resources	\$7,139,953	\$0	\$0	\$879,580	\$8,379,729	\$8,605,774	\$22,887,152	\$47,892,188	\$47,892,188
311 Bank Overdraft									
312 Accounts Payable <= 90 Days	\$86,279				\$6,845	\$4,686	\$154,293	\$252,103	\$252,103
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable	\$7,629							\$7,629	\$7,629
322 Accrued Compensated Absences - Current Portion	\$67,662			\$32,807	\$31,318		\$105,785	\$237,572	\$237,572
324 Accrued Contingency Liability									
325 Accrued Interest Payable						\$6,641	\$11,085	\$17,726	\$17,726
331 Accounts Payable - HUD PHA Programs									
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government									
341 Tenant Security Deposits	\$42,040				\$28,169	\$17,307	\$149,697	\$237,213	\$237,213
342 Unearned Revenue									
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue						\$22,978	\$45,167	\$68,145	\$68,145
344 Current Portion of Long-term Debt - Operating Borrowings									
345 Other Current Liabilities				\$157,389				\$157,389	\$157,389
346 Accrued Liabilities - Other									
347 Inter Program - Due To							\$1,811,976	\$1,811,976	\$1,811,976
348 Loan Liability - Current									
310 Total Current Liabilities	\$203,610	\$0	\$0	\$190,196	\$66,332	\$51,612	\$2,278,003	\$2,789,753	\$2,789,753
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue						\$5,242,905	\$3,805,176	\$9,048,081	\$9,048,081

HA City of Renton (WA011)
Renton, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 12/31/2016							
	Project Total	14.191 Multifamily Housing Service Coordinators	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	14.239 HOME Investment Partnerships Program	1 Business Activities	Subtotal	Total
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other						\$104,060		\$104,060	\$104,060
354 Accrued Compensated Absences - Non Current				\$5,496	\$5,158		\$17,422	\$39,219	\$39,219
355 Loan Liability - Non Current	\$11,143								
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities	\$562,357			\$513,456	\$317,854		\$1,051,362	\$2,445,029	\$2,445,029
350 Total Non-Current Liabilities	\$573,500	\$0	\$0	\$518,952	\$323,012	\$5,346,965	\$4,873,960	\$11,636,389	\$11,636,389
300 Total Liabilities	\$777,110	\$0	\$0	\$709,148	\$389,344	\$5,398,577	\$7,151,963	\$14,426,142	\$14,426,142
400 Deferred Inflow of Resources	\$10,124			\$410,015	\$5,722		\$18,928	\$444,789	\$444,789
508.4 Net Investment in Capital Assets	\$3,188,870			\$24,126	\$2,555,575	\$2,681,031	\$15,302,997	\$23,752,599	\$23,752,599
511.4 Restricted Net Position	\$2,387,591			\$30,960	\$0	\$85,531	\$0	\$2,504,082	\$2,504,082
512.4 Unrestricted Net Position	\$776,258	\$0	\$0	-\$294,669	\$5,429,088	\$440,635	\$413,264	\$6,764,576	\$6,764,576
513. Total Equity - Net Assets / Position	\$6,352,719	\$0	\$0	-\$239,583	\$7,984,663	\$3,207,197	\$15,716,261	\$33,021,257	\$33,021,257
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$7,139,953	\$0	\$0	\$879,580	\$8,379,729	\$8,605,774	\$22,887,152	\$47,892,188	\$47,892,188

HA City of Renton (WA011)
Renton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 12/31/2016							
	Project Total	14.191 Multifamily Housing Service Coordinators	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	14.239 HOME Investment Partnerships Program	Business Activities	Subtotal	Total
70300 Net Tenant Rental Revenue	\$393,599				\$305,830	\$366,996	\$3,343,262	\$4,409,687	\$4,409,687
70400 Tenant Revenue - Other	\$16,538				\$7,951	\$1,099	\$169,801	\$195,389	\$195,389
70500 Total Tenant Revenue	\$410,137	\$0	\$0	\$0	\$313,781	\$368,095	\$3,513,063	\$4,605,076	\$4,605,076
70600 HUD PHA Operating Grants	\$816,175	\$32,084	\$60,366	\$4,787,677	\$872,416			\$6,568,718	\$6,568,718
70610 Capital Grants	\$106,041							\$106,041	\$106,041
70710 Management Fee									
70720 Asset Management Fee									
70730 Book Keeping Fee									
70740 Front Line Service Fee									
70750 Other Fees									
70700 Total Fee Revenue									
70800 Other Government Grants									
71100 Investment Income - Unrestricted	\$5,222				\$8,279	\$5,791	\$9,574	\$28,866	\$28,866
71200 Mortgage Interest Income									
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery									
71500 Other Revenue				\$6,437,225				\$6,437,225	\$6,437,225
71600 Gain or Loss on Sale of Capital Assets	\$3,440			\$2,428	\$1,688		\$1,589	\$9,145	\$9,145
72000 Investment Income - Restricted				\$56				\$56	\$56
70000 Total Revenue	\$1,341,015	\$32,084	\$60,366	\$11,227,386	\$1,196,164	\$373,886	\$3,524,226	\$17,755,127	\$17,755,127
91100 Administrative Salaries									
91200 Auditing Fees	\$311,379	\$27,500	\$26,246	\$517,573	\$216,322		\$370,436	\$1,469,456	\$1,469,456
91300 Management Fee	\$9,757			\$9,918	\$6,611		\$25,951	\$52,237	\$52,237
91310 Book-keeping Fee									
91400 Advertising and Marketing									
91500 Employee Benefit contributions - Administrative	\$101,989			\$190,809	\$78,044		\$129,201	\$500,043	\$500,043
91600 Office Expenses		\$4,584	\$22,172	\$28,259	\$4,325		\$36,283	\$95,623	\$95,623
91700 Legal Expense	\$24,516			\$6,699	\$1,916	\$26,204	\$58,484	\$117,819	\$117,819
91800 Travel									
91810 Allocated Overhead									
91900 Other	\$189,650		\$11,948	\$88,325	\$62,397	\$1,716	\$415,308	\$769,344	\$769,344
91000 Total Operating - Administrative	\$637,291	\$32,084	\$60,366	\$841,583	\$369,615	\$27,920	\$1,035,663	\$3,004,522	\$3,004,522

HA City of Renton (WA011)
Renton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 12/31/2016							
	Project Total	14.191 Multifamily Housing Service Coordinators	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	14.239 HOME Investment Partnerships Program	1 Business Activities	Subtotal	Total
92000 Asset Management Fee									
92100 Tenant Services - Salaries									
92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services									
92400 Tenant Services - Other									
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
93100 Water	\$102,002				\$69,358	\$29,030	\$161,545	\$361,935	\$361,935
93200 Electricity	\$19,887				\$44,467	\$2,084	\$60,759	\$127,197	\$127,197
93300 Gas	\$23,704							\$23,704	\$23,704
93400 Fuel									
93500 Labor									
93600 Sewer									
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense									
93900 Total Utilities	\$145,593	\$0	\$0	\$0	\$113,825	\$31,114	\$222,304	\$512,836	\$512,836
94100 Ordinary Maintenance and Operations - Labor	\$279,926				\$103,499		\$696,057	\$1,079,482	\$1,079,482
94200 Ordinary Maintenance and Operations - Materials and Other	\$165,991				\$48,574	\$5,544	\$275,963	\$496,072	\$496,072
94300 Ordinary Maintenance and Operations Contracts	\$60,515				\$61,803	\$29,768	\$489,182	\$641,268	\$641,268
94500 Employee Benefit Contributions - Ordinary Maintenance	\$97,187				\$32,501		\$242,773	\$372,461	\$372,461
94900 Total Maintenance	\$603,619	\$0	\$0	\$0	\$246,377	\$35,312	\$1,703,975	\$2,589,283	\$2,589,283
95100 Protective Services - Labor									
95200 Protective Services - Other Contract Costs									
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective Services									
95900 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$18,622				\$14,932	\$5,050	\$52,663	\$91,267	\$91,267
96120 Liability Insurance				\$4,270				\$4,270	\$4,270
96130 Workmen's Compensation									
96140 All Other Insurance									
96100 Total Insurance Premiums	\$18,622	\$0	\$0	\$4,270	\$14,932	\$5,050	\$52,663	\$95,537	\$95,537

HA City of Renton (WA011)
Renton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 12/31/2016							
	Project Total	14.191 Multifamily Housing Service Coordinators	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	14.239 HOME Investment Partnerships Program	Business Activities	Subtotal	Total
96200 Other General Expenses				\$22,275				\$22,275	\$22,275
96210 Compensated Absences									
96300 Payments in Lieu of Taxes	\$73				\$26	\$44	\$1,135	\$1,278	\$1,278
96400 Bad debt - Tenant Rents	\$1,630				\$995	\$3,339	\$31,139	\$37,103	\$37,103
96500 Bad debt - Mortgages									
96600 Bad debt - Other									
96800 Severance Expense									
96000 Total Other General Expenses	\$1,703	\$0	\$0	\$22,275	\$1,021	\$3,383	\$32,274	\$60,656	\$60,656
96710 Interest of Mortgage (or Bonds) Payable									
96720 Interest on Notes Payable (Short and Long Term)						\$92,839	\$160,495	\$253,334	\$253,334
96730 Amortization of Bond Issue Costs									
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$92,839	\$160,495	\$253,334	\$253,334
96900 Total Operating Expenses	\$1,406,828	\$32,084	\$60,366	\$868,128	\$745,770	\$195,618	\$3,207,374	\$6,516,168	\$6,516,168
97000 Excess of Operating Revenue over Operating Expenses	-\$65,813	\$0	\$0	\$10,359,258	\$450,394	\$178,268	\$316,852	\$11,238,959	\$11,238,959
97100 Extraordinary Maintenance									
97200 Casualty Losses - Non-capitalized									
97300 Housing Assistance Payments				\$4,362,356				\$4,362,356	\$4,362,356
97350 HAP Portability-In				\$6,052,186				\$6,052,186	\$6,052,186
97400 Depreciation Expense	\$39,486			\$1,066	\$107,246	\$187,076	\$404,605	\$739,479	\$739,479
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense									
90000 Total Expenses	\$1,446,314	\$32,084	\$60,366	\$11,283,736	\$853,016	\$382,694	\$3,611,979	\$17,670,189	\$17,670,189
10010 Operating Transfer In									
10020 Operating Transfer Out									
10030 Operating Transfers from/to Primary Government									
10040 Operating Transfers from/to Component Unit									
10050 Proceeds from Notes, Loans and Bonds									
10060 Proceeds from Property Sales									
10070 Extraordinary Items, Net Gain/Loss									

HA City of Renton (WA011)
Renton, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 12/31/2016							
	Project Total	14.191 Multifamily Housing Service Coordinators	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	14.239 HOME Investment Partnerships Program	1 Business Activities	Subtotal	Total
10080 Special Items (Net Gain/Loss)									
10091 Inter Project Excess Cash Transfer In									
10092 Inter Project Excess Cash Transfer Out									
10093 Transfers between Program and Project - In									
10094 Transfers between Project and Program - Out									
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0			
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$105,299	\$0	\$0	\$56,350	\$343,148	\$8,808	\$234,152	\$61,461	\$61,461
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$90,349	\$177,084	\$267,433	\$267,433
11030 Beginning Equity	\$6,458,018	\$0	\$0	-\$383,233	\$7,841,515	\$3,216,005	\$15,950,413	\$33,082,718	\$33,082,718
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0			\$200,000	-\$200,000		\$0	\$0	\$0
11050 Changes in Compensated Absence Balance									
11060 Changes in Contingent Liability Balance									
11070 Changes in Unrecognized Pension Transition Liability									
11080 Changes in Special Term/Severance Benefits Liability									
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents									
11100 Changes in Allowance for Doubtful Accounts - Other									
11170 Administrative Fee Equity				-\$270,543				-\$270,543	-\$270,543
11180 Housing Assistance Payments Equity									
11190 Unit Months Available	1656		0	4980	1500	312	4944	13392	\$30,960
11210 Number of Unit Months Leased	1642		0	4984	1472	300	4707	13105	\$30,960
11270 Excess Cash	\$1,138,201							\$1,138,201	\$1,138,201
11610 Land Purchases	\$0							\$0	\$0
11620 Building Purchases	\$106,041							\$106,041	\$106,041
11630 Furniture & Equipment - Dwelling Purchases	\$41,701							\$41,701	\$41,701
11640 Furniture & Equipment - Administrative Purchases	\$0							\$0	\$0
11650 Leasehold Improvements Purchases	\$0							\$0	\$0
11660 Infrastructure Purchases	\$0							\$0	\$0
13510 CFFP Debt Service Payments	\$0							\$0	\$0
3901 Replacement Housing Factor Funds	\$0							\$0	\$0

Actual Modernization Cost Certificate

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

OMB Approval No. 2577-0157 (exp. 1/31/2017)

Comprehensive Improvement Assistance Program (CIAP)
Comprehensive Grant Program (CGP)

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

Do not send this form to the above address.

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

HA Name:

Renton Housing Authority

Modernization Project Number:

WA019P01150112

The HA 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. Original Funds Approved	\$ 287,205.00
B. Funds Disbursed	\$ 287,205.00
C. Funds Expended (Actual Modernization Cost)	\$ 287,205.00
D. Amount to be Recaptured (A-C)	\$ 0.00
E. Excess of Funds Disbursed (B-C)	\$0.00

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 HA 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; 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 Director & Date:

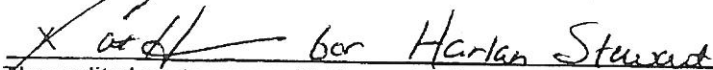
X  09.14.2016

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator)

Date:

X  for Harlan Stewart

9-15-2016

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)

Date:

X

Approved: (Director, Office of Public Housing / ONAP Administrator)

Date:

X

form HUD-53001 (1/2014)

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
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