



Office of the Washington State Auditor
Pat McCarthy

June 4, 2018

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

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

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the Housing Authority of the City of Vancouver's financial statements and compliance with federal grant requirements for the fiscal year ended December 31, 2016. The Authority contracted with the CPA firm for this audit.

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

HOUSING AUTHORITY OF THE CITY OF VANCOUVER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016



Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

	<u>PAGE</u>
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	1 - 2
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS.....	3
CORRECTIVE ACTION PLAN.....	4
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	5 - 6
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	7 - 9
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	10 - 12
FINANCIAL SECTION:	
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	13 - 21
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position.....	22 - 23
Statement of Revenues, Expenses and Changes in Net Position	24
Statement of Cash Flows	25 - 26
Notes to Financial Statements	27 - 56
REQUIRED SUPPLEMENTARY INFORMATION	57 - 61
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	62
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	63
SUPPLEMENTAL INFORMATION:	
Financial Data Schedule.....	64 - 68

Housing Authority of the City of Vancouver

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses _____ Yes X No

Noncompliance material to financial statements noted: _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses X Yes _____ No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? X Yes _____ No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's program and, Non-Entitlement Grants in Hawaii
14.871 and 14.879	Housing Voucher Cluster (which includes: (CFDA 14.871 Section 8 Housing Choice Vouchers and CFDA 14.879 Mainstream Vouchers)
14.881	Moving to Work Demonstration Program

Housing Authority of the City of Vancouver

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS - (Continued)

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 889,430

Auditee qualified as low-risk auditee:

 X Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings were noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2006-001.

Housing Authority of the City of Vancouver
Schedule of Federal Findings and Questioned Costs
For the Year Ended December 31, 2016

Finding:
2016-001

Federal Award:
Not applicable. The finding relates to the preparation of the SEFA and not to a specific major program.

Criteria:
In accordance with 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements For Federal Awards*, §200.510(b), the Authority must prepare a schedule of expenditures of Federal awards ("SEFA") which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended.

Statement of Condition:
During our review of the initial draft of the SEFA prepared by management, the SEFA did not include a Community Development Block Grant CFDA 14.218 in the amount of \$120,000 that was received by the Authority during the year ended December 31, 2016. In addition, the initial draft of the SEFA incorrectly identified a Community Development Block Grant grant in the amount of \$250,000 under CFDA 14.218 as CFDA 14.228.

Questioned Costs:
None. The finding relates to the preparation of the SEFA and not to a specific major program.

Cause:
Management's internal review process did not provide for adequate preparation and review of the SEFA.

Effect or Possible Effect and Perspective:
The misstatements could result in errors in the determination of major federal programs for compliance testing.

Repeat Finding:
Not a repeat finding.

Recommendation:
We recommend the Authority develop a process to review and verify the CFDA identifying number to ensure accuracy and completeness of SEFA.

Views of Responsible Officials:
We appreciate the auditor's efforts to find the above discrepancies in the initial draft of the SEFA schedule. Earlier in 2017, we added an accountant position to the Finance Department, specifically to assist with audit report preparation. As suggested, we have developed a process to review and verify the full inclusion of all Federal funds and ensure accuracy of CFDA identifying numbers.



VANCOUVER HOUSING AUTHORITY

Housing Authority of the City of Vancouver

Corrective Action Plan

For the Year Ended December 31, 2016

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Reference Number:

2016-001

Federal Award Agency:

Not applicable. The finding relates to the preparation of the SEFA and not to a specific major program.

Name of Contact Person:

Saeed Hajarizadeh, Deputy Director

Corrective Action:

Earlier in 2017, we added an accountant position to the Finance Department, specifically to assist with audit report preparation. We have developed a process to review and verify the full inclusion of all Federal funds and ensure accuracy of CFDA identifying numbers.

Date of Planned Corrective Action:

The above process has been completed.



Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of Vancouver (the Authority), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 18, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

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 - (CONTINUED)

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Lucinda Hunt" followed by a checkmark and the date "9/18/17".

Bellevue, Washington
September 18, 2017



Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Vancouver's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2016. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE - (CONTINUED)

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE - (CONTINUED)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

The Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

A handwritten signature in blue ink, reading "Lawrence Hunter, CPA".

Bellevue, Washington
September 18, 2017



Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of Vancouver (the Authority), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 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 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.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS - (CONTINUED)

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 business-type activities and the aggregate discretely presented component units of the Authority as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13 to 21 and pension schedules on pages 57 to 61 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 the 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 supplemental 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.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS - (CONTINUED)

Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Awards Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. The Financial Data Schedule is presented for the purpose of additional analysis as required by HUD, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 Authority's internal control over financial reporting and compliance.



Bellevue, Washington
September 18, 2017

As management of the Housing Authority of the City of Vancouver (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2016.

The Authority's Management's Discussion and Analysis (MD&A) is designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activities for the period, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges) and (d) identify individual program issues or concerns.

Since the MD&A is designed to focus on the current period's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's Financial Statements and Notes.

Overview of the Housing Authority of the City of Vancouver

The Authority's purpose is to provide and promote decent, safe and affordable housing for low-income persons residing in Clark County, Washington as permitted by law. The Authority's mission is to provide opportunities to people who experience barriers to housing because of income, disability or special needs in an environment which preserves personal dignity, and in a manner which maintains the public trust.

The Authority's Board of Commissioners has directed management to diversify its portfolio thereby reducing its heavy reliance on Federal funds provided through the United States Department of Housing and Urban Development (HUD). The Authority's approach to meet this directive has been to develop locally financed projects to bring added capacity to serve the community. Since early 1990's, the Authority has acquired existing or built new housing projects utilizing a combination of local, State, and Federal funds to augment traditional Federal housing programs. Primary sources consisted of housing revenue bonds as debt and Low Income Housing Tax Credits as equity. While traditional Public Housing (HUD funded) is debt free, locally developed housing is leveraged with debt, which requires a steady stream of rental income and exposes the Authority to additional financing risk.

Federally appropriated subsidy for Public Housing continues to be underfunded and HUD has been advising Congress to find other ways to deal with this aging housing stock. By anticipating such policies, the Authority has divested or reorganized its Public Housing portfolio since 2008. By the end of 2015, all of its 575 traditional public housing units were either sold or converted to other available subsidized programs such as Section 8 project based vouchers or Rental Assistance Demonstration (RAD) vouchers.

The Authority is one of 39 housing authorities across the country participating in HUD's Moving to Work (MTW) Demonstration program. Originally authorized under the Omnibus Consolidated Rescissions and Appropriations Act of 1996, the MTW program offers public housing authorities the opportunity to design and test innovative, locally-designed housing and self-sufficiency strategies. The program allows certain exceptions from federal rules governing

the Public Housing and Section 8 Housing Choice Voucher (HCV) programs and in some cases offers flexibility in the funding of these programs.

For further detail on how funds are allocated and spent, please refer to the Authority's MTW Annual Plan and Report. Copies can be found on our website www.vhausa.com.

Financial Highlights

- During 2016, we completed construction and lease-up of Lincoln Place Apartments, a 30-unit apartment community for previously homeless individuals.
- We began major renovation of Orchard Glen Apartments, an 80-unit apartment complex resyndicated into a new low-income housing tax credit partnership.
- We substantially completed renovation of Skyline Crest, a former Public Housing project, adding \$1.2M in rental revenues.
- While rental income for business activities held steady, component units' rental income was up by 45% from the prior year, due to addition of new properties as noted above.
- Net position of business activities improved by 11.5% from 2015 to \$84,985,155, largely as a result of developer fees and gain on disposition of property realized from component unit construction activities.

Overview of the Financial Statements

The Authority's Financial Statements consist of two parts – Management's Discussion and Analysis (this section) and the Financial Statements. The Financial Statements include the government-wide Financial Statements and Notes to the Financial Statements. The Authority is a stand alone governmental entity engaged only in business type activities. Accordingly, only fund financial statements are presented as the Financial Statements.

The Financial Statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows. The Financial Statements report information about the Authority as a whole using accounting methods similar to those used by private sector companies.

The Statement of Net Position, which is similar to a balance sheet, reports all financial and capital assets of the Authority and is presented in a format where assets minus liabilities equals net position. Net position is broken into the following three categories.

- **Net investment in capital assets** consist of all capital assets, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- **Restricted** consists of restricted assets when constraints are placed on the assets by creditors (such as debt covenants), grantors, contributors, laws, or regulations.
- **Unrestricted** consists of unrestricted assets that do not meet the definition of net investment in capital assets.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position regardless of when cash is received or paid.

Statement of Cash Flows discloses net cash provided by or used in operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

Finally, the Notes provide additional information that is essential to a full understanding of the data provided and are an integral part of the Financial Statements.

The government-wide Financial Statements also include nine legally separate tax credit partnerships (Component Units) for which the Authority is financially accountable. Their financial information is reported in total in a separate column. The Authority (Business Type Activity) column includes Bridgeview Housing, Vancouver Affordable Housing, VHA Proxy LLC, Wisteria Manor LP, Arbor Ridge Assisted Living LP, Orchard Glen LP and Caples Terrace LLLP blended type entities which were formed to help meet the mission of the Authority.

Financial Analysis of the Authority

The following statements are condensed versions of our financial statements, for the purpose of analysis and discussion. See full Financial Statements for more detail.

Condensed Statement of Net Position

	Business Type Activity		Component Units	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Current and Other Assets	\$ 129,879,229	\$ 106,679,619	\$ 6,086,168	\$ 5,731,345
Capital Assets	78,372,106	81,866,589	110,920,471	94,278,659
Total Assets	208,251,335	188,546,208	117,006,639	100,010,004
Deferred Outflows of Resources	4,027,551	4,842,451	-	-
Current Liabilities	36,013,654	30,930,752	19,899,735	8,942,753
Long-term Liabilities	86,187,583	81,170,695	93,788,741	85,492,319
Total Liabilities	122,201,237	112,101,447	113,688,476	94,435,072
Deferred Inflows of Resources	5,092,494	5,074,490	-	-
Net Investment in Capital Assets	11,535,762	9,935,010	4,074,124	5,345,089
Restricted	30,524,654	29,379,047	2,667,326	2,515,193
Unrestricted	42,924,739	36,898,665	(3,423,287)	(2,285,350)
Total Net Position	\$ 84,985,155	\$ 76,212,722	\$ 3,318,163	\$ 5,574,932
Debt to Asset Ratio	58.7%	59.5%	97.2%	94.4%

Major Factors Affecting Statement of Net Position

The Authority's Debt to Asset ratio improved slightly in 2016 to 58.7% from 59.5% in 2015 due to regular debt repayments. The Component Units ratio increased to 97.2% from 94.4% due to ongoing debt-financed construction activities.

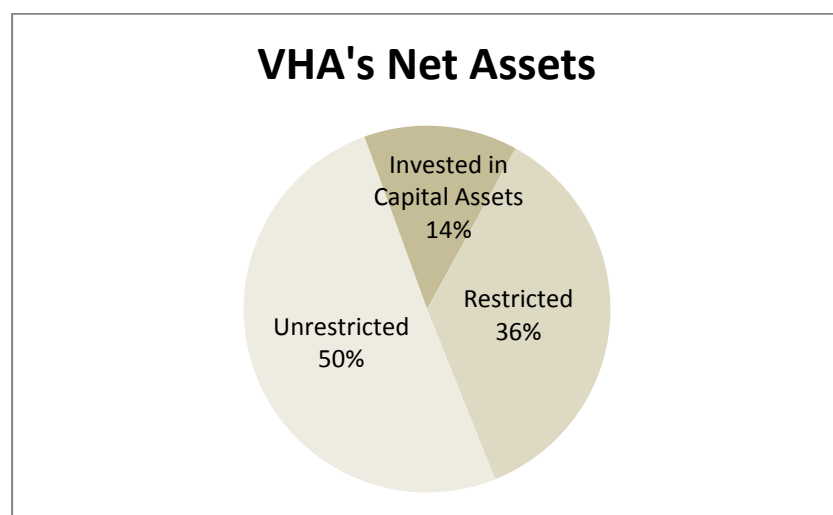
The Authority's total assets as of December 31, 2016 were \$208.3 million; an increase of \$19.7 million, primarily resulting from debt financed increased receivables from Component Units. Component unit total assets were \$117 million; an increase of \$17 million, primarily resulting from acquisition and construction activities of Skyline Crest LLLP, OG Rehabilitation LLLP and Lincoln Place LLLP.

Restricted assets of the Authority and Component Units represent special funds set aside to pay for debt service, funds set aside for construction, replacement reserves, and operating expenses as required in bond covenants, contracts, or HUD regulations.

The unrestricted assets of the Authority generally represent excess cash available, deferred developer fees and other receivables to be collected. The following chart illustrates the portions of net position in Business Type Activities invested in capital assets, restricted and unrestricted:

VHA Net Position

Invested in Capital Assets	14%	\$ 11,535,762
Restricted	36%	30,524,654
Unrestricted	50%	42,924,739
	100%	<u>\$ 84,985,155</u>



Condensed Statement of Revenue, Expense, and Changes in Fund Net Position

	Business Type Activities		Component Units	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Revenues				
Operating Revenues				
Tenant Receipts	\$ 16,370,596	\$ 16,230,417	\$ 8,194,908	\$ 5,693,926
Other Operating Revenues	5,996,757	5,770,100	242,458	135,026
HUD Operating Subsidies	21,303,656	19,748,401	-	-
Non-operating Revenues				
Investment Income	2,747,953	2,125,738	1,769	1,695
Developer Fees	2,858,521	4,513,481	-	-
Gain/(Loss) on Disposed Property	2,817,750	3,258,779	-	-
Total Revenues	<u>52,095,233</u>	<u>51,646,916</u>	<u>8,439,135</u>	<u>5,830,647</u>
Expenses				
Operating Expenses				
Other Operating	15,151,362	17,248,831	4,572,021	2,873,402
Housing Assistance Payments	20,169,270	16,796,166	-	-
Depreciation	3,080,519	3,408,476	3,947,768	3,208,833
Non-Operating Expenses				
Interest Expense	<u>4,922,043</u>	<u>4,800,649</u>	<u>2,609,091</u>	<u>2,282,527</u>
Total Expense	<u>43,323,194</u>	<u>42,254,122</u>	<u>11,128,880</u>	<u>8,364,762</u>
Income (Loss) Before Contributions &	8,772,039	9,392,794	(2,689,745)	(2,534,115)
Capital Contributions & Special Items	<u>394</u>	<u>(1,926,692)</u>	<u>432,976</u>	<u>2,370,835</u>
Change in Net Position	<u>8,772,433</u>	<u>7,466,102</u>	<u>(2,256,769)</u>	<u>(163,280)</u>
Net Position, Beginning	76,212,722	73,163,981	5,574,932	5,738,212
Change in accounting pricipla	-	(4,445,931)	-	-
Prior Periods Adjustments	-	28,570	-	-
Net Position, Ending	<u>\$ 84,985,155</u>	<u>\$ 76,212,722</u>	<u>\$ 3,318,163</u>	<u>\$ 5,574,932</u>

Results of Operations

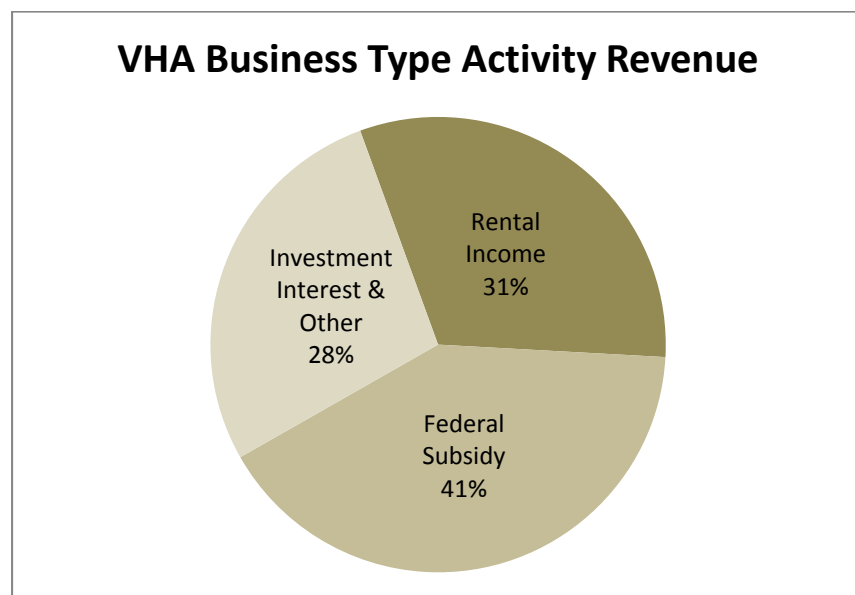
Operating revenues of the Authority's Business Type Activities are generated from rents, federal subsidies and other income. For the year ending December 31, 2016, the Authority's total revenues held steady while Component Units' total revenues increased from \$5.8 million to \$8.4 million, an increase of 45% from last year, primarily resulting from lease-up of newly constructed or acquired units at 1st Street, Skyline Crest, Lincoln Place and Orchard Glen Apartments.

Expenses of the Authority's Business Type Activities increased by 2.5% from the previous year. Housing assistance payments increased by 20%, reflecting an increase in the payment standard and higher market rents.

The following graph illustrates the revenue percentage of VHA Business Type Activities:

VHA Business Type Activity Revenue

Rental Income	31%	\$ 16,370,596
Federal Subsidy	41%	21,303,656
Investment Interest & Other	28%	14,420,981
	100%	<u>\$ 52,095,233</u>



Capital Assets and Debt Administration

Capital Assets (net of depreciation)

	Business-Type Activities		Component Units	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Land	8,149,573	8,149,573	4,606,099	4,577,003
Buildings and Improvements	68,678,870	72,806,431	102,813,600	78,127,999
Furniture and Equipment	484,084	357,276	1,394,973	1,202,175
Construction in Progress	1,059,579	553,309	2,105,799	10,371,482
	<u>\$ 78,372,106</u>	<u>\$ 81,866,589</u>	<u>\$ 110,920,471</u>	<u>\$ 94,278,659</u>

Major Capital Asset Transactions

Building and Improvements decreased by \$4 million for Business Type Activities , primarily due to transferring of Orchard Glen project into the Component Unit column. Correspondingly, Component Units Building and Improvements increased by \$24.7 million, which also included construction completion at Skyline Crest and Lincoln Place Apartments. Construction in Progress decreased for Component units as Skyline Crest and Lincoln Place Apartments were completed and capitalized.

Additional information regarding the Authority's capital assets can be found in Note 4 of the Notes to the Financial Statements.

Outstanding Debt

	Business-Type Activities		Component Units	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Bonds Payable	\$ 83,080,506	\$ 83,613,868	\$ -	\$ -
Notes payable	31,785,441	21,659,075	65,790,008	47,321,888
Developer Fee Payable	-	-	9,524,990	7,347,156
Lease Payable	-	-	31,773,065	32,798,442
	<u>\$ 114,865,947</u>	<u>\$ 105,272,943</u>	<u>\$ 107,088,063</u>	<u>\$ 87,467,486</u>

Major Long-Term Debt Transactions

During 2016, the Authority's total outstanding debt increased by \$9.6 million due to new debt issuance for Skyline Crest LLLP and OG Rehabilitation LLLP. Likewise, Component Unit total outstanding debt increased by \$19.6 million resulting from construction expenditures on new projects.

Additional information regarding the Authority's debt can be found in Notes 6 of the Notes to the Financial Statements.

Economic Factors and Future Events

Federal Programs – The Authority's Moving-to-Work contract has been extended to 2028, which ensures the longer-term commitment of the Federal government and continued regulatory flexibilities the designation offers. VHA's diversified housing portfolio and MTW designation provides some financial flexibility in dealing with anemic Federal budgets. We continue to work with our congressional representatives to emphasize the importance of continued funding for our low-income residents.

Economic Recovery – Clark County's economic outlook continues to improve with unemployment rate reduced from 6.3% last year to 5.9% as of December 2016, but lagging behind the national average of 4.7% and neighboring Portland, Oregon of 3.4%. Construction activity continues to lead economic recovery after several years of inadequate inventory growth.

Rental Market – Occupancy rates remained at historically high levels in 2016. Multifamily new developments have picked up in downtown Vancouver, which may impact the VHA's workforce rental inventory competitiveness. We continue to rehab our existing portfolio which improves quality and makes us more desirable as we compete with the market. We believe our rental stock should be of high quality providing a respectable place to live for our low-income residents.

The downside of the unusually strong local rental market has been a significant increases in rent levels in Clark County, which have hurt low-income renters and translated into higher housing assistance expenses for the Authority.

Contacting the Housing Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information should be addressed to the Executive Director of the Housing Authority of the City of Vancouver. The Authority's offices are located at 2500 Main Street, Vancouver, Washington 98660. The telephone number is (360) 694-2501. The Authority's website can be found at www.vhausa.com.

HOUSING AUTHORITY OF THE CITY OF VANCOUVER

Statement of Net Position

As of December 31, 2016

ASSETS	Business Type Activities	Component Units
Current Assets		
Cash and cash equivalents	\$ 18,438,190	\$ 2,175,960
Investments-unrestricted	1,553,324	-
Receivables		
Tenants (net of allowance)	225,344	32,901
Others	454,244	285,000
Developer fees receivable - component units - current	1,726,017	-
Leases receivable - component units - current, net	4,880,388	-
Notes receivable - component units - current	2,676,625	-
Notes receivable - others - current	9,134	-
Inventory and prepaid expenses	316,130	143,612
Restricted cash and cash equivalents	13,398,455	1,228,978
Total Current Assets	43,677,851	3,866,451
Long-Term Assets		
Developer fees receivable - component units	7,574,153	-
Leases receivable - component units, net	29,217,254	-
Notes receivable - component units (net of allowance)	43,775,464	-
Notes receivable - others	821,859	-
Restricted Assets		
Cash and cash equivalents	4,632,681	1,826,623
Investments	179,967	-
Land	8,149,573	4,606,099
Buildings, structures and improvements	116,371,725	130,630,823
Equipment and furniture	2,627,780	3,061,623
Less accumulated depreciation	(49,836,551)	(29,483,873)
Construction in progress	1,059,579	2,105,799
Tax Credit fees - net of accumulated amortization	-	393,094
Total Long-Term Assets	164,573,484	113,140,188
Total Assets	\$ 208,251,335	\$ 117,006,639
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	3,260,416	-
Resources related to pensions	767,135	-
Total Deferred Outflows of Resources	\$ 4,027,551	\$ -

HOUSING AUTHORITY OF THE CITY OF VANCOUVER

Statement of Net Position - (Continued)

As of December 31, 2016

	Business Type Activities	Component Units
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 813,300	\$ 2,315,556
Compensated absences - current	438,453	53,393
Tenant deposits payable	809,537	390,110
Accrued interest payable	695,217	106,491
Accrued interest payable - VHA	-	3,719,292
Unearned revenues - current	124,555	15,570
Developer fee payable - VHA - current	-	1,726,017
Notes payable - current	253,552	5,453,577
Notes payable - VHA - current	-	2,676,625
Bonds payable - current	32,879,040	-
Capital leases payable - VHA - current	-	3,443,104
Total Current Liabilities	<u>36,013,654</u>	<u>19,899,735</u>
Long-term Liabilities		
Compensated absences	12,831	-
Developer fee payable	-	480,472
Developer fee payable - VHA	-	7,318,501
Notes payable	31,531,889	14,109,059
Notes payable - VHA	-	43,550,747
Bonds payable	50,201,466	-
Capital leases payable - VHA	-	28,329,961
Net pension liabilities	4,441,397	-
Total Long-term Liabilities	<u>86,187,583</u>	<u>93,788,740</u>
Total Liabilities	<u><u>122,201,237</u></u>	<u><u>113,688,475</u></u>
Deferred Inflows of Resources		
Accumulated increase in fair value of hedging derivatives	3,260,416	-
Resources related to pensions	221,971	-
Deferred Inflows of Resources -funding received in advance	1,610,107	-
Total Deferred Inflows of Resources	<u>5,092,494</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	11,535,762	4,074,124
Restricted	30,524,654	2,667,326
Unrestricted	<u>42,924,739</u>	<u>(3,423,287)</u>
Total Net Position	<u><u>\$ 84,985,155</u></u>	<u><u>\$ 3,318,163</u></u>

HOUSING AUTHORITY OF THE CITY OF VANCOUVER
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2016

	Business Type Activities	Component Units
Operating Revenues		
Rent/lease revenue	\$ 16,370,596	\$ 8,194,908
Management fees	401,734	-
Donations and Grants	268,059	-
HUD operating subsidies	21,303,656	-
Other revenue	5,326,964	242,458
Total Operating Revenues	43,671,009	8,437,366
Operating Expenses		
Salaries and benefits	8,695,794	1,180,703
Administrative expenses	2,473,860	898,031
Utilities	1,471,173	736,502
Maintenance	1,880,833	970,387
Insurance	267,368	224,221
Bad debt expense	59,337	30,451
Depreciation and amortization	3,080,519	3,947,768
Housing assistance payments	20,169,270	-
Donations and Grants	196,514	14,961
Other general expense	106,483	516,765
Total Operating Expenses	38,401,151	8,519,789
Net Operating Income	5,269,858	(82,423)
Non-Operating Revenues (Expenses)		
Investment interest income	2,747,953	1,769
Interest expense & fiscal charges	(4,922,043)	(2,609,091)
Developer fees	2,858,521	-
Gain/loss on disposed property	2,817,750	-
Total Non-Operating Revenues (Expenses)	3,502,181	(2,607,322)
Income (Loss) Before Contributions	8,772,039	(2,689,745)
Capital Contributions and Special Items		
HUD capital contributions	13,364	-
Other capital contributions (distributions)	(100)	432,976
Special items	(12,870)	-
Total Capital Contributions and Special Items	394	432,976
Change in Net Position	8,772,433	(2,256,769)
Total Net Position, Beginning	76,212,722	5,574,932
Change in accounting principle	-	-
Prior period adjustment	-	-
Total Net Position, Ending	<u>\$ 84,985,155</u>	<u>\$ 3,318,163</u>

HOUSING AUTHORITY OF THE CITY OF VANCOUVER

Statement of Cash Flows

For the Year Ended December 31, 2016

	Business Type Activities	Component Units
Cash Flows From Operating Activities		
Collections from customers and users	\$ 18,607,484	\$ 8,514,598
Collections from other PHA's	3,277,015	-
Operating grants received	23,263,887	-
Payments for housing assistance	(20,169,270)	-
Payments to suppliers	(6,511,950)	(4,342,459)
Payments to employees	(8,964,339)	-
Other payments	-	-
Other receipts	-	-
Net cash provided by operating activities	<u>9,502,827</u>	<u>4,172,139</u>
Cash Flows From Non-Capital Financing Activities		
Loans to component units	(1,524,170)	-
Loans made to others	(37,896)	-
Proceeds from CU for reimbursement of development costs	-	-
Capital contributions made to component units	(100)	-
Payments received from component units	316,766	-
Other lease and note payments received	95,234	-
Net cash used by non-capital financing activities	<u>(1,150,166)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds from capital debt	-	17,300,667
Proceeds from capital contributions	13,364	432,976
Payments on development activity	(1,081,255)	(13,681,836)
Acquisition and construction of capital assets	(732,325)	(3,557,552)
Payment of financing costs	-	(63,941)
Proceeds from transferred reserves	-	-
Costs related to demolition of asset	(12,870)	-
Principal paid on capital debt	(5,281,512)	(1,286,129)
Interest paid on capital debt	(3,210,477)	(1,905,733)
Amount paid during refunding	-	-
Proceeds from disposal of capital assets	3,361,310	-
Net cash used by capital and related financing activities	<u>(6,943,765)</u>	<u>(2,761,548)</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	1,959,894	-
Payments for investments	-	-
Interest and dividends received	142,230	1,769
Net cash provided by investing activities	<u>2,102,124</u>	<u>1,769</u>
 Net Change in Cash	 <u>3,511,020</u>	 <u>1,412,360</u>
Cash and cash equivalents, beginning	<u>32,958,306</u>	<u>3,819,201</u>
Cash and cash equivalents, ending	<u><u>36,469,326</u></u>	<u><u>5,231,561</u></u>
 Cash and Cash Equivalents	 18,438,190	 2,175,960
Cash and Cash Equivalents - Restricted	13,398,455	1,228,978
Cash and Cash Equivalents - Restricted - Noncurrent	4,632,681	1,826,623
Cash, Statement of Net Assets, ending	<u><u>\$ 36,469,326</u></u>	<u><u>\$ 5,231,561</u></u>

HOUSING AUTHORITY OF THE CITY OF VANCOUVER

Statement of Cash Flows - (Continued)

For the Year Ended December 31, 2016

	<u>Business Type Activities</u>	<u>Component Units</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:		
Net Operating Income (Loss)	\$ 5,269,858	\$ (82,423)
Depreciation and Amortization	3,080,519	3,947,768
Changes in Assets and Liabilities:		
Decrease in accounts receivable	132,857	(20,881)
Decrease in prepaid expenses	5,048	(16,796)
Decrease in affiliates receivables	(342,132)	-
(Decrease) in accrued payroll expenses	23,305	-
Increase (Decrease) in accounts payable	(137,172)	12,834
Increase (Decrease) in unearned revenue	1,689,895	7,682
Change in Pension Items	(291,850)	-
Increase in management fee payable	-	242,202
Increase in tenant security deposits	72,499	81,753
Other nonoperating expenses	-	-
Total Adjustments	<u>1,152,450</u>	<u>306,794</u>
Net Cash Provided by Operating Activities	<u><u>\$ 9,502,827</u></u>	<u><u>\$ 4,172,139</u></u>
Noncash investing, financing and capital activities		
Lease Receivable paid by component unit	\$ 1,987,207	\$ (1,987,207)
Revenue Bonds paid by component unit	(557,253)	557,253
Notes Payable paid by component unit	(28,476)	28,476
Interest paid by component unit on debt	(1,401,478)	1,401,478
Notes Payable issued on behalf of component unit	(15,298,308)	15,298,308
Lease Receivable issued for Component Unit	15,298,308	
Notes receivable issued upon transfer of property	1,750,000	-
Interest accrued to Others/Nonprofits on other loans	2,244,092	-
Development cost financed by accounts payable	147,435	-
Increase in capital assets by reclassification of development cost	641,001	-
Increase in capital debt by reclassification of accrued interest	42,590	-
Change in fair value of investments	(10,443)	-

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Housing Authority of the City of Vancouver, Washington (the Authority) conform to Generally Accepted Accounting Principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the most significant policies, including identification of those policies which result in departures from generally accepted accounting principles.

The Authority implemented GASB 72, *Fair Value Measurement and Application*. This statement provides guidance for determining a fair value measurement for financial reporting purposes and requires the application of fair value to certain investments, in order to promote comparability of government financial statements. The standard expands the level of disclosure for fair value methodology in the notes to the financial statements. The standard also changes the recorded value of contributed capital assets from fair value to acquisition value.

The Authority implemented GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement identifies the hierarchy of generally accepted accounting principles for governmental financial reporting and establishes the framework for selecting those principles.

The Authority implemented GASB 82, *Pension Issues*. This statement amends GASB statements No. 67, No. 68 and No. 73 to enhance consistency in the application of financial reporting requirements related to certain pension issues. This standard made changes to how the Authority reported covered payroll in Required Supplementary Information.

A. REPORTING ENTITY

The Authority is a municipal corporation created under Washington State Chapter 35.82 RCW in 1942 by the City of Vancouver and governed by a six member Board appointed by the Mayor of the City of Vancouver.

As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. These financial statements present the Authority (the primary government) and its Component Units. The Component Units discussed below are included in the Authority's reporting entity because of the significance of their operational or financial relationships with the Authority.

1. Blended Component Units

Bridgeview Housing: This is a non-profit organization prescribed by Section 509(a)(3) of the Internal Revenue Code of 1986 that formed in January 1985 for the purpose of supporting Vancouver Housing Authority programs designed to encourage self reliance and self sufficiency of residents of properties owned or operated by VHA or its affiliates, and acquisition, of real property, development, construction, preservation and operation, either by means of joint

ventures or acting alone, of decent, safe, affordable housing for low and moderate income persons or families and participation in federal, state, and local housing programs.

Vancouver Affordable Housing: This is a non-profit organization prescribed by Section 509(a)(1) of the Internal Revenue Code of 1986 that was formed in January 2008 for the purpose of expending and promoting community revitalization, developing and/or maintaining decent, safe and sanitary housing for persons of low income, and developing economic development opportunities for low-income households in the City of Vancouver and Clark County, Washington.

VHA Proxy LLC: This is a Washington limited liability company which was formed in 2014 to acquire and own limited partnership interests in limited partnerships of which the Authority is a partner. The Authority is the sole manager and the sole member of VHA Proxy LLC.

Wisteria Manor LP: This is a Washington limited partnership which was formed in 2000 to develop, own and operate Wisteria Manor, a 24-unit apartment project located in Vancouver, WA. The Authority acquired limited partner's entire interest in the partnership on May 31, 2014 through VHA Proxy LLC.

Arbor Ridge Assisted Living LP: This is a Washington limited partnership which was formed in 2000 to develop, own and operate Arbor Ridge Assisted Living, a 60-unit low income assisted living housing project located in Vancouver, WA. The Authority acquired limited partner's entire interest in the partnership on May 31, 2014 through VHA Proxy LLC.

Orchard Glen LP: This is a Washington limited partnership which was formed in 1998 to develop, own and operate Orchard Glen Apartments, an 80-unit apartment project located in Vancouver, WA. The Authority acquired limited partner's entire interest in the partnership on January 1, 2015 through VHA Proxy LLC. On July 1, 2016, the Authority sold Orchard Glen Apartments to OG Rehabilitation LLLP.

Caples Terrace LLLP: This is a Washington limited liability limited partnership which was formed in 2016 to acquire, develop, construct, operate, manage and maintain Caples Terrace Apartments, an apartment project located in Vancouver, WA. The partnership is made up of Vancouver Affordable Housing (limited partner) and Vancouver Housing Authority (general partner) with ownership interests of 99.99% and 0.01%, respectively. The partnership agreement provides for the partnership to continue in perpetuity, unless sooner terminated.

Bridgeview Housing and Vancouver Affordable Housing were organized exclusively for the benefit of, to perform the functions of, or to carry out the purposes of the Authority as prescribed in their charters and the Authority maintains complete control over their decisions. As sole manager/member, the Authority maintains complete control over the decisions and management has operational responsibility for VHA Proxy LLC. The Authority also maintains complete control over the decisions and management has operational responsibility for Wisteria Manor LP, Arbor Ridge Assisted Living LP and Orchard Glen LP after acquiring their respective limited partners' interests. As such, and as prescribed in GASB Statement 14 (as amended by

GASB Statement 61), the books of these entities are blended in with the Authority and included with the Business Type Activities column.

2. Discretely Presented Component Units

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

The Component Units are managed by an asset manager who is an employee of the Authority as well as by the outside property management firms. This enables the Authority to influence management policy, budgets, and operations. Furthermore, the Authority is obligated to fund operating deficits by loaning funds to the partnerships and is primarily responsible for capital debt issued on behalf of each partnership. The services provided by the partnerships do not exclusively or almost exclusively benefit the Authority or its constituents. Therefore, the partnerships' financial statements are discretely presented in a single column in the accompanying financial statements in accordance with GASB Statement 14 (as amended by GASB Statement 61). Individual financial statements for each limited partnership may be obtained from the administrative offices of the Authority. These entities are as follows:

Anthem Park at Uptown Village LP: This is a Washington limited partnership which was formed in 2002 to develop, own and operate Anthem Park Apartments, a 58-unit apartment project located in Vancouver, WA. The partnership is made up of NEF Assignment Corp. (limited partner) and Vancouver Housing Authority (general partner) with ownership interests of 99.99% and 0.01%, respectively. The partnership agreement provides for the termination of the partnership in 2099.

Plum Meadows LP: This is a Washington limited partnership which was formed in 2003 to develop, own and operate Plum Meadows Apartments, a 162-unit apartment project in Vancouver, WA. The partnership is made up of NEF Assignment Corp. (limited partner) and Vancouver Housing Authority (general partner) with ownership interests of 99.99% and 0.01%, respectively. The partnership agreement provides for the termination of the partnership in 2103.

Esther Short Commons LP: This is a Washington limited partnership which was formed in 2002 to develop, own and operate Esther Short Commons, 160-unit apartment project and commercial retail space located in Vancouver, WA. The partnership is made up of NEF Assignment Corp. (limited partner), Kemperco LLC (limited partner) and Vancouver Housing Authority (general partner) with ownership interests of 99.99%, 0.001% and 0.009%, respectively. The partnership agreement provides for the termination of the partnership in 2102.

Mill Creek Affordable Housing LP: This is a Washington limited partnership which was formed in 2006 to develop, own and operate Mill Creek Senior Estates, a 28-unit apartment project and Mill Creek Apartments, a 50-unit apartment project located in Battle Ground, WA. The partnership is made up of NEF Assignment Corp. (limited partner) and Vancouver Housing

Authority (general partner) with ownership interest of 99.99% and 0.01%, respectively. The partnership agreement provides for the termination of the partnership in 2104.

Vista Court LLLP: This is a Washington limited liability limited partnership which was formed in 2010 to develop, own and operate Vista Court Apartments, a 76-unit apartment project in Vancouver, WA. The partnership is made up of RBC Tax Credit Equity National Fund 12 LP (limited partner), RBC Tax Credit Manager II Inc. (special limited partner) and Vancouver Housing Authority (general partner) with ownership interests of 99.99%, 0.001% and 0.009%, respectively. The partnership agreement provides for the termination of the partnership in 2110.

1st Street Apartments LLLP: This is a Washington limited liability limited partnership which was formed in 2013 to develop, own and operate 1st Street Apartments, a 152-unit apartment project in Vancouver, WA. The partnership is made up of USB LIHTC Fund 2014-1, LLC (limited partner) and Vancouver Housing Authority (general partner) with ownership interests of 99.99% and 0.01%, respectively. The partnership agreement provides for the partnership to continue in perpetuity, unless sooner terminated.

Skyline Crest LLLP: This is a Washington limited liability limited partnership which was formed in 2014 to acquire, hold, invest in, secure financing for, construct, rehabilitate, develop, improve, maintain, operate, lease and otherwise deal with Skyline Crest Apartments, a 138-unit apartment project in Vancouver, WA. The partnership is made up of Boston Capital Corporate Tax Credit Fund XLI, a Limited Partnership (limited partner), BCCC, Inc. (special limited partner) and Vancouver Housing Authority (general partner) with ownership interests of 99.99%, 0% and 0.01%, respectively. The partnership agreement provides for the partnership to continue in perpetuity, unless sooner terminated.

Lincoln Place LLLP: This is a Washington limited liability limited partnership which was formed in 2014 to acquire, construct, own, finance, lease and operate Lincoln Place, a 30-unit apartment project located in Vancouver, WA. The partnership is made up of Key Community Development Corporation (limited partner), Vancouver Housing Authority (special limited partner) and Vancouver Affordable Housing (general partner) with ownership interests of 99.98%, 0.01% and 0.01%, respectively. The partnership agreement provides for the partnership to continue in perpetuity, unless sooner terminated.

OG Rehabilitation LLLP: This is a Washington limited liability limited partnership which was formed in 2015 to acquire, develop, rehabilitate, operate, manage and maintain Orchard Glen Apartments, an 80-unit apartment project located in Vancouver, WA. The partnership is made up of Key Community Development Corporation (limited partner) and Vancouver Housing Authority (general partner) with ownership interests of 99.99% and 0.01%, respectively. The partnership agreement provides for the partnership to continue in perpetuity, unless sooner terminated.

B. BASIS OF ACCOUNTING AND PRESENTATION

The accounting records of the Authority are maintained and reported in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW and the U.S.

Department of Housing and Urban Development. The Authority must report using GAAP; however, it has the option to use either single enterprise proprietary fund or special purpose governmental fund model.

The Authority has elected to report as a single-enterprise proprietary fund and uses the accrual basis of accounting. The measurement focus is on the flow of economic resources. The proprietary fund is composed of a number of programs. These programs are designed to provide low income individuals with housing.

Proprietary funds are used to account for activities that are operated in a manner similar to private enterprise business. Under this method revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term debt liabilities are accounted for in the fund.

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments

Investments for the Authority and its Component Units are reported at fair value. The Clark County Investment Pool is not registered with the Securities and Exchange Commission and is an unrated investment pool. Rather, the pool operates in accordance with appropriate state laws and regulations, and is audited annually by the Washington State Auditor's Office. The reported value of the pool is the same as the fair value of the pool shares. For various risks related to the investments, see Deposits and Investments Note 2.

3. Receivables

Tenant receivables consist of rents and other fees charged to tenants and are shown net of allowance for doubtful accounts. The Authority's policy is to write off accounts of former tenants after all internal collection proceedings have been exhausted and the accounts have been sent to third party collection agencies. As of December 31, 2016, the allowance for doubtful tenant accounts was \$0 for the Authority and \$0 for the Component Units.

Other receivables consist of accrued interest earned on investments, notes and contracts at the end of the year, earned amounts due from various federal, state and local grantors, amounts owed from other housing authorities, Component Units and other businesses or organizations for goods and services including amounts owed for which billings have not been prepared.

Notes and leases receivable from Component Units consist of amounts owed for developer fees, capital leases, and goods and services. Lease receivables are shown net of unearned interest revenue. Notes receivable are shown net of allowance for doubtful accounts. See Related Parties Transactions Note 9 for detail.

4. Inventory and Prepaid Expenses

Inventories are valued at average cost, which approximates the market value.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the Authority's financial statements.

5. Restricted Assets

In accordance with bond resolutions and certain related agreements, separate restricted accounts are required to be established. The assets held in these accounts are restricted for specific uses, including construction, debt service and other special reserve requirements. Further, certain assets of the Authority are restricted based on program regulations. Restricted resources currently include the following:

	<i>Business-Type Activities</i>	<i>Component Units</i>
Revenue Bond Debt Service	\$ 2,742,359	\$ 970,204
Replacement Reserves	2,474,390	877,463
Operating Reserves	9,844,631	806,552
Future Construction Accounts	2,126,657	13,107
Future Tenant Program Payments	230,169	-
Tenant Deposits	792,897	388,275
Total	<u>\$ 18,211,103</u>	<u>\$ 3,055,601</u>

6. Capital Assets

Major expenditures for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs and minor renewals are accounted for as expenses when incurred.

Capital assets are defined by the Authority as assets with an initial individual cost of at least \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at cost where the historical cost is known. Where historical cost is not known, assets are recorded at estimated fair market value. Donations are recorded at acquisition value at the time of donation or the appraised value.

The original cost of disposed property, less salvage, is removed from the capital asset accounts, accumulated depreciation is charged with the accumulated depreciation related to the property disposed, and the net gain or loss on disposition is credited or charged to income.

Depreciation is computed on the straight-line method with useful lives of 5 to 40 years.

Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are transferred to the projects; charges that relate to abandoned projects are expensed.

See Capital Assets Note 4 for further details.

7. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The Authority records unpaid leave for compensated absences as an expense and liability

when incurred. Paid time off (PTO), which may be accumulated up to 520 hours, is payable upon termination of employment.

Employees hired prior to November 1, 1989 were permitted to accumulate an “Extended Illness Bank” (EIB). Accumulated extended illness bank benefits are payable upon use. Employees hired before 1982 who have an EIB balance when their employment terminates receive 50% of their accumulated balance. Employees hired after 1982 (but prior to 1989) who have an EIB balance when their employment terminates forfeit their balance, or they may elect to transfer their balance to another employee who is currently ill and in need. The EIB liability is estimated at 50% of the actual amounts accumulated.

8. 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.

9. Operating Revenues/Expenses

Operating revenues include fees and charges from providing services in connection with the ongoing operations of providing low income housing. Operating revenues also include operating subsidies and grants provided by HUD. The use of this classification is based on guidance from HUD, the primary user of the financial statements. Operating expenses are those expenses that are directly incurred while in the operation of providing low income housing.

This presentation results in an operating income that is higher than a non-operating revenue presentation by the amount of the subsidies and grants. Overall, it does not affect presentation of net income or the change in net position in the statement of revenues, expenses and changes in net position, or the presentation of cash and cash equivalents in the statement of cash flows.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. DEPOSITS

The Authority’s deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

B. INVESTMENTS

The Authority measures and records its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used

HOUSING AUTHORITY OF THE CITY OF VANCOUVER, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

to measure the fair value of the asset. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability, to the extent observable inputs are not available.

As of December 31, 2016, the Authority had the following recurring fair value measurements:

Investments by fair value level	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities			
Federal Home Loan Mortgage Corp. (Freddie Mac)	\$ 1,078,229	\$ -	\$ -
Federal National Mortgage Assoc. (Fannie Mae)	408,536	-	-
Gov't National Mortgage Assoc. (Ginnie Mae)	35,777	-	-
Total Debt Securities	1,522,542	-	-
Repurchase Agreement	179,967	-	-
Clark County Investment Pool	20,172,183	-	-
Total Investments by Fair Value Level	\$ 21,874,692	\$ -	\$ -

1. Credit Risk

Credit risk is the risk that an issuer or related party will not fulfill its obligations. The Authority does not have a formal policy that limits investments to specific credit ratings as a means of managing its exposure to losses arising from issuer or other counterparty to an investment not fulfilling its obligations. Credit ratings of debt securities as of December 31, 2016 are as follows:

Debt Security	S&P Rating
Fannie Mae (Federal National Mortgage Association)	AA+
Freddie Mac (Federal Home Loan Mortgage Corporation)	AA+
Natixis Funding Corp Repurchase Agreements	A

2. Concentration Risk

Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority does not have a formal policy that limits the amount the Finance Director may invest in any one issuer as a means of managing its exposure to the magnitude of losses arising from investment in a single issuer. The Authority has several investments which are not explicitly backed by the federal government that exceed 5% of the Authority's total investment portfolio market value. These securities and percentage of the Authority's portfolio are as follows:

HOUSING AUTHORITY OF THE CITY OF VANCOUVER, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Issuer	% of Investments
Federal Home Loan Mortgage Corp (Freddie Mac)	62%
Federal National Mortgage Association (Fannie Mae)	24%
Natixis Funding Corp Repurchase Agreement	10%
Gvmt. National Mortgage Association (Gennie Mae)	2%
Edward Jones Cash & Mutual Funds	2%

3. Interest Rate Risk

The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturities of the Authority's investments are as follows:

Investment Type	Value	Investment Maturities in Years			
		< 1	1-5	6-10	10+
Repurchase Agreements	\$ 179,967	\$ -	\$ -	\$ -	\$ 179,967
Government & Agency Bonds	1,522,541	-	35	50,765	1,471,741
Cash & Mutual Funds	30,783	30,783	-	-	-
Total	<u>\$ 1,733,291</u>	<u>\$ 30,783</u>	<u>\$ 35</u>	<u>\$ 50,765</u>	<u>\$ 1,651,708</u>

4. Custodial Credit Risk (Investments)

Custodial risk is the risk that, in the event of a failure of the counterparty, the government will not be able to recover its investments that are in the possession of an outside party. The Authority uses US Bank as the custodial agent for safekeeping of the Authority's investments. US Bank provides monthly reports on the Authority's securities, all of which are held in the Authority's name.

NOTE 3 – NOTES RECEIVABLE

The Authority has loaned funds to unrelated individuals as part of First-Time Homebuyer Assistance Program and financed property acquisitions by certain unrelated non-profit entities as part of other housing assistance programs. The amount outstanding on these Notes as of December 31, 2016 is \$705,568.

The Authority made operating cash advances to a related entity, Hazel Dell Nonprofit Housing. In 2007, the Authority has renegotiated the repayment contract in order to ensure collection of these receivables. Total amount outstanding on this Note as of December 31, 2016 is \$125,425.

For receivables from Component Units, see Related Parties Transactions Note 9.

HOUSING AUTHORITY OF THE CITY OF VANCOUVER, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the Authority for the year ended December 31, 2016 was as follows:

<i>Business Type Activities</i>	12/31/2015	Increases	Decreases	12/31/2016
Non-depreciable assets				
Land	\$ 8,149,573	\$ -	\$ -	\$ 8,149,573
Construction in progress	553,309	1,147,271	(641,001)	1,059,579
Total non-depreciable assets	8,702,882	1,147,271	(641,001)	9,209,152
Depreciable assets				
Building, structure & improvements	121,530,138	1,093,005	(6,251,418)	116,371,725
Equipment & furnishings	2,392,468	280,321	(45,009)	2,627,780
Total depreciable assets	123,922,606	1,373,326	(6,296,427)	118,999,505
Less accumulated depreciation for:				
Building, structure & improvements	48,723,707	2,929,199	(3,960,051)	47,692,855
Equipment & furnishings	2,035,192	151,320	(42,816)	2,143,696
Total accumulated depreciation	50,758,899	3,080,519	(4,002,867)	49,836,551
Total capital assets, net	<u>\$ 81,866,589</u>	<u>\$ (559,922)</u>	<u>\$ (2,934,561)</u>	<u>\$ 78,372,106</u>

Capital asset activity for the Component Units for the year ended December 31, 2016 was as follows:

<i>Component Units</i>	12/31/2015	Increases	Decreases	12/31/2016
Non-depreciable assets				
Land	\$ 4,577,003	\$ 29,096	\$ -	\$ 4,606,099
Construction in progress	10,371,482	15,849,460	(24,115,143)	2,105,799
Total non-depreciable assets	14,948,485	15,878,556	(24,115,143)	6,711,898
Depreciable assets				
Building, structure & improvements	102,262,094	28,368,729	-	130,630,823
Equipment & furnishings	2,637,388	424,235	-	3,061,623
Total depreciable assets	104,899,482	28,792,964	-	133,692,446
Less accumulated depreciation for:				
Building, structure & improvements	24,134,095	3,683,128	-	27,817,223
Equipment & furnishings	1,435,213	231,437	-	1,666,650
Total accumulated depreciation	25,569,308	3,914,565	-	29,483,873
Total capital assets, net	<u>\$94,278,659</u>	<u>\$40,756,955</u>	<u>\$(24,115,143)</u>	<u>\$110,920,471</u>

NOTE 5 – SIGNIFICANT COMMITMENTS

Construction in progress for the Authority represents active construction projects composed of the following:

Project	Project Authorization	Expended to 12/31/2016	Committed
VHA Parking Lot	13,577	13,577	-
78th Avenue Studios	2,550	2,550	-
Pacific Apartments	300,000	600	299,400
E 16th Street	129,410	129,410	-
Bridgeview Community Center	1,000,000	537,976	462,024
Caples Terrace	300,000	147,764	152,236
Fruit Valley Duplex Reonvation	345,000	201,377	143,623
Fishers Mill Drainage Improvements	1,684	1,684	-
Anthem Park	22,490	22,490	-
Van Vista Windows	2,151	2,151	-
	<u>\$ 2,116,862</u>	<u>\$ 1,059,579</u>	<u>\$ 1,057,283</u>

During 2016, the Authority capitalized \$7,176 of net interest costs for funds borrowed to finance construction of capital assets.

Construction in progress for the Component Units represents active construction projects composed of the following:

Project	Project Authorization	Expended to 12/31/2016	Remaining Commitments
OG Rehabilitation LLLP	<u>10,060,916</u>	<u>7,396,852</u>	<u>2,664,064</u>
Total	<u><u>\$ 10,060,916</u></u>	<u><u>\$ 7,396,852</u></u>	<u><u>\$ 2,664,064</u></u>

During 2016, various Component Units capitalized \$595,689 of net interest costs for funds borrowed to finance construction of capital assets.

NOTE 6 – LONG TERM DEBT AND LIABILITIES

A. REVENUE BONDS

The Authority issues revenue bonds to finance the purchase or construction of various properties. The revenue bonds are being repaid by project revenues, interest earnings and general Authority revenues. The Authority's revenue bonds currently outstanding are as follows:

HOUSING AUTHORITY OF THE CITY OF VANCOUVER, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Purpose	Original Amount	Issue Date	Maturity Date	Interest Rate	Amount Outstanding
Springbrook/Office Building Projects	\$ 24,655,000	Apr-11	Mar-25	3.2-5%	\$ 21,835,291
Office Building Project	825,000	Apr-11	Sep-22	3.574-5.173%	475,000
Orchard Glen Apartments Project	6,570,550	Jul-16	Oct-17	Variable	4,313,913
Anthem Park at Uptown Village Project	3,395,000	Oct-13	Dec-17	Variable	3,135,000
Plum Meadows Project	9,100,000	Aug-03	Aug-35	5.69%	7,292,355
Esther Short Commons Project	10,700,000	Aug-03	Sep-35	5.71%	8,689,130
Mill Creek Projects	3,205,000	Jun-06	Jul-26	6.08%	2,914,697
Pooled Properties Refinance	30,000,000	Nov-08	Dec-38	Variable	25,950,000
Camas Ridge Project	3,255,000	Aug-10	Feb-17	4.18%	2,933,569
Vancouver Community SRO Project	2,540,000	Aug-98	Aug-29	5.75-5.9%	1,590,000
Wisteria Manor Project	1,400,000	Jul-01	Jul-33	6.25-6.3%	979,074
Van Vista Project	3,200,000	Feb-13	Feb-23	3.40%	2,972,477
Total					<u>\$ 83,080,506</u>

Orchard Glen Apartments construction bond will mature October 2017, at which time, \$1,920,555 of the bond will be repaid with limited partner contribution and the remaining \$4,650,000 will convert to a long-term bond bearing 3.63% interest rate and maturing April 2036.

Authority's revenue bonds debt service requirements to maturity are as follows:

Calendar Year Ending	Principal	Interest
2017	\$ 32,879,040	\$ 4,103,100
2018	1,309,546	2,554,022
2019	1,377,288	2,487,799
2020	1,429,318	2,418,997
2021	1,534,138	2,341,407
2022-2026	29,819,772	8,799,151
2027-2031	6,068,092	3,051,069
2032-2036	8,663,312	1,151,994
Total	<u>\$ 83,080,506</u>	<u>\$26,907,539</u>

There is \$2,742,359 in restricted assets of the Authority and \$970,204 in restricted assets of the Component Units that represent sinking funds and debt service reserve requirements as contained in the various indentures.

There are a number of other limitations and restrictions contained in the various bond indentures, such as maintaining the ratio of operating revenues to debt service requirements over an established ratio. Several projects are below the desired debt coverage ratios as of December 31, 2016. The debt coverage ratios are reported quarterly to the lender and limited partners. The Authority has considered options such as adjusting rents and operating cost as necessary and to the extent possible without violating rental restrictions to improve the ratios. Violation of the coverage covenant does not constitute a default on the bonds.

1. Variable Rate Bonds

Interest on the variable-rate Pooled Properties bonds is determined weekly by the remarketing agent based upon prevailing market conditions and the yields at which comparable securities are being sold. The variable rates will never be greater than 12%.

Interest on the variable-rate Anthem Park bonds is determined daily and is paid at the rate equal to the sum of 70% of the London Interbank Offered Rate (LIBOR) plus 1.65%.

Interest on the variable-rate Orchard Glen construction bonds is determined monthly and is paid at the rate equal to the sum of London Interbank Offered Rate (LIBOR) multiplied by the statutory reserve rate plus 1.4%.

2. Demand Bonds

Pooled Properties bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days notice and delivery to the Authority's remarketing agent. The remarketing agent is authorized to sell the repurchased bonds at a price equal to 100% of the principal amount by adjusting the interest rate.

Under a credit enhancement agreement with Federal Home Loan Mortgage Corporation (Freddie Mac), the trustee or the remarketing agent is entitled to draw an amount sufficient to pay the purchase price of Pooled Properties bonds delivered to it. The credit enhancement agreement is valid through December 6, 2038 and carries a variable interest rate equal to the institution's prime lending rate plus 2%, for the first ninety days and prime lending rate plus 4% thereafter. No amount was outstanding on the letter of credit as of December 31, 2016. The Authority is required to pay Freddie Mac a credit facility fee of 0.83%, a liquidity facility fee of 0.25% and swap credit enhancement fee of 0.13% per annum based on the outstanding principal amount of the bonds. The Authority is also required to pay the loan servicer, KeyCorp Real Estate Capital Markets, Inc. a servicing fee of 0.1% per annum based on the outstanding principal amount of the bonds. In addition, the remarketing agent receives a fee equal to the 0.1% per annum based on the outstanding principal amount of the bonds. These bonds are classified as short-term since this credit enhancement does not qualify as a long-term non-cancelable take out agreement.

3. Derivative Instruments

As means of lowering its borrowing costs when compared against fixed-rate bonds at the time of issuance, the Authority entered into pay fixed interest rate swap agreements to hedge against interest rate cash flow variations of its variable-rate bond issues. These hedging instruments are financial contracts and obligations entered into to provide part of the overall financing package for transaction where variable-rate debt was utilized.

The Authority measures and records its derivative instruments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;

- Level 2: Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability, to the extent observable inputs are not available.

The fair value of the hedging instruments is negative and is shown on the Statement of Net Position in the amount of \$3,260,416, which represents a \$1,140,776 annual increase in value. Because the hedges were determined to be effective hedges, hedge accounting can be used which allows the Authority to record the changes in fair value on the Statement of Net Position. The fair values were calculated by the counterparties and are based on financial principles and assumptions that they believe to be reasonable, not quoted market rates at December 31, 2016. These fair value measurements were determined using significant other observable inputs and therefore fall into Level 2 category of the established fair value hierarchy.

Objectives and terms of hedging derivatives: The objective of the swap agreements is to hedge for changes in interest rates on Anthem Park and Pooled Properties bonds.

Anthem Park bonds and the related swap agreement both mature on December 1, 2017. The swap agreement was entered into at the same time the original bonds were issued (October 2002) and became effective December 1, 2002. The swap's notional amount of \$3,800,000 matched the amount of outstanding bonds at that time. Starting in 2004, the notional value of the swap and the principal amount of the associated debt began to decline. Under the swap, the Authority pays the counterparty a fixed payment of 3.92% and receives a variable payment equal to 67% of the London Interbank Offered Rate (LIBOR).

Pooled Properties bonds mature on December 1, 2038 and the related swap agreement matures on December 1, 2023. The swap agreement was entered into and became effective at the same time the bonds were issued (November 2008). The swap's notional amount of \$30,000,000 matched the amount of outstanding bonds at that time. Starting in 2009, the notional value of the swap and the principal amount of the associated debt began to decline. Under the swap, the Authority pays the counterparty a fixed payment of 3.727% and receives a variable payment equal to USD-SIFMA Municipal Swap Index.

Credit risk: As of December 31, 2016, the Authority was not exposed to credit risk because both swaps had negative fair values. However, should interest rates change and fair values of the swaps become positive, the Authority would be exposed to credit risk in the amount of the derivatives' fair values. Anthem Park bonds swap counterparty was rated A+ and Pooled Properties bonds swap counterparty was rated A by Standard & Poor's as of December 31, 2016.

Termination risk: The Authority or the counterparties may terminate the swaps at any time if the other party fails to perform under the terms of the contract. The swaps may be terminated by the Authority if the counterparty fails to pay, or breaches the agreement thru bankruptcy, merger or other terms. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority

would be liable to the counterparty for a payment equal to the swap's fair value. The Authority knows of no termination events which have occurred.

Rollover risk: Pooled Properties swap exposes the Authority to rollover risk. As disclosed above, the derivative has a term of 15 years, expiring in 2023, and the associated debt has a term of 30 years, expiring in 2038. When the derivative expires, the Authority will be at risk that it may not rollover the derivative into a similar instrument which would provide a favorable synthetic interest rate.

Market access risk: If the existing swap contracts were to terminate for any reason, the Authority may not be able to access the capital (credit) markets when necessary to rollover the derivatives into similar instruments which would provide a favorable synthetic interest rate or the costs of doing so might be higher than anticipated.

Contingent features: The Authority may be required to post collateral comprised of US government securities in the amount of negative fair value of the hedging derivative instrument if the Standard & Poor's credit rating of its credit enhancement provider declined below A+. The credit enhancement provider was rated AA+ by Standard & Poor's and no collateral has been posted or transferred as of December 31, 2016. The fair value of the derivative instrument with this feature was negative \$3,157,703 as of December 31, 2016.

Net cash flows of derivatives hedging debt: The following table displays the Authority's net cash flows of derivatives hedging debt using rates as of December 31, 2016 and assuming current interest rates remain the same for their term:

Calendar Year Ending	Principal	Interest	Net Hedging Derivatives	Total
2017	\$ 3,785,000	\$ 241,202	\$ 876,422	\$ 4,902,625
2018	680,000	173,811	757,463	1,611,274
2019	720,000	169,119	737,016	1,626,135
2020	760,000	164,151	715,365	1,639,516
2021	800,000	158,907	692,512	1,651,419
2022-2026	4,660,000	705,939	1,258,054	6,623,993
2027-2031	6,030,000	527,160	-	6,557,160
2032-2036	7,800,000	296,010	-	8,096,010
2037-2038	3,740,000	39,089	-	3,779,089
	<u>\$28,975,000</u>	<u>\$ 2,475,388</u>	<u>\$ 5,036,832</u>	<u>\$36,487,220</u>

As rates vary, variable-rate bond interest payments and net swap payments will vary.

4. Defeasance of Debt

The Authority defeased certain revenue bonds in 2013 by placing the funds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the Authority's financial statements. As of December 31, 2016, \$465,000 of bonds outstanding is considered to be defeased.

HOUSING AUTHORITY OF THE CITY OF VANCOUVER, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

B. NOTES PAYABLE

The Authority and several Component Units have long term loans secured by capital assets. These loans were used to acquire capital assets that provide low income housing. They are being repaid by project revenues, interest earnings and general Authority revenues. The notes currently outstanding are as follows:

Business Type Activities

Purpose	Original Amount	Issue Date	Maturity Date	Interest Rate	Amount Outstanding
Skyline Crest Apartments	\$ 6,500,000	Sep-15	Oct-48	4.48%	\$ 6,500,000
Skyline Crest Apartments	10,400,000	Sep-15	Apr-18	Variable	7,874,316
Anthem Park at Uptown Village	500,000	Oct-02	Dec-52	2.5%	706,487
Plum Meadows Apartments	300,000	Aug-03	Mar-51	3%	288,000
Plum Meadows Apartments	1,000,000	Jul-03	Mar-45	1%	1,012,591
Esther Short Commons	125,000	Jul-02	Dec-22	0%	58,333
Esther Short Commons	200,000	Apr-03	Apr-43	2%	261,570
Esther Short Commons	600,000	Jul-02	Dec-41	3%	532,209
Esther Short Commons	750,000	Jul-02	Dec-43	3%	668,606
1st Street Apartments	564,268	Jun-10	Jan-35	0%	564,268
Mill Creek Apartments	860,600	Jun-06	May-47	0%	860,600
Mill Creek Apartments	818,200	May-06	Dec-46	1%	886,562
Mill Creek Apartments	170,300	May-06	Dec-51	0%	170,300
Mill Creek Senior Estates	600,000	Jun-06	May-47	0%	596,000
Mill Creek Senior Estates	573,500	May-06	Dec-51	0%	569,000
Vista Court Apartments	81,500	Jan-10	Jun-50	1%	81,500
Vista Court Apartments	327,000	Jan-10	Jun-50	1%	327,000
1st Street Apartments	385,621	Jun-10	Jan-35	0%	385,621
Infill Home Ownership Project	150,000	Various	Apr-28	0%	49,500
Valley Homestead Shelter	300,000	Jul-92	Dec-32	0%	300,000
Emergency Shelter	500,000	Mar-93	Mar-33	0%	500,000
Columbia House	705,764	Oct-02	Nov-22	5.5%	293,672
Columbia House	1,594,236	Dec-02	Nov-22	Variable	639,664
Pinewood Apartments	250,000	Oct-14	Jun-35	1%	250,000
Camas Ridge Apartments	301,748	Aug-10	Dec-36	1%	247,048
Camas Ridge Apartments	1,500,000	Jan-10	Aug-51	1%	1,500,000
Camas Ridge Apartments	35,972	Aug-10	Dec-36	0%	34,281
Camas Ridge Apartments	311,358	Aug-10	Dec-36	0%	311,358
Vancouver Community SRO	200,000	Sep-98	Dec-51	2%	156,924
Wisteria Manor Apartments	400,000	Jan-01	Apr-51	1%	400,000
Wisteria Manor Apartments	100,000	Apr-01	May-41	1%	75,006
Arbor Ridge Assisted Living	3,389,300	May-15	Jun-50	3.55%	3,313,996
Arbor Ridge Assisted Living	400,000	Aug-02	Jul-52	2%	400,000
Arbor Ridge Assisted Living	300,000	May-01	Dec-37	4%	296,029
16th Street Property	675,000	Apr-10	Mar-18	1%	675,000
Total					<u>\$ 31,785,441</u>

Interest on the variable-rate Columbia House note is currently paid at the rate equal to 3.5% and is reset every three years. The next reset date is November 1, 2017.

HOUSING AUTHORITY OF THE CITY OF VANCOUVER, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Interest on the variable rate Skyline Crest construction note is determined monthly and is paid at the rate equal to the sum of London Interbank Offered Rate (LIBOR) plus 1.9%. This note will mature April 2018, at which time it will be repaid with limited partner capital contribution.

Component Units

Purpose	Original Amount	Issue Date	Maturity Date	Interest Rate	Amount Outstanding	Unamortized Issuance Costs	Net Amount Outstanding
Vista Court Apartments	\$3,685,000	Sep-12	Sep-42	7%	\$ 3,510,227	\$ (155,752)	\$ 3,354,475
1st Street Apartments	1,030,000	Feb-14	Jun-54	1%	1,030,000	-	1,030,000
1st Street Apartments	16,000,000	Feb-14	Feb-17	Variable	14,860,000	(251,839)	14,608,161
Lincoln Place Apartments	200,000	May-15	Dec-55	0.5%	200,000	-	200,000
Lincoln Place Apartments	270,000	May-15	May-55	0.5%	270,000	-	270,000
Lincoln Place Apartments	100,000	May-15	May-55	0.5%	100,000	-	100,000
Total					<u>\$ 19,970,227</u>	<u>\$ (407,591)</u>	<u>\$ 19,562,636</u>

1st Street Apartments variable-rate construction note payable bears interest at the rate equal to the product of bank's prime rate multiplied by 70.88% minus 0.72%.

Notes payable debt service requirements to maturity are as follows:

Calendar Year Ending	<i>Business Type Activities</i>		<i>Component Units</i>	
	Principal	Interest	Principal	Interest
2017	\$ 253,552	\$ 739,022	\$ 5,453,577	\$ 809,408
2018	8,873,319	657,200	115,523	812,459
2019	380,030	515,001	124,741	803,241
2020	411,242	510,588	134,569	793,413
2021	429,866	499,202	145,045	782,937
2022-2026	1,799,330	2,364,224	908,275	3,731,635
2027-2031	2,186,006	2,168,385	1,417,635	3,342,783
2032-2036	4,813,327	1,818,421	8,571,251	764,917
2037-2041	3,988,174	1,412,176	1,337,437	335,475
2042-2046	4,825,126	904,056	448,161	30,081
2047-2051	3,825,469	222,098	221,471	11,607
2052-2056			684,951	113,838
Total	<u>\$ 31,785,441</u>	<u>\$ 11,810,373</u>	<u>\$ 19,562,636</u>	<u>\$ 12,331,794</u>

C. CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2015, the following changes occurred in long-term liabilities:

HOUSING AUTHORITY OF THE CITY OF VANCOUVER, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

<i>Business Type Activities</i>	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016	Due Within One Year
Revenue Bonds	\$ 83,613,868	\$ 4,313,913	\$(4,847,275)	\$ 83,080,506	\$32,879,040
Notes	21,659,075	11,072,586	(946,220)	31,785,441	253,552
Compensated Absences	427,979	511,396	(488,091)	451,284	438,453
Net Pension Liabilities	3,956,044	485,353	-	4,441,397	-
Totals	<u>\$109,656,966</u>	<u>\$16,383,248</u>	<u>\$(6,281,586)</u>	<u>\$119,758,628</u>	<u>\$33,571,045</u>

<i>Component Units</i>	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016	Due Within One Year
Due to the Housing Authority					
Capital Lease	\$32,798,442	\$ -	\$(1,025,377)	\$ 31,773,065	\$ 3,443,104
Developer Fee Payable	6,502,764	2,858,521	(316,767)	9,044,518	1,726,017
Loans and Notes Payable	27,694,970	18,814,335	(281,933)	46,227,372	2,676,625
Notes	19,626,918	390,000	(454,282)	19,562,636	5,453,577
Compensated Absences	55,090	35,954	(37,651)	53,393	53,393
Developer Fee Payable	844,392	-	(363,920)	480,472	-
Totals	<u>\$87,522,576</u>	<u>\$22,098,810</u>	<u>\$(2,479,930)</u>	<u>\$107,141,456</u>	<u>\$13,352,716</u>

NOTE 7 – UNEARNED REVENUES

The Authority and the Component Units have recorded unearned revenues totaling \$124,555 and \$15,570, respectively, which consist of tenant rents received in advance. In addition, the Authority received \$1,610,107 in HUD operating subsidies attributable to 2017 housing assistance payments in 2016 and has recorded those as deferred inflows of resources – funding received in advance as of December 31, 2016.

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:

<u>Aggregate Pension Amounts - All Plans</u>	
Pension liabilities	\$ (4,441,397)
Deferred outflows of resources	767,135
Deferred inflows of resources	(221,971)
Pension expenditures	220,518

State Sponsored Pension Plans

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

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

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

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

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.

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:

Actual Contribution Rates:	Employer	Employee
PERS Plan 1	6.23%	6%
PERS Plan UAAL	4.77%	
Administrative Fee	0.18%	
Total	11.18%	6.00%

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-

HOUSING AUTHORITY OF THE CITY OF VANCOUVER, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

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.

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:

Actual Contribution Rates:	Employer 2/3	Employee 2
PERS Plan 2/3	6.23%	6.12%
PERS Plan 7 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	11.18%	6.12%

The authority's actual PERS plan contributions were \$222,182 to PERS Plan 1 and \$290,187 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.

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.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
Total	100%	

Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 2,433,126	\$ 2,017,686	\$ 1,660,174
PERS 2/3	\$ 4,462,486	\$ 2,423,710	\$ (1,261,681)

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 authority reported a total pension liability of \$4,441,397 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 2,017,687
PERS 2/3	\$ 2,423,710

HOUSING AUTHORITY OF THE CITY OF VANCOUVER, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

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

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.040740%	0.037570%	-0.003170%
PERS 2/3	0.051080%	0.048140%	-0.002940%

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.

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 authority recognized pension expense as follows:

	Liability (or Asset)
PERS 1	\$ (67,424)
PERS 2/3	287,942
Total	<u>\$ 220,518</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, the authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 129,061	\$ (80,011)
Net difference between projected and actual investment earnings on pension plan investments	347,394	-
Changes of assumptions	25,050	-
Changes in proportion and differences between contributions and proportionate share of contributions		(141,960)
Contributions subsequent to the measurement date	265,630	-
Total	<u>\$ 767,135</u>	<u>\$ (221,971)</u>

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

HOUSING AUTHORITY OF THE CITY OF VANCOUVER, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Year Ended December 31:	PERS 1	PERS 2/3
2017	\$ (12,509)	\$ (47,796)
2018	(12,509)	(47,796)
2019	46,656	189,567
2020	29,163	134,759
2121 and thereafter	-	-

NOTE 9 – RELATED PARTIES TRANSACTIONS

Related party transactions can be divided into two categories, non-profits and Component Units. Following are the nature of these relationships:

A. NON-PROFITS

The Authority acts as a property manager for certain non-profit entities. The Authority receives rents and pays related expenses through the use of client trust accounts established by the non-profits. Furthermore, the Authority manages HUD contracts associated with these properties. Non-profits include:

- Columbia Nonprofit Housing
- Evergreen Nonprofit Housing
- Forest Ridge Nonprofit Housing
- Hazel Dell Nonprofit Housing
- Azalea Place Nonprofit Housing
- Walnut Grove Nonprofit Housing
- Highland Park Nonprofit Housing
- Cherry Park Nonprofit Housing

B. COMPONENT UNITS

The Authority, as general partner, is responsible for the management and operation of projects owned by the tax credit partnerships, which are discretely presented Component Units.

Receivables and payables between the Authority and the Component Units as of December 31, 2016 resulted from capital leases, developer fees and notes. An overview of the relationships related to these transactions is disclosed below and summarized in the following table:

	Payable to the Authority 12/31/2016	Accrued Interest Presentation Difference	Unamortized Financing Costs	Allowance for Bad Debts	Receivable from Component Units 12/31/2016
Notes	\$ 46,227,372	\$ 1,600,687	\$ 281,933	\$ (1,657,904)	\$ 46,452,088
Developer Fees	9,044,518	255,652	-	-	9,300,170
Net Capital Leases	31,773,066	1,862,953	461,624	-	34,097,643
Accrued Interest	3,719,292	(3,719,292)	-	-	-
Net Activity	<u>\$ 90,764,248</u>	<u>\$ -</u>	<u>\$ 743,557</u>	<u>\$ (1,657,904)</u>	<u>\$ 89,849,901</u>

HOUSING AUTHORITY OF THE CITY OF VANCOUVER, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

1. Notes Receivable/Payable

The Authority made certain loans to the Component Units used to acquire capital assets that provide low income housing. These loans are payable from revenues generated by the component unit.

The Authority has earned management fees for managing the affairs of the Component Units. Generally, the management fees are payable from revenues generated by the component unit. However, the agreements state that if the component unit has not paid the fee by a specified date, the management fee earned may be forgiven. Component Units projects' budgets are designed to be self-reliant, however, if projects are unable to meet expectations, the Authority is obliged to assist them using the local revenue streams to supplement any shortfalls. These loans are payable from future revenues generated by the component units or from proceeds of sales. The Authority has accrued \$1,657,904 as allowance for bad debts related to management fees and operating advances receivable.

Notes payable owed to the Authority by the Component Units currently outstanding are as follows:

Purpose	Original Amount	Issue Date	Maturity Date	Interest Rate	Amount Outstanding	Unamortized Issuance Costs	Net Amount Outstanding
Esther Short - VHA Loan	\$ 530,000	Aug-04	Aug-33	5.25%	\$ 530,000	\$ -	\$ 530,000
Vista Court - VHA Loan	1,200,000	Dec-10	Dec-61	8.5%	1,200,000	-	1,200,000
1st Street - VHA Loan	9,938,385	Feb-14	Feb-54	1%	7,881,841	-	7,881,841
Skyline Crest - VHA/Citi Permanent Loan	6,500,000	Sep-15	Oct-48	4.48%	6,500,000	(242,858)	6,257,142
Skyline Crest - VHA/Citi Construction Loan	10,400,000	Sep-15	Apr-18	Variable	7,874,316	-	7,874,316
Skyline Crest - VHA Loan	10,500,000	Sep-15	Sep-65	2.95%	10,500,000	-	10,500,000
Lincoln Place - VHA Loan	3,109,856	May-15	May-17	3%	2,676,625	-	2,676,625
Lincoln Place - VHA Loan	1,248,782	May-15	May-55	0.5%	1,248,782	-	1,248,782
Orchard Glen - VHA/Chase Loan	6,570,550	Jul-16	Oct-17	Variable	4,313,913	(39,075)	4,274,838
Orchard Glen - VHA Loan	1,750,000	Jul-16	Jul-56	2.33%	1,750,000	-	1,750,000
VHA Accrued Mgmt Fees	-	Various	N/A	0%	1,193,096	-	1,193,096
VHA Operating Advances	-	Various	N/A	0%	840,732	-	840,732
Total					<u>\$46,509,305</u>	<u>\$ (281,933)</u>	<u>\$ 46,227,372</u>

2. Developer Fees Receivable/Payable

The Authority has earned developer fees while the projects were being developed. Generally, the developer fees are payable from revenues generated by the component unit. However, the agreements state that if component unit has not paid the fee by a specified date, the developer fee earned may be reclassified as an additional capital contribution from the Authority.

3. Capital Lease Receivable/Payable

The Authority has issued tax exempt revenue bonds, which are included in long term debt, for the acquisition or construction of properties utilizing Low Income Housing Tax Credits on behalf of its discretely presented Component Units.

HOUSING AUTHORITY OF THE CITY OF VANCOUVER, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

As these limited partnerships or Component Units are created, the Authority establishes a capital lease relationship with each partnership whereby the Authority leases the property to the partnership. For these capital lease arrangements, a lease receivable for the net lease payments is established on the Authority's books and a lease payable on the partnership's books. The liability for the bonds remains on the Authority's books. The capital asset is recorded on the partnership's books. As the bonds payable is reduced through debt service payments, the corresponding lease receivable is reduced by an equal amount.

On the Authority's books, these leases are classified as direct financing leases and expire at various intervals over 99 years from initial period. All executory costs were paid by the component unit. The initial direct costs were paid directly by the Authority. Further, no contingent rentals exist under these leases. The net investments in direct financing leases as of December 31, 2016 are as follows:

Total minimum lease payments to be received:	\$ 52,987,587
Less unearned income	<u>(21,214,522)</u>
Net investment in direct financing lease	<u><u>\$ 31,773,065</u></u>

Leases Payable: The Component Units record lease payments as reductions of the long-term liability and as interest expense over the life of the lease. The partnerships also record depreciation expense to amortize the assets over the life of the assets. The assets acquired by the Component Units through capital leases, which remained payable as of December 31, 2016, are as follows:

Land	\$ 4,002,003
Buildings, structures and improvements	51,718,975
Equipment and furniture	1,449,441
Less accumulated depreciation	<u>(24,411,127)</u>
	<u><u>\$ 32,759,292</u></u>

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2016, were as follows:

HOUSING AUTHORITY OF THE CITY OF VANCOUVER, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

<u>Calendar Year Ending</u>	
2017	\$ 6,429,600
2018	1,794,344
2019	1,794,094
2020	1,793,844
2021	1,793,593
2022-2026	11,359,557
2027-2031	8,764,449
2032-2036	9,598,283
2037-2041	2,731,854
2042-2046	3,143,318
2047-2051	2,683,751
2052	1,100,900
Total minimum lease payments	52,987,587
Less: amount representing interest	(21,214,522)
Present value of minimum lease payments	<u>\$ 31,773,065</u>

NOTE 10 – OTHER CAPITAL CONTRIBUTIONS

The following items were recorded as other capital contributions during 2016:

	<i>Business Type Activities</i>	<i>Component Units</i>
General partner contribution to OG Rehabilitation LLLP	\$ (100)	\$ 100
Limited partner contribution to OG Rehabilitation LLLP	-	432,876
Totals	<u>\$ (100)</u>	<u>\$ 432,976</u>

Partner capital contributions were made in accordance with respective partnership agreements.

NOTE 11 – SPECIAL ITEMS

In 2014, the Authority initiated demolition activities at one of its properties, Skyline Crest, in preparation for reconstruction. Although such activities are not unusual given the nature of the Authority business, they are infrequent in occurrence and therefore should be presented as special items. A total of \$13,364 in related demolition costs were incurred during 2016.

NOTE 12 – SUBSEQUENT EVENTS

The Authority has refinanced multiple bonds in February 2017 with Pooled Refunding Revenue Bonds totaling \$29,190,000. These bonds mature serially through August 2039 and bear interest at the rates ranging from 1.4% to 4%. As part of this refinancing, the Authority defeased

revenue bonds totaling \$22,505,000 secured by Springbrook and Office properties by placing the funds in an irrevocable trust to provide for all future debt service payments on the bonds. In addition, the Authority repaid Camas Ridge bonds totaling \$2,922,909, Vancouver Community SRO bonds totaling \$1,590,000 and Wisteria Manor bonds totaling \$990,000.

1st Street Apartments \$14,860,000 note payable matured in February 2017, at which time, \$5,360,000 of the note was repaid with limited partner contribution and the remaining \$9,500,000 was converted to a long-term note bearing 5.98% interest rate and maturing February 2032.

The Authority made a commitment in June 2017 to loan up to \$7,900,000 to Meadows Apartments LLLP to fund construction of a low-income housing project in Vancouver, WA. of which the Authority is a co-developer. \$928,047 of the loan commitment was funded in June 2017.

The Authority also made a commitment in June 2017 to loan up to \$10,050,000 to Meriwether Place LLLP to fund construction of low-income housing project in Vancouver, WA, of which the Authority is a co-developer. \$729,553 of the loan commitment was funded in June 2017.

NOTE 13 – CONTINGENT LIABILITIES AND LITIGATION

The Authority has recorded in its financial statements all material liabilities, including estimates for situations which are not yet resolved but where, based on available information, management believes it is probable that the Authority will have to make payment. In the opinion of management, the Authority's insurance policies are adequate to pay all known or pending claims.

The Authority participates in a number of federal, state and local assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. The amount of expenses that may be disallowed by the grantors cannot be determined at this time, although the Authority expects such amount, if any, to be immaterial.

The Authority is the general partner in a number of Tax Credit Limited Partnerships (Component Units) and has provided various guaranties to the respective limited partners, including completion guaranties, operating deficit guaranties, credit reduction guaranties, bank account loss guaranties, loan shortfall guaranties, tax abatement guaranties and indemnification guaranties. In the opinion of management, the likelihood of payments being required under these guarantees is remote and the amount of expenses cannot be reasonably determined at this time, although the Authority expects such amounts, if any, to be immaterial.

In April 2013, the Authority guaranteed a \$446,294 loan, maturing April 2023, issued by a related party, Columbia Nonprofit Housing as authorized by the Authority Board of Commissioners. The loan balance is \$305,735.50 as of December 31, 2016. The Authority has

considered factors and historical data in assessing the likelihood that it will be required to make a payment on this note in the future. It concluded that it is not likely that the Authority will be required to make a payment on the guarantee; therefore, no liability is recognized on the statement of net position. No arrangements have been made for recovering from Columbia Nonprofit Housing in the event that the Authority is required to make a payment on their behalf.

The Authority is currently subject to a “Final Order and Judgment Approving Class Settlement” entered by the United States District Court for the Western District of Washington on July 31, 2015. The underlying class action lawsuit was filed by three current and former tenants, who alleged that VHA failed to properly calculate utility allowances for its Public Housing tenants for the period from May 1, 2004, until April 30, 2011. VHA denied any liability and denied that the plaintiffs or class members suffered any damages; however, the Authority believed that settlement of the dispute was in its best interests to avoid ongoing litigation and expense. Pursuant to the settlement, VHA established a settlement fund of \$488,824 for certain class members and paid \$110,000 in attorneys’ fees, court costs, and incentive payments to the class representatives. The Authority is also subject to certain non-monetary, injunctive relief until September 1, 2019.

NOTE 14 – RISK MANAGEMENT

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

New members originally contract for a three year term and thereafter automatically renew on an annual basis. Members may quit (after completion of the three year commitment) upon giving notice to HARRP prior to their renewal date. HARRP can terminate the members after giving a sixty day notice prior to the renewal date. Termination does not relieve a former member from its unresolved losses incurred during membership.

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

Coverage limits for General Liability, Errors & Omissions and Property are \$2,000,000 per occurrence and \$2,000,000 annual aggregate. (Some members have chosen greater Property limits for higher valued properties.) Limits for Automobile Liability are \$1,000,000/\$1,000,000.

HARRP self insures the full layer of coverage for liability lines (\$2,000,000 per occurrence and \$2,000,000 annual aggregate). There is no purchased reinsurance above this limit. For property, HARRP retains \$2,000,000 and purchases \$63,000,000 of reinsurance from St. Paul/Travelers Insurance Company for a combined total of \$65,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

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

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

The Authority self-insures for unemployment compensation as an alternative to the State program. During 2016, the Authority paid out a total of eight claims totaling \$48,104 under this program. Any future costs to the Authority, including expected annual level of claims relating to this self-insurance program, are not readily estimable and are not expected to be material. The Authority has not set aside any reserves for potential losses related to this program.

The Authority participates in workers' compensation insurance through the Washington State Department of Labor and Industries, Industrial Insurance State Fund.

In the past three years, no settlements exceeded insurance coverage.

Housing Authority of the City of Vancouver
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Proportionate Share of the Net Pension Liability

PERS 1

As of June 30

Last 3 Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.037570%	\$ 2,017,686	\$ 4,505,573	44.78%	57.03%
2015	0.040735%	2,130,819	4,593,228	46.39%	59.10%
2014	0.043037%	2,168,009	4,641,776	46.71%	61.19%

Housing Authority of the City of Vancouver
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Proportionate Share of the Net Pension Liability

PERS 2/3

As of June 30

Last 3 Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.048138%	\$ 2,423,710	\$ 4,505,573	53.79%	85.82%
2015	0.051083%	1,825,225	4,532,823	40.27%	89.20%
2014	0.053242%	1,076,213	4,558,522	23.61%	93.29%

Housing Authority of the City of Vancouver
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions

PERS 1

As of December 31
Last 3 Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2016	\$ 222,182	\$ (222,182)	\$ -	\$ 4,657,889	4.77%
2015	196,720	(196,720)	-	4,520,571	4.35%
2014	183,834	(183,834)	-	4,433,379	4.15%

Housing Authority of the City of Vancouver
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions

PERS 2/3

As of December 31

Last 3 Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2016	\$ 290,187	\$ (290,187)	\$ -	\$ 4,657,889	6.23%
2015	252,161	(252,161)	-	4,520,571	5.58%
2014	216,499	(216,499)	-	4,334,300	5.00%

Housing Authority of the City of Vancouver
Notes to Required Supplemental Information - Pension

As of December 31
Last Three Fiscal Years

Note 1: Information Provided

GASB 68 was implemented for the year ended December 31, 2015, therefore there is no data available for years prior to 2014.

Note 2: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

Note 3: Covered payroll

Covered payroll has been retrospectively presented in accordance with GASB 82, Pension Issues. Covered payroll now includes all payroll on which a contribution is based. In prior reports, Plan 1 UAAL covered payroll was included for plans other than PERS 1.

HOUSING AUTHORITY OF THE CITY OF VANCOUVER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended December 31, 2016

Grantor/ Pass-Through Grantor Program Title	CFDA Number	Other Identification Number	Federal Expenditures	Expenditures to Subrecipients	Total Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>					
Section 8 New Construction and Substantial Rehabilitation	14.182	W16001002/1802/2903/2906/2907/2908	\$ 1,126,051		
Total CFDA Number	14.182		1,126,051		\$ 1,126,051
Subtotal Section 8 Project-Based Cluster			1,126,051		1,126,051
Multifamily Housing Service Coordinator	14.191	WA19HS09003	75,669		
Total CFDA Number	14.191		75,669		75,669
Community Development Block Grants/Entitlement Grants (Loan)	14.218	City of Vancouver Project 414205 Esther Sh.		58,333	
Community Development Block Grants/Entitlement Grants (Loan)	14.218	Clark County Camas Ridge Project		34,281	
Community Development Block Grants/Entitlement Grants (Loan)	14.218	City of Vancouver Vista Court Project		81,500	
Community Development Block Grants/Entitlement Grants (Loan)	14.218	City of Vancouver Pinewood Project		250,000	
Community Development Block Grants/Entitlement Grants	14.218	City of Vancouver Shelter Improvement Project		120,000	
Total CFDA Number	14.218			544,114	544,114
Subtotal CDBG - Entitlement Grants Cluster				544,114	544,114
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (Loan)	14.228	Clark County NSP 16703 SE 1st Street		564,268	
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (Loan)	14.228	City of Vancouver NSP 16703 SE 1st Street		385,621	
Total CFDA Number	14.228			949,889	949,889
Mortgage Insurance_Nursing Homes, Intermediate Care Facilities, Board and Care Homes and Assisted Living Facilities	14.129	Arbor Ridge Assisted Living FHA-127-22121		3,364,642	3,364,642
Total CFDA Number	14.129			3,364,642	3,364,642
Resident Opportunity and Supportive Services - Service Coordinators	14.870	WA008RPS005A010	74,373		
Resident Opportunity and Supportive Services - Service Coordinators	14.870	WA008RPS026A012	70,683		
Total CFDA Number	14.870		145,056		145,056
Family Self-Sufficiency Program	14.896	WA008FSF0003	173,362		
Total CFDA Number	14.896		173,362		173,362
Section 8 Housing Choice Vouchers (VASH)	14.871	WA008VA0001	1,038,191		
Section 8 Housing Choice Vouchers (FUP)	14.871	WA008FU0001	442,220		
Total CFDA Number	14.871		1,480,411		1,480,411
Mainstream Vouchers	14.879	WA008DV0008	456,462		
Total CFDA Number	14.879		456,462		456,462
Subtotal Housing Voucher Cluster-Cluster			1,936,873		1,936,873
Moving to Work Demonstration Program (Low Rent)		WA008000511	314,522		
Moving to Work Demonstration Program (HCV)		WA008VOW/VO	16,617,412		
Demonstration)		WA008R10003	1,136,290		
Moving to Work Demonstration Program (HCV)		WA008VOW/VO (pass-through)	3,223,879		
Moving to Work Demonstration Program (CF 2010)		WA16R008501-10	13,364		
Subtotal Moving to Work Demonstration Program	14.881		21,305,467		21,305,467
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			24,762,478	4,858,645	24,762,478
<u>U.S. DEPARTMENT OF LABOR</u>					
Workforce Innovation Fund	17.283	Housing Works	26,559		26,559
TOTAL FEDERAL EXPENDITURES			\$ 24,789,037	\$ 4,858,645	\$ 29,647,682

The Accompanying Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule.

HOUSING AUTHORITY OF THE CITY OF VANCOUVER
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE/LOCAL FINANCIAL ASSISTANCE
For the Fiscal Year Ended December 31, 2016

NOTE 1 BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the authority's financial statements. The authority uses the accrual basis of accounting.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures are recognized following the cost principles contained in the OMB Circular-A87 and Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement
- (2) The Authority has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance

NOTE 3 PROGRAM COSTS

The amounts shown as current year expenditures represent only federal and state/local grant portions of the program costs. Entire program costs, including the authority's portion may be more than shown.

NOTE 4 FEDERAL LOANS

The authority was approved by various local jurisdictions to receive pass-through CDBG loans totaling \$1,374,003 and \$ 3,313,996 Healthcare Facility Note to build low income housing. The amount listed includes loan proceeds received during the year and the outstanding loan balances from prior years.

Community Development Block Grant (City Project 414205) Esther Short Commons	\$ 58,333
Community Development Block Grant (County Project 0916,09H3)) Camas Ridge Apartment	34,281
Community Development Block Grant (City CDBG-414909)) Vista Court Apartment	81,500
Community Development Block Grant (Clark County NSP) 16703 SE 1st street project	564,268
Community Development Block Grant (City of Vancouver CDBG) 16703 SE 1st street project	385,621
Community Development Block Grant (City of Vancouver CDBG) Pinewood project	250,000
Department of Housing and Urban Developemnt Healthcare Facility Note Section 232 (Arbor Ridge)	3,313,996
TOTAL CDBG LOANS	<u>\$ 4,687,999</u>

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2016

	14.123 Mortgage Insurance - Nursing Home Case Fee/Eligible Board	14.191 Multifamily Housing Service Coordinators	14.OPS MTW Demonstration Program for Low Rent	14.228 Community Development Block Grants/State's Program	14.CFP MTW Demonstration Program for Capital Fund	14.HCV MTW Demonstration Program for HCV program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	6.1 Component Unit - Discreetly Presented	6.2 Component Unit - Blended	14.182 N/C SR Section 8 Programs	14.880 Family Unification Program (FUP)	4.881 Moving to Work Demonstration Program	8 Other Federal Program 1	14.886 PH Family Self-Sufficiency Program	14.218 Community Development Block Grants/Entitlement Grants	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted								\$174.12	\$42.818	\$2,175.980	\$38,456	\$1,178.403	\$55,724	\$1,933,262				\$16,461,764	\$2,714,150		\$2,714,150
112 Cash - Restricted - Modernization and Development										\$100									\$9,700,285		\$9,700,285
113 Cash - Other Restricted								\$166.92		\$2,646.081	\$664,953	\$1,430.837	\$51,787					\$628,754	\$6,004,794		\$6,004,794
114 Cash - Tenant Security Deposits										\$388,274	\$5,100	\$56,993		\$261,884				\$447,057	\$1,181,172		\$1,181,172
115 Cash - Restricted for Payment of Current Liabilities										\$21,146	\$48,333							\$2,000,008	\$2,070,487		\$2,070,487
100 Total Cash	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$340,694	\$42,818	\$5,231,961	\$665,842	\$2,688,233	\$89,521	\$2,195,146	\$0	\$0	\$0	\$19,737,583	\$41,700,888	\$0	\$41,700,888
121 Accounts Receivable - PHA Projects																			\$244,416		\$244,416
122 Accounts Receivable - HUD Other Projects								\$1,520						\$42,698		\$15,465		\$0	\$51,670		\$51,670
124 Accounts Receivable - Other Government		\$4,646						\$0													
125 Accounts Receivable - Miscellaneous										\$285,000				\$80,081				\$74,324	\$438,405		\$438,405
126 Accounts Receivable - Tenants		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$32,901	\$142,083	\$7,519	\$0	\$0	\$0	\$0		\$71,331	\$258,246		\$258,246
126.1 Allowance for Doubtful Accounts - Tenants		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0				\$0	\$0		\$0
126.2 Allowance for Doubtful Accounts - Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0				\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current																		\$1,657,895	\$1,657,895		\$1,657,895
128 Fraud Recovery																		\$479,418	\$4,686,522		\$4,686,522
128.1 Allowance for Doubtful Accounts - Fraud																					
129 Accrued Interest Receivable																					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$4,412	\$4,646	\$0	\$0	\$0	\$0	\$18,205	\$1,520	\$0	\$317,901	\$154,447	\$104,623	\$0	\$222,979	\$0	\$15,465	\$0	\$3,751	\$4,228,117	\$0	\$4,229,117
131 Investments - Unrestricted																					
132 Investments - Restricted																					
135 Investments - Restricted for Payment of Current Liability																		\$1,251,629	\$1,553,323		\$1,553,323
142 Prepaid Expenses and Other Assets																		\$79,987	\$79,987		\$79,987
143 Inventories																					
143.1 Allowance for Obsolete Inventories																		\$257,236	\$459,742		\$459,742
144 Inter Program Due From																					
145 Assets Held for Sale																			\$18,119	-\$18,119	\$0
150 Total Current Assets	\$10,725,796	\$4,646	\$0	\$0	\$0	\$0	\$18,205	\$342,014	\$42,818	\$5,683,074	\$1,180,183	\$2,772,656	\$89,521	\$2,518,125	\$0	\$15,465	\$0	\$24,728,483	\$48,141,166	-\$18,119	\$48,123,037
161 Land																					
162 Buildings																					
163 Furniture, Equipment & Machinery - Overlays																		\$6,513,943	\$12,755,672		\$12,755,672
164 Furniture, Equipment & Machinery - Administration																		\$92,151,776	\$247,002,549		\$247,002,549
165 Leasehold Improvements																		\$1,257,776	\$5,688,405		\$5,688,405
166 Accumulated Depreciation																					
167 Construction in Progress																					
168 Infrastructure																					
169 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,926,471	\$12,940,916	\$5,549,154	\$0	\$41,005	\$0	\$0	\$0	\$62,851,398	\$168,295,576	\$0	\$168,295,576
170 Notes, Loans, & Mortgages Receivable - Non-Current																					
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due																					
173 Grants Receivable - Non-Current																					
174 Other Assets																					
175 Investments in Joint Ventures																					
176 Other Investments																					
180 Total Non-Current Assets	\$13,115,391	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$11,313,585	\$12,865,916	\$4,705,050	\$0	\$24,005	\$0	\$0	\$0	\$18,020,008	\$27,194,837	\$0	\$27,194,837
200 Deferred Outflow of Resources																					
290 Total Assets and Deferred Outflow of Resources	\$23,841,187	\$4,646	\$0	\$0	\$0	\$0	\$18,205	\$349,288	\$45,806	\$17,006,639	\$14,137,101	\$7,555,586	\$102,157	\$2,677,821	\$0	\$15,465	\$0	\$163,568,752	\$283,303,644	-\$18,119	\$283,285,525
311 Bank Overdraft																					
312 Accounts Payable <= 90 Days	\$181																				
319 Accounts Payable >90 Days Past Due																					
321 Accrued Wage/Payroll Taxes Payable																					
322 Accrued Compensated Absences - Current Portion		\$3,619																			
324 Accrued Contingency Liability																					
325 Accrued Interest Payable																					
326 Accrued Interest Payable - PHA Projects																					
331 Accounts Payable - HUD PHA Programs																					
332 Accounts Payable - PHA Projects																					
333 Accounts Payable - Other Government																					
341 Tenant Security Deposits	\$15,846																				
342 Unearned Revenue																					
343 Current Portion of Long-Term Debt - Capital Projects/Mortgage Revenue																					
344 Current Portion of Long-Term Debt - Operating Borrowings																					
345 Other Current Liabilities																					

[illegible]

Housing Authority of the City of Vancouver (WA008)
Vancouver, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audit

Fiscal Year End: 12/31/2016

	Project Total	14.123 Mortgage Insurance, Nursing Homes, Intermediate Care Facilities, Board	14.191 Multifamily Housing Service Coordinators	14.OPS MTW Demonstration Program for Low Rent	14.228 Community Development Block Grant's Program	14.CFP MTW Demonstration Program for Capital Fund	14.HCV MTW Demonstration Program for HCV Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.875 Mainstream Vouchers	6:1 Component Unit-6:2 Component Unit-Blended	14.182 NC SR Section 8 Programs	14.880 Family Unification Program (FUP)	14.881 Moving to Work Demonstration Program	8 Other Federal Program 1	14.886 PIH Family Self-Sufficiency Program	14.218 Community Development Block Grant Entitlement Grants	COCC	Subtotal	ELIM	Total	
70300 Net Tenant Rental Revenue																		\$11,241,641	\$24,113,202		\$24,113,202	
70400 Tenant Revenue - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$66,381	\$706,770	\$0	\$0	\$0	\$0	\$0	\$586,231	\$662,612		\$662,612	
70500 Total Tenant Revenue											\$8,100,164	\$706,770	\$0	\$0	\$0	\$0	\$0	\$1,183,782	\$24,775,814	\$0	\$24,775,814	
70600 HUD PHA Operating Grants																						
70610 Capital Grants						\$13,364	\$20,977,582	\$145,056	\$1,038,191	\$456,462		\$1,126,051	\$442,220			\$173,362			\$24,749,115		\$24,749,115	
70700 Asset Management Fee																			\$13,364		\$13,364	
70710 Management Fee																			\$244,860	-\$244,860	\$0	
70720 Asset Management Fee																			\$244,860	-\$244,860	\$0	
70730 Book Keeping Fee																			\$180,288	-\$180,288	\$0	
70740 Book Keeping Fee																			\$218,745	-\$218,745	\$0	
70740 Front Line Service Fee																			\$218,745	-\$218,745	\$0	
70750 Other Fees																			\$1,972	-\$1,972	\$0	
70760 Other Fees																			\$905,607	-\$403,874	\$401,733	
70770 Total Fee Revenue																		\$1,451,472	\$1,451,472	-\$1,049,739	\$401,733	
70800 Other Government Grants																						
71000 Investment Income - Unrestricted																			\$268,959		\$268,959	
71100 Investment Income - Restricted	\$8,751																		\$2,085,750	\$2,146,238		\$2,146,238
71200 Mortgage Interest Income											\$669	\$40,260										
71300 Proceeds from Disposition of Assets Held for Sale																						
71910 Cost of Sale of Assets																						
71400 Fraud Recovery																						
71500 Other Revenue																						
71600 Gain or Loss on Sale of Capital Assets																						
72000 Investment Income - Restricted	\$520,331																		\$4,449,615	\$5,094,900	-\$322,480	\$4,772,420
70000 Total Revenue	\$533,142	\$0	\$75,669	\$314,522	\$0	\$13,364	\$20,977,582	\$145,056	\$1,039,333	\$456,462	\$8,439,134	\$1,933,619	\$442,334	\$65,293	\$26,559	\$173,362	\$120,000	\$20,037,517	\$61,920,196	-\$1,372,219	\$60,547,977	
91000 Administrative Salaries																						
91200 Auditing Fees																			\$2,322,226	\$3,868,683	-\$1,872	\$3,866,711
91300 Management Fee																			\$29,865	\$78,861		\$78,861
91310 Book-keeping Fee																						
91400 Advertising and Marketing																						
91500 Employee Benefit Contributions - Administrative																						
91600 Office Expenses																			\$38,734	\$218,745	-\$218,745	\$0
91700 Legal Expense																			\$1,009,330	\$2,116,312		\$2,116,312
91800 Travel																			\$428,127	\$1,013,731	-\$312,480	\$701,251
91810 Allocated Overhead																			\$83,721	\$107,148		\$107,148
91900 Other																						
91000 Total Operating - Administrative	\$48,807	\$0	\$4,433	\$0	\$0	\$0	\$0	\$2,543	\$158,209	\$48,736	\$1,541,285	\$517,353	\$43,284	\$1,893,602	\$9,872	\$33,781	\$0	\$4,633,473	\$9,876,300	-\$1,372,219	\$8,504,081	
92000 Asset Management Fee																						
92100 Tenant Services - Salaries																						
92200 Relocation Costs																			\$1,820,351	\$1,820,351		\$1,820,351
92300 Employee Benefit Contributions - Tenant Services																						
92400 Tenant Services - Other																						
92500 Total Tenant Services	\$0	\$0	\$39,626	\$0	\$0	\$0	\$0	\$72,618	\$25,899	\$0	\$1,662	\$13,846	\$0	\$410,879	\$15,051	\$131,026	\$0	\$331	\$2,438,205	\$0	\$2,438,205	
93100 Water																						
93200 Electricity																			\$216,075	\$392,012		\$392,012
93300 Gas																			\$12,271	\$485,933		\$485,933
93400 Fuel																			\$19,900	\$67,989		\$67,989
93500 Labor																						
93600 Sewer																						
93700 Employee Benefit Contributions - Utilities																						
93800 Other Utilities Expense																			\$426,585	\$732,313		\$732,313
93900 Total Utilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$198,827	\$16,779	\$0	\$0	\$0	\$0	\$0	\$267,714	\$259,429	\$0	\$259,429	
94000 Ordinary Maintenance and Operations - Labor																						
94200 Ordinary Maintenance and Operations - Materials and Other																						
94300 Ordinary Maintenance and Operations Contracts																			\$79,193	\$1,476,946		\$1,476,946
94500 Employee Benefit Contributions - Ordinary Maintenance																			\$459,468	\$854,029		\$854,029
94000 Total Maintenance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,074	\$552	\$0	\$425,112	\$237,514	\$0	\$43,883				\$791,894	\$1,661,884		\$1,661,894	
95100 Protective Services - Labor																						
95200 Protective Services - Other Contract Costs																						
95300 Protective Services - Other																			\$1,920,555	\$3,992,869	\$0	\$3,992,869

[illegible]