



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Burke-Gilman Place Public
Development Authority

For the period January 1, 2016 through December 31, 2017

Published July 22, 2019

Report No. 1024308





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

July 22, 2019

Board of Directors
Burke-Gilman Place Public Development Authority
Seattle, Washington

Report on Financial Statements

Please find attached our report on the Burke-Gilman Place Public Development Authority's financial statements.

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

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

Schedule of Audit Findings and Responses.....	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.....	10
Independent Auditor's Report on Financial Statements.....	13
Financial Section.....	16
About the State Auditor's Office.....	41

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Burke-Gilman Place Public Development Authority January 1, 2016 through December 31, 2017

2017-001 The Public Development Authority's internal controls over financial statement preparation were inadequate to ensure accurate reporting.

Background

Authority management, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions. Authority management is responsible for designing, implementing and maintaining internal controls to ensure financial statements are fairly presented and provide reasonable assurance regarding the reliability of financial reporting.

Our audit identified internal control deficiencies that hinder the Authority's ability to produce accurate financial statements. *Government Auditing Standards* requires auditors to communicate significant deficiencies, as defined in the Applicable Laws and Regulations section below, as a finding.

Description of Condition

We identified the following deficiencies in internal controls over financial statement preparation that, when taken together, represent a significant deficiency:

- The Authority's Board and contracted management company responsible for financial statement preparation lacked the technical knowledge and experience necessary to prepare governmental financial statements, supplementary schedules, and notes accurately in accordance with generally accepted accounting principles (GAAP) and the *Budgeting, Accounting and Reporting System* (BARS) manual.
- The Authority did not have an effective review process in place to ensure the financial statements were free from misstatements, and that it implemented all required Governmental Accounting Standards Board pronouncements.

Cause of Condition

While the Board does meet to review the financial statements before audit, the Authority does not have any employees and has not developed adequate internal controls to ensure financial statements are accurately prepared. Instead, the Board relies on external assistance.

Effect of Condition

Our audit identified a large number of presentation errors in the financial statements that individually were not significant but when taken together impair understanding of the financial report.

Additionally, the audit identified the Authority had not updated its financial statements to reflect changes required by GASB Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement 72 – *Fair Value Measurement and Application*.

Recommendation

We recommend the Authority strengthen its financial statement preparation and internal controls to ensure compliance with reporting requirements. Specifically, the Authority should establish a review process of the financial statements by someone who understands GAAP reporting requirements for governments.

Authority's Response

Regarding the 2016 and 2017 audit, the Burke Gilman Place Public Development Authority accepts the audit as presented, including the Schedule of Uncorrected Misstatements. This decision is based on none of the misstatements being identified as material or significant and not affecting the accuracy of the 2016 and 2017 financial statements.

Concerning internal controls, the board elected to use a CPA firm for preparation of the 2018 financial report and MD&A and plans to continue engaging their services for financial review since they're well versed in government accounting requirements.

Auditor's Remarks

We appreciate the Authority's commitment to resolve this finding and thank the Authority for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

RCW 43.09.200 Local government accounting – Uniform system of accounting, states:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

Budgeting, Accounting and Reporting System (BARS) manual – Accounting, Accounting Principles and Internal Control, Internal Control states in part:

3.1.3.20 Internal control is a process – affected by those charged with governance, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations
- Reliability of financial reporting

3.1.3.30 Management and the governing body are responsible for the government's performance, compliance and financial reporting.

Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has ultimate responsibility for ensuring adequate controls to achieve objectives, even though primary responsibility has been delegated to management. Since management and the governing body are assumed to work in harmony, both parties are collectively referred to as “management” throughout the rest of this section.

3.1.3.140 This objective refers to fair presentation of financial statements and required schedules in all material respects in accordance with the stated basis of accounting.

3.1.3.150 In meeting this objective, the government should have controls that accomplish the following key functions:

- Identification of financial events – Controls should ensure financial events and transactions are properly identified and recorded.
- Properly applying accounting standards – Controls should ensure correct criteria and methodology is applied when accounting for financial events. When the correct method of accounting for or reporting a transaction is unclear, the government should seek clarification by performing research, contracting for accounting assistance, or communicating with the State Auditor's Office or standard setting bodies.
- Correctly accounting for all financial events – Controls should ensure that:
 - Only valid transactions are recorded and reported.
 - All transactions occurred during the period are recorded and reported.
 - Transactions are recorded and reported at properly valued and calculated amounts.
 - Recorded and reported transactions accurately reflect legal rights and obligations.
 - Transactions are recorded and reported in the account and fund to which they apply.
 - Preparation of the annual report – Controls should ensure that financial statements and required schedules are properly compiled and prepared from source accounting records. Controls should also ensure correct presentation of statements and schedules.

3.1.3.160 Controls and processes should generate adequate documentation to demonstrate achievement of objectives. This is not only important for audit, oversight and public records purposes, but also to enable effective monitoring of controls over financial reporting by management.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 – When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, as follows:

.07 For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:

Deficiency in internal control. A deficiency in internal control over financial reporting 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Material weakness. A deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonably possibility exists when the likelihood of an event

occurring is either reasonably possible or probably as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Probable. The future event or events are likely to occur.
Significant deficiency. A deficiency, or a combination of deficiencies, in internal control over financial reporting 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*

Burke-Gilman Place Public Development Authority **January 1, 2016 through December 31, 2017**

Board of Directors
Burke-Gilman Place Public Development Authority
Seattle, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Burke-Gilman Place Public Development Authority, as of and for the years ended December 31, 2017 and 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 July 12, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2017-001 that we consider to be significant deficiencies.

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 the Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

AUTHORITY'S RESPONSE TO FINDINGS

The Authority's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy
State Auditor
Olympia, WA

July 12, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Burke-Gilman Place Public Development Authority **January 1, 2016 through December 31, 2017**

Board of Directors
Burke-Gilman Place Public Development Authority
Seattle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Burke-Gilman Place Public Development Authority, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Burke-Gilman Place Public Development Authority, as of December 31, 2017 and 2016, and the changes in financial position and cash flows thereof for the years 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2019 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.

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

Pat McCarthy
State Auditor
Olympia, WA

July 12, 2019

FINANCIAL SECTION

Burke-Gilman Place Public Development Authority January 1, 2016 through December 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2017 and 2016

BASIC FINANCIAL STATEMENTS

Balance Sheet – 2017 and 2016

Statement of Revenues, Expenses and Changes in Net Position – 2017 and 2016

Statement of Cash Flows – 2017 and 2016

Notes to Financial Statements – 2017 and 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

We are pleased to present the Burke Gilman Place Public Development Authority (the "PDA") financial reports for the year ended December 31, 2017. This report was prepared by the staff of The CWD Group, Inc, which serves as the PDA's management company. The information presented in this report is the responsibility of the PDA. To the best of our knowledge, the information presented is accurate in all material respects; is presented in a manner designed to fairly state the financial position and results of operations of the PDA and includes all necessary disclosures to present a complete understanding of the PDA's financial affairs.

Profile

The Burke-Gilman Place Public Development Authority (the "PDA") is a public authority created under RCW 35.21.730 et seq. and Seattle Municipal Code 3.110 by a charter dated September 13, 1983 (the "Charter"). Former Seattle mayor Charles Royer signed the Charter on behalf of the City of Seattle (the "City"), who organized the PDA as one means of addressing the City's "shortage of decent, safe and sanitary dwelling accommodations for families of low income and handicapped persons".

Shortly after its formation, the PDA issued \$4.7 million in Multifamily Housing Revenue Bonds for development of a low-income housing project named "Burke-Gilman Place" on portions of the former US Coast Guard property near Children's Hospital in northeast Seattle (the "Property"). Today, many of the apartment units at Burke-Gilman Place are still utilized as low-income housing. Other portions of the Property accommodate facilities held by Ronald MacDonald House and Provail (formerly known as United Cerebral Palsy Association) and The Children's Center, an early childhood education center.

The main purposes of the PDA, as delineated in its Charter, are

- to provide an open forum for discussion of the relationship of uses of the Burke Gilman Place property to one another and to surrounding communities,
- to fulfill the objectives and intent of the Burke-Gilman Place Development Plan and Public Utility District (P.U.D). adopted by [Seattle] City Council;
- to provide for continued management and maintenance of the Burke-Gilman Place Development Plan and Public Utility District (PUD),
- to implement through leases, management agreements and other means all deed covenants placed on the Burke-Gilman Place property by the City or Federal Government; and
- to own, lease or transfer portions of the Burke-Gilman Place property consistent with agreements made between the City and users of the property.

Activities in furtherance of these purposes would include enforcement of architectural controls and other covenants affecting the Property, enforcement of lease provisions under property owned by the PDA, collection and management of rental income generated by the Property, and provision of a public forum for discussion of issues relating to the PDA.

Major Initiatives

The following represents the PDA's major initiatives for the year ended December 31, 2017.

- The PDA continued to monitor water & sewer billings following the 2016 sub meter replacement initiative. Following replacement, water & sewer billing discrepancies were reduced to less than 1% for 2017. To address utility billing shortfalls, the PDA initiated a policy for invoicing users on a quarterly basis.
- The PDA actively reviewed various community needs/initiatives and began consideration of potential capital improvements and long term cash reserve requirements.

Overview of the Financial Statements

Assets of the PDA exceeded liabilities at December 31, 2017, by \$1,391,865 (net position). Of this, \$299,019 is unrestricted and may be used to meet the PDA's ongoing operating expenses.

Net position decreased by \$16,644 in 2017. The change was due to normal operating revenue and expenses fluctuations.

BALANCE SHEET

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current Assets	\$ 497,391	\$ 513,130
Noncurrent Assets	<u>1,092,845</u>	<u>1,100,921</u>
TOTAL ASSETS	\$ <u>1,590,236</u>	\$ <u>1,614,051</u>
<u>LIABILITIES</u>		
Current Liabilities	\$ 25,126	\$ 21,013
Noncurrent Liabilities	<u>173,246</u>	<u>176,454</u>
TOTAL LIABILITIES	\$ 198,372	\$ 197,467
NET ASSETS		
Invested in Capital Assets	\$ 1,092,845	\$ 1,100,921
Unrestricted Net Assets	<u>299,019</u>	<u>315,663</u>
TOTAL NET ASSETS	\$ <u>1,391,865</u>	\$ <u>1,416,584</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,590,236</u>	\$ <u>1,614,051</u>

The balance sheet presents the assets, liabilities and net assets of the PDA at the end of the fiscal year. The purpose is to give a snapshot of the financial condition of the PDA at a certain point in time.

Total assets of the PDA amounted to \$1,590,236 and \$1,614,051 at December 31, 2017 and 2016, respectively. The PDA has seen a decrease in total assets, current assets and noncurrent assets due to normal operations.

STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
TOTAL OPERATING REVENUE	\$ 324,392	\$ 262,501
TOTAL OPERATING EXPENSES	<u>253,013</u>	<u>292,513</u>
OPERATING INCOME (LOSS)	(28,621)	(30,011)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>3,902</u>	<u>1,879</u>
CHANGE IN NET ASSETS	\$ <u>(24,719)</u>	\$ <u>(28,132)</u>

The purpose of this statement is to present the PDA's operations and net revenue earned from those operations. The significant change in income and expenses from 2016 to 2017 is related to the payment of utilities and the collection of utility reimbursements from the users and a community payment made to the Children's Center.

Changes in Capital Assets

In 2017, there were no capital improvements.

Economic and Other Factors Affecting the PDA's Future

At this time, the PDA has either sold or entered in to long-term ground leases for all of the property formerly owned by the US Coast Guard. This has placed the PDA in a strong financial position with predictable annual income, minimal operating expenses and no long-term debt. The PDA is financially secure, and reasonably insulated from adverse economic events. The PDA expects the future to be the same.

In late 2012, an analysis of the shared utility expense and reimbursement was preformed. It was discovered that the PDA was being reimbursed for less than 100% of its cost. The third-party process of gathering data was analyzed. This process found that the consumption indicated by the individual sub-meters was less than that indicated by the City of Seattle main water meter servicing the property. Following an investigation of the sub-meter operation/calibration, it was determined that replacement of the sub-meters was necessary. A total replacement of sub-meters was initiated in 2015 and completed in February 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

We are pleased to present the Burke Gilman Place Public Development Authority (the "PDA") financial reports for the year ended December 31, 2016. This report was prepared by the staff of The CWD Group, Inc, which serves as the PDA's management company. The information presented in this report is the responsibility of the PDA. To the best of our knowledge, the information presented is accurate in all material respects; is presented in a manner designed to fairly state the financial position and results of operations of the PDA, and includes all necessary disclosures to present a complete understanding of the PDA's financial affairs.

Profile

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Shortly after its formation, the PDA issued \$4.7 million in Multifamily Housing Revenue Bonds for development of a low-income housing project named "Burke-Gilman Place" on portions of the former US Coast Guard property near Children's Hospital in northeast Seattle (the "Property"). Today, many of the apartment units at Burke-Gilman Place are still utilized as low-income housing. Other portions of the Property accommodate facilities held by Ronald MacDonald House and Provail (formerly known as United Cerebral Palsy Association) and The Children's Center, an early childhood education center.

The main purposes of the PDA, as delineated in its Charter, are

- to provide an open forum for discussion of the relationship of uses of the Burke Gilman Place property to one another and to surrounding communities,
- to fulfill the objectives and intent of the Burke-Gilman Place Development Plan and Public Utility District (P.U.D). adopted by [Seattle] City Council;
- to provide for continued management and maintenance of the Burke-Gilman Place Development Plan and Public Utility District (P..U.D),
- to implement through leases, management agreements and other means all deed covenants placed on the Burke-Gilman Place property by the City or Federal Government; and
- to own, lease or transfer portions of the Burke-Gilman Place property consistent with agreements made between the City and users of the property.

Activities in furtherance of these purposes would include enforcement of architectural controls and other covenants affecting the Property, enforcement of lease provisions under property owned by the PDA, collection and management of rental income generated by the Property, and provision of a public forum for discussion of issues relating to the PDA.

Major Initiatives

The following represents the PDA's major initiatives for the year ended December 31, 2016.

- The PDA initiated replacement of all water sub-meter in 2015. The project was 100% completed in February 2016..
- The PDA actively reviewed various community needs/initiatives and began consideration of potential capital improvements.
- The PDA worked with the Seattle Parks Department in an effort to cause repair of certain asphalt pathways within the Burke Gilman Trail system.

Overview of the Financial Statements

Assets of the PDA exceeded liabilities at December 31, 2016, by \$1,416,584 (net position). Of this, \$315,663 is unrestricted and may be used to meet the PDA's ongoing operating expenses.

Net position decreased by \$28,132 in 2016. The change was due to normal operating revenue and expenses fluctuations.

BALANCE SHEET

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current Assets	\$ 513,130	\$ 571,498
Noncurrent Assets	<u>1,100,921</u>	<u>1,095,061</u>
TOTAL ASSETS	\$ <u>1,614,051</u>	\$ <u>1,666,559</u>
<u>LIABILITIES</u>		
Current Liabilities	\$ 21,013	\$ 42,179
Noncurrent Liabilities	<u>176,454</u>	<u>179,663</u>
TOTAL LIABILITIES	\$ 197,467	\$ 221,842
NET ASSETS		
Invested in Capital Assets	\$ 1,100,921	\$ 1,095,061
Unrestricted Net Assets	<u>315,663</u>	<u>349,656</u>
TOTAL NET ASSETS	\$ <u>1,416,584</u>	\$ <u>1,444,717</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,614,051</u>	\$ <u>1,666,559</u>

The balance sheet presents the assets, liabilities and net assets of the PDA at the end of the fiscal year. The purpose is to give a snapshot of the financial condition of the PDA at a certain point in time.

Total assets of the PDA amounted to \$1,614,051 and \$1,666,559 at December 31, 2016 and 2015, respectively. The PDA has seen a decrease in both total assets and current assets due to normal operations. Noncurrent assets have increase due to additions of capital assets.

STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
TOTAL OPERATING REVENUE	\$ 262,501	\$ 277,763
TOTAL OPERATING EXPENSES	<u>292,513</u>	<u>287,445</u>
OPERATING INCOME (LOSS)	(30,011)	(9,682)
TOTAL NONOPERATING REVENUE	<u>1,879</u>	<u>821</u>
(EXPENSES)		
CHANGE IN NET ASSETS	\$ <u>(28,132)</u>	\$ <u>(8,861)</u>

The purpose of this statement is to present the PDA's operations and net revenue earned from those operations. The significant change in income and expenses from 2015 to 2016 is related to the payment of utilities and the collection of utility reimbursements from the users and a community payment made to the Children's Center.

Changes in Capital Assets

In 2015, a water meter replacement project was initiated. The project was completed in 2016.

Economic and Other Factors Affecting the PDA's Future

At this time, the PDA has either sold or entered in to long-term ground leases for all of the property formerly owned by the US Coast Guard. This has placed the PDA in a strong financial position with predictable annual income, minimal operating expenses and no long-term debt. The PDA is financially secure, and reasonably insulated from adverse economic events. The PDA expects the future to be the same.

In late 2012, an analysis of the shared utility expense and reimbursement was preformed. It was discovered that the PDA was being reimbursed for less than 100% of its cost. The third party process of gathering data was analyzed. This process found that the consumption indicated by the individual sub-meters was less than that indicated by the City of Seattle main water meter servicing the property. Following an investigation of the sub-meter operation/calibration, it was determined that replacement of the sub-meters was necessary. A total replacement of sub-meters was initiated in 2015 and completed in February 2016.

Burke Gilman Place Public Development Authority
Balance Sheet
December 31, 2017

**** ASSETS ****

CURRENT ASSETS

Cash and cash equivalents	447,277
Accounts Receivable	49,443
Prepaid Expense	671

TOTAL CURRENT ASSETS	<u>497,391</u>
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NONCURRENT ASSETS

Capital Assets-Land	1,027,000
Capital Assets-Other, net	65,845

TOTAL NONCURRENT ASSETS	<u>1,092,845</u>
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TOTAL ASSETS	<u>\$1,590,236</u>
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**** LIABILITIES ****

CURRENT LIABILITIES

Accounts Payable	24,044
Prepaid User Fee/Utility Charges	1,082

TOTAL CURRENT LIABILITIES	<u>25,126</u>
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NONCURRENT LIABILITIES

Prepaid Lease Payment	173,246

TOTAL NONCURRENT LIABILITIES	<u>173,246</u>
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TOTAL LIABILITIES	<u>198,372</u>
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**** NET POSITION ****

Net Investment in Capital Assets	1,092,845
Unrestricted Net Position	299,019

TOTAL NET POSITION	<u>1,391,865</u>
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TOTAL LIABILITIES AND NET	<u>\$1,590,236</u>
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The Notes to the Financial Statements are an Integral Part of the Statement.

Burke Gilman Place Public Development Authority
Balance Sheet
December 31, 2016

****** ASSETS ******

CURRENT ASSETS

Cash and cash equivalents	460,467
Accounts Receivable	51,887
Prepaid Expense	<u>776</u>

TOTAL CURRENT ASSETS	<u>513,130</u>
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NONCURRENT ASSETS

Capital Assets-Land	1,027,000
Capital Assets-Other, net	<u>73,921</u>

TOTAL NONCURRENT ASSETS	<u>1,100,921</u>
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TOTAL ASSETS	<u>\$1,614,051</u>
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****** LIABILITIES ******

CURRENT LIABILITIES

Accounts Payable	20,549
Prepaid Utility Charges	<u>464</u>

TOTAL CURRENT LIABILITIES	<u>21,013</u>
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NONCURRENT LIABILITIES

Prepaid Lease Payment	<u>176,454</u>
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TOTAL NONCURRENT LIABILITIES	<u>176,454</u>
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TOTAL LIABILITIES	<u>197,467</u>
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****** NET POSITION ******

Net Investment in Capital Assets	1,100,921
Unrestricted Net Position	<u>315,663</u>

TOTAL NET POSITION	<u>1,416,584</u>
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TOTAL LIABILITIES AND NET POSITION	<u>\$1,614,051</u>
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The Notes to the Financial Statements are an Integral Part of the Statement.

Burke Gilman Place Public Development Authority
Statements of Revenue, Expense, and Change in Net Position
For the Year Ended December 31, 2017

OPERATING REVENUES

User Income-Utilities	\$266,732
Lease Income	53,208
User Fee Income-Regular	4,452

TOTAL OPERATING REVENUE	324,392
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OPERATING EXPENSES

Utility Expense	273,172
Community Payments	40,000
Management Fees	22,352
Depreciation Expense	8,076
Audit/Tax Prep	2,950
Office Expense	2,575
Insurance Expense	1,977
Maintenance and Repairs	1,911

TOTAL OPERATING EXPENSES	353,013

OPERATING INCOME (LOSS)	(28,621)
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NONOPERATING REVENUES (EXPENSES)

Interest income	3,932
Bank Charges	(30)

TOTAL NONOPERATING REVENUES (EXPENSES)	3,902
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CHANGE IN NET POSITION	\$ (24,719)
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Net Position, beginning of year	1,416,585

Net Position, end of year	1,391,565

The Notes to the Financial Statements are an Integral Part of the Statement.

Burke Gilman Place Public Development Authority
Statements of Revenue, Expense, and Change in Net Position
For the Year Ended December 31, 2016

OPERATING REVENUES

User Income-Utilities	\$198,934
Lease Income	53,208
User Fee Income-Special	6,342
User Fee Income-Regular	4,016
	<hr/>

TOTAL OPERATING REVENUE	262,501
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OPERATING EXPENSES

Utility Expense	229,276
Management Fees	21,090
Community Payments	20,000
Depreciation Expense	7,854
Audit/Tax Prep	5,662
Maintenance and Repairs	3,632
Office Expense	2,363
Insurance Expense	1,701
Professional Fees	650
Public Notices/Advertising	284
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TOTAL OPERATING EXPENSES	292,513
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OPERATING INCOME (LOSS)	(30,011)
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NONOPERATING REVENUES (EXPENSES)

Interest income	1,912
Bank Charges	(33)
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TOTAL NONOPERATING REVENUES (EXPENSES)	1,879
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CHANGE IN NET POSITION	\$ (28,132)
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Net Position, beginning of year	1,444,717

Net Position, end of year	1,416,585

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The Notes to the Financial Statements are an Integral Part of the Statement.

Burke Gilman Place Public Development Authority
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flow from Operating Activities	
Receipts from Leases and Users	\$ 327,559
Payments to Suppliers and Others	(344,649)
Net cash Flows from Operating Activities	<u>(17,090)</u>
Cash Flows from Capital and related Financing Activities	
Purchase of Capital Assets	-
Cash Flows From Investing Activates	
Interest Received on Investments	3,932
Bank Charges on Investments	(30)
Net Cash from Investing Activities	<u>3,902</u>
Increase in cash and cash equivalents	(13,188)
Cash and Cash Equivalents-Beginning of the year	<u>460,467</u>
Cash and Cash Equivalents-End of the year	<u><u>\$ 447,279</u></u>

Reconciliation of operating loss to net cash flows from operating activities

Operating Loss	<u>\$ (28,621)</u>
Adjustments to reconcile operating loss to net cash flows from operating activities:	
Depreciation	8,076
Change in operating assets and liabilities:	
Accounts Receivable (net)	3,062
Prepaid/Deferred Expenses	105
Accounts Payable	3,496
Deferred Lease Income	(3,208)
Cash Flows from Operating Activities	<u><u>(17,090)</u></u>

The Notes to Financial Statements are an Integral part of this Statement.

Burke Gilman Place Public Development Authority
Statement of Cash Flows
For the Year Ended December 31, 2016

Cash Flow from Operating Activities	
Receipts from Leases and Users	\$ 271,762
Payments to Suppliers and Others	(305,847)
Net cash Flows from Operating Activities	<u>(34,084)</u>
Cash Flows from Capital and related Financing Activities	
Purchase of Capital Assets	(13,714)
Cash Flows From Investing Activates	
Interest Received on Investments	1,912
Certificate of Deposit converted to 4-week maturities	-
Bank Charges on Investments	(33)
Net Cash from Investing Activities	<u>1,879</u>
Increase in cash and cash equivalents	(45,919)
Cash and Cash Equivalents-Beginning of the year	<u>506,386</u>
Cash and Cash Equivalents-End of the year	<u><u>\$ 460,467</u></u>

Reconciliation of operating loss to net cash flows from operating activities

Operating Loss	<u>\$ (30,011)</u>
Adjustments to reconcile operating loss to net cash flows from operating activities:	
Depreciation	7,854
Change in operating assets and liabilities:	
Accounts Receivable (net)	12,469
Prepaid/Deferred Expenses	(109)
Accounts Payable	(21,080)
Deferred Lease Income	(3,208)
Cash Flows from Operating Activities	<u><u>(34,084)</u></u>

The Notes to Financial Statements are an Integral part of this Statement.

Burke Gilman Place
Public Development Authority

Notes to Financial Statements

NOTE 1- ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Burke Gilman Place Public Development Authority (the “PDA”) is a public authority organized under the laws of the State of Washington for the purpose of managing land known as Burke Gilman Place, a 20-acre site in northeast Seattle, and developing facilities on the property consistent with deed covenants placed on the property by the City of Seattle and the federal government. The PDA has been charged with management of an integrated site combining low and middle-income housing, unassisted housing, health-related housing, and an early childhood education center.

B. Basis of Accounting and Financial Statement Presentation

Basis of Accounting

Due to its business-like operations, the PDA is considered as a stand-alone proprietary entity. The financial statements have been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities (whether current or noncurrent) associated with its activities are included on the Balance Sheet. Revenue is recognized when earned and expenses are recorded when an obligation has been incurred. Capital asset purchases are capitalized.

Financial Statement Presentation

The financial statements are presented in accordance with governmental accounting principles generally accepted in the United States.

C. Assets, Liabilities, and Equities

Cash and Cash Equivalents

For purposes of financial statement presentation, the PDA considers all current asset funds with maturities of three months or less to be cash equivalents.

Accounts receivable

At December 31, 2017, the PDA’s account receivable consisted of user-utility fees. The PDA considers the regular user fees and utility fees balances over 30 days old to be past due and uses the allowance method for recognizing bad debts. The PDA considers the 2017 accounts receivable at year end to be fully collectible in 2018. When an account is deemed uncollectible, it is generally written off against the allowance. There was no allowance necessary at December 31, 2017.

Prepaid Expense

Insurance is paid in full annually and expense monthly over the life of the policy. As of December 31, 2017 the prepaid insurance balance is \$671.

Lease Income

Lease income is recognized during the period the lease takes place. See Advance Lease Payment and Note 5.

User Fees-Regular

The PDA is responsible for maintaining all common areas of Burke Gilman property. The City of Seattle (the "City"), under the Declaration of Covenants, Conditions, and Restrictions, Authorizes the Authority to assess each property user annually for anticipated costs according to a contracted formula.

User Fee – Utilities

The PDA directly pays the City of Seattle for water, sewer and garbage. A third-party vendor bills and collects from each user their portion of the usage. The third-party vendor forwards the funds to the PDA each month representing the current month's collections. Revenue is recognized during the usage period. As of December 31, 2017, User Fee-Utilities accounts receivable is \$49,443. Of the total amount due, \$29,433 is from 2015. It is being determined who is responsible for the cost and will be collected in 2018. See note 6 for details. The PDA pays the Seattle City light for the electricity to run pathway lighting.

User Fee-Special Charges

The PDA periodically engages in special projects for capital improvement or extraordinary expense that may be collected from the users. In 2017, there were no special projects cost to be allocated.

Advance Lease Payment

This represents a lease payment received up front from a ground lease, as further described in Note 5 (Burke Gilman Apartments) and is recognized on a straight-line basis over the lease term.

Capital Assets

Capital assets are defined by the PDA as assets with an initial individual cost of more than \$500 and an estimated life in excess of 5 years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated life is determined using the vendor's recommendation.

The cost of normal maintenance and repairs that do not increase the value of the assets or materially extend asset lives are charged to operating expenses in the year the expense is incurred.

Capital assets are also discussed in Note 4.

Classification of Revenue and Expenses

The PDA distinguishes operating revenue and expense from non-operating items in the preparation of its financial statements according to the following criteria:

Operating – Operating revenue and expenses are generally the result from maintenance and management of the PDA.

Non-operating - All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Net Position

Net Position is comprised of the various net earnings from operating revenue, non-operating revenue and expenses. Net Position is classified in the following two components:

Invested in capital assets-This component of net assets consists of capital assets, net of accumulated depreciation. As of December 31, 2016, the total invested in capital assets, net of accumulated depreciation was \$1,100,921.

Unrestricted-This component of net position consist of assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Income Taxes

As a public governmental entity, the PDA is exempt from Income taxes.

Use of Estimates

The preparation of financial statements in conformity with governmental accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

In 2017, the PDA was in compliance and is unaware of any issues.

NOTE 3-INVESTMENTS

In 2017 the PDA has an account with the Local Government Investment Pool (LGIP). The net earnings rate is 1.2777% as of 12/31/17. As of December 31, 2017, the PDA had \$407,395 in the LGIP account.

The PDA believes the custodial credit risk is extremely low.

NOTE 4-CAPITALASSETS

Description	Balance December 31, 2016	Additions	Decreases	Balance December 31, 2017
Land	\$1,027,000			\$1,027,000
Total Capital Assets not depreciated	1,027,000			1,027,000
Underground Utilities	91,933			91,933
Fence Project 2010	13,846			13,846
Fence Project 2012	11,367			11,367
Pathway Lighting	30,628			30,628
Water Meter 2016	37,551			37,551
Total Other Capital Assets	185,325			185,325
Less: accumulated depreciation for other Improvements	111,404	8,076		119,480
Total Other Capital Assets, net	73,921	- 8,076		73,921
Capital Assets, net	\$1,100,921	\$-8,076	\$0	1,092,845

Land-The PDA land was transferred to the City of Seattle in 1982 under the terms of a Quit Claim Deed from the U.S. Department of Housing and Urban and Development. The City subsequently transferred portions of the property to the PDA and other portions to other entities. The 1982 Quit Claim Deed provided for reversion of the land to the federal government if certain conditions regarding the development and operation of the land were not met. Those conditions were met and the reversion clause expired in 2002.

Given the presence of the reversion clause, prior to 2002 the four PDA-owned parcels were considered to have nominal value. The value for the land for balance sheet purposes is now based on the year of acquisition assessed value as determined by the King County Assessor's Office for each parcel.

NOTE 5-LEASES

Burke-Gilman Apartments

A ground lease executed in 1993 and amended during 1997 for parcels G,H, and I requires the owner of the Burke Gilman Apartments (a tenant of the PDA) to pay the Authority \$50,000 for calendar years 2004 through 2024; and fair market rent with a cost of living escalator every five years for subsequent periods. The rent is payable annually on or before April 1 of each year for the current calendar year. The cost and carrying amount is equal to the parcels land value of \$597,600.

Burke Gilman Gardens

In March 1997, a ground lease was executed for a parcel F in the northeast portion of the Burke -Gilman Place property between Burke-Gilman Place Public Development Authority as landlord and another public development authority, Capitol Hill Housing Improvement Program (CHHIP), as tenant. The lease term is 75 years with one fixed rent payment of \$240,000, which was paid in 1997. Advance lease

payment from this lease was \$173,246 as of December 31, 2017. The cost and carrying amount is equal to the parcel land value of \$429,400.

Simultaneously, a sublease was executed from CHHIP to TCC, a nonprofit corporation. CHHIP built the education center where TCC conducts its operations.

NOTE 6-SPECIAL ITEMS

In late 2012, an analysis of the shared utility expense and reimbursement was performed. It was discovered that the PDA was being reimbursed for less than 100% of its cost. The third-party process of gathering data was analyzed. This process found that the consumption indicated by the individual sub-meters was less than that indicated by the City of Seattle main water meter servicing the property. Following an investigation of the sub-meter operation/ calibration, it was determined in 2015 that replacement of the sub-meters was necessary. A total replacement of sub-meters was initiated in 2015 and completed in 2016.

Burke Gilman Place
Public Development Authority

Notes to Financial Statements

NOTE 1- ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Burke Gilman Place Public Development Authority (the “PDA”) is a public authority organized under the laws of the State of Washington for the purpose of managing land known as Burke Gilman Place, a 20-acre site in northeast Seattle, and developing facilities on the property consistent with deed covenants placed on the property by the City of Seattle and the federal government. The PDA has been charged with management of an integrated site combining low and middle-income housing, unassisted housing, health-related housing, and an early childhood education center.

B. Basis of Accounting and Financial Statement Presentation

Basis of Accounting

Due to its business-like operations, the PDA is considered as a stand-alone proprietary entity. The financial statements have been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities (whether current or noncurrent) associated with its activities are included on the Balance Sheet. Revenue is recognized when earned and expenses are recorded when an obligation has been incurred. Capital asset purchases are capitalized.

Financial Statement Presentation

The financial statements are presented in accordance with governmental accounting principles generally accepted in the United States.

C. Assets, Liabilities, and Equities

Cash and Cash Equivalents

For purposes of financial statement presentation, the PDA considers all current asset funds with maturities of three months or less to be cash equivalents.

Accounts receivable

At December 31, 2016, the PDA’s account receivable consisted of user-utility fees and special project receivable. The PDA considers the regular user fees and utility fees balances over 30 days old to be past due and uses the allowance method for recognizing bad debts. The PDA considers the 2016 accounts receivable at year end to be fully collectible in 2017. When an account is deemed uncollectible, it is generally written off against the allowance. There was no allowance necessary at December 31, 2016.

Prepaid Expense

Insurance is paid in full annually and expense monthly over the life of the policy. As of December 31, 2016 the prepaid insurance balance is \$776.

Lease Income

Lease income is recognized during the period the lease takes place. See Advance Lease Payment and Note 5.

User Fees-Regular

The PDA is responsible for maintaining all common areas of Burke Gilman property. The City of Seattle (the "City"), under the Declaration of Covenants, Conditions, and Restrictions, Authorizes the Authority to assess each property user annually for anticipated costs according to a contracted formula.

User Fee – Utilities

The PDA directly pays the City of Seattle for water, sewer and garbage. A third party vendor bills and collects from each user their portion of the usage. The third party vendor forwards the funds to the PDA each month representing the current month's collections. Revenue is recognized during the usage period. As of December 31, 2016, User Fee-Utilities accounts receivable is \$51,886. The PDA pays the Seattle City light for the electricity to run pathway lighting. In late 2012, a discrepancy in water usage was detected between total consumption and the sum total of the user's charges. Following an investigation of the sub-meter operation/ calibration, it was determined in 2015 that replacement of the sub-meters was necessary. Complete replacement of all sub-meters was accomplished in 2016 - see Note 6.

User Fee-Special Charges

The PDA periodically engages in special projects for capital improvement or extraordinary expense that may be collected from the users. In 2015, water meters replacements were initiated. The final installation will be completed early 2016. The users will be responsible for one half of the cost. The user portion for the 2016 water meter cost is \$6,342. (final payment).

Advance Lease Payment

This represents a lease payment received up front from a ground lease, as further described in Note 5 (Burke Gilman Apartments), and is recognized on a straight line basis over the lease term.

Capital Assets

Capital assets are defined by the PDA as assets with an initial individual cost of more than \$500 and an estimated life in excess of 5 years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated life is determined using the vendor's recommendation.

The cost of normal maintenance and repairs that do not increase the value of the assets or materially extend asset lives are charged to operating expenses in the year the expense is incurred.

Capital assets are also discussed in Note 4.

Classification of Revenue and Expenses

The PDA distinguishes operating revenue and expense from non-operating items in the preparation of its financial statements according to the following criteria:

Operating – Operating revenue and expenses are generally the result from maintenance and management of the PDA.

Non-operating - All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Net Position

Net Position is comprised of the various net earnings from operating revenue, non-operating revenue and expenses. Net Position is classified in the following two components:

Invested in capital assets-This component of net assets consists of capital assets, net of accumulated depreciation. As of December 31, 2016, the total invested in capital assets, net of accumulated depreciation was \$1,100,921.

Unrestricted-This component of net position consist of assets that do not meet the definition of “restricted” or “ invested in capital assets, net of related debt.”

Income Taxes

As a public governmental entity, the PDA is exempt from Income taxes.

Use of Estimates

The preparation of financial statements in conformity with governmental accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

In 2016, the PDA was in compliance and is unaware of any issues.

NOTE 3-INVESTMENTS

In 2016 the PDA has an account with the Local Government Investment Pool (LGIP). The net earnings rate is 0.5075% as of 12/31/16. As of December 31, 2016, the PDA had \$403,495 in the LGIP account.

The PDA believes the custodial credit risk is extremely low.

NOTE 4-CAPITAL ASSETS

Description	Balance December 31, 2015	Additions	Decreases	Balance December 31, 2016
Land	\$1,027,000			\$1,027,000
Total Capital Assets not depreciated	1,027,000			1,027,000
Underground Utilities	91,933			91,933
Fence Project 2010	13,846			13,846
Fence Project 2012	11,367			11,367
Pathway Lighting	30,628			30,628
Water Meter 2016	23,837	13,714		37,551
Total Other Capital Assets	171,611	13,714		185,325
Less: accumulated depreciation for other Improvements	103,550	7,854		111,404
Total Other Capital Assets, net	68,061	5,860		73,921
Capital Assets, net	\$1,095,061	\$5,860	\$0	1,100,921

Land-The PDA land was transferred to the City of Seattle in 1982 under the terms of a Quit Claim Deed from the U.S. Department of Housing and Urban and Development. The City subsequently transferred portions of the property to the PDA and other portions to other entities. The 1982 Quit Claim Deed provided for reversion of the land to the federal government if certain conditions regarding the development and operation of the land were not met. Those conditions were met and the reversion clause expired in 2002.

Given the presence of the reversion clause, prior to 2002 the four PDA-owned parcels were considered to have nominal value. The value for the land for balance sheet purposes is now based on the year of acquisition assessed value as determined by the King County Assessor's Office for each parcel.

In 2015, the water meter replacement project was initiated and completed in 2016.

NOTE 5-LEASES

Burke-Gilman Apartments

A ground lease executed in 1993 and amended during 1997 for parcels G,H, and I requires the owner of the Burke Gilman Apartments (a tenant of the PDA) to pay the Authority \$50,000 for calendar years 2004 through 2024; and fair market rent with a cost of living escalator every five years for subsequent periods. The rent is payable annually on or before April 1 of each year for the current calendar year. The cost and carrying amount is equal to the parcels land value of \$597,600.

Burke Gilman Gardens

In March 1997, a ground lease was executed for a parcel F in the northeast portion of the Burke-Gilman Place property between Burke-Gilman Place Public Development Authority as landlord and another public development authority, Capitol Hill Housing Improvement Program (CHHIP), as tenant. The lease term is 75 years with one fixed rent payment of \$240,000, which was paid in 1997. Advance lease payment from this lease was \$176,454 as of December 31, 2016. The cost and carrying amount is equal to the parcel land value of \$429,400.

Simultaneously, a sublease was executed from CHHIP to TCC, a nonprofit corporation. CHHIP built the education center where TCC conducts its operations.

NOTE 6-SPECIAL ITEMS

In late 2012, an analysis of the shared utility expense and reimbursement was performed. It was discovered that the PDA was being reimbursed for less than 100% of its cost. The third party process of gathering data was analyzed. This process found that the consumption indicated by the individual sub-meters was less than that indicated by the City of Seattle main water meter servicing the property. Following an investigation of the sub-meter operation/ calibration, it was determined in 2015 that replacement of the sub-meters was necessary. A total replacement of sub-meters was initiated in 2015 and completed in 2016.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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