



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

**Financial Statements and Federal Single Audit  
Report**

**Spokane Housing Authority**

**Spokane County**

**For the period July 1, 2015 through December 31, 2016**

**Published September 25, 2017**

**Report No. 1019873**





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

September 25, 2017

Board of Commissioners  
Spokane Housing Authority  
Spokane, Washington

**Report on Financial Statements and Federal Single Audit**

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

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Spokane Housing Authority  
Spokane County  
July 1, 2015 through December 31, 2016**

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the business-type activities and the aggregate discretely presented component units in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### Internal Control over Financial Reporting:

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

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

#### Federal Awards

##### Internal Control over Major Programs:

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

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

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

### **Identification of Major Federal Programs:**

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

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

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$1,319,362.

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

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

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

**Spokane Housing Authority  
Spokane County  
July 1, 2015 through December 31, 2016**

Board of Commissioners  
Spokane Housing Authority  
Spokane, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Spokane Housing Authority, Spokane County, Washington, as of and for the eighteen-month period ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated September 13, 2017. As discussed in Note 3 to the financial statements, during the year ended December 31, 2016, the Housing Authority elected to change its fiscal year end from June 30 to December 31.

Our report includes a reference to other auditors who audited the financial statements of Cornerstone II – The Borning Building Limited Partnership, Cornerstone II – Helena Apartments Limited Partnership, Martindale Apartments Limited Partnership, Parsons Limited Liability Limited Partnership and Cedar Haven Limited Liability Limited Partnership – Cedar West and Woodhaven Apartments (the Partnerships), as described in our report on the Housing Authority's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Partnerships were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these Partnerships.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority's internal control or on compliance. This report is an integral part of an

audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

September 13, 2017



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

**Spokane Housing Authority  
Spokane County  
July 1, 2015 through December 31, 2016**

Board of Commissioners  
Spokane Housing Authority  
Spokane, Washington

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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

### **Opinion on Each Major Federal Program**

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

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

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

### **Purpose of this Report**

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

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

Pat McCarthy

State Auditor

Olympia, WA

September 13, 2017

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Spokane Housing Authority Spokane County July 1, 2015 through December 31, 2016**

Board of Commissioners  
Spokane Housing Authority  
Spokane, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Spokane Housing Authority, Spokane County, Washington, as of and for the eighteen-month period ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 16.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Partnerships were not audited in accordance with *Governmental Auditing Standards*.

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

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

## **Opinion**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Spokane Housing Authority, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the eighteen-month period then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis Regarding Change in Fiscal Year End**

As discussed in Note 3 to the financial statements, during the year ended December 31, 2016, the Housing Authority elected to change its fiscal year end from June 30 to December 31. Due to this change in fiscal year end, the Housing Authority's financial results present an eighteen-month period ending December 31, 2016. Our opinion is not modified with respect to this matter.

## 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 17 through 28 and pension plan information on pages 69 through 71 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 and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

The combining statements for the Housing Authority's programs and tax credit partnerships are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the

audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2017 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy

State Auditor

Olympia, WA

September 13, 2017

## **FINANCIAL SECTION**

**Spokane Housing Authority  
Spokane County  
July 1, 2015 through December 31, 2016**

### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2016

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2016

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

Statement of Cash Flows – 2016

Notes to Financial Statements – 2016

### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportional Share of the Net Pension Liability – 2016

Schedule of Employer Contribution – 2016

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2016

Notes to the Schedule of Expenditures of Federal Awards – 2016

Supplemental Financial Data Schedules – 2016

Actual Modernization Cost Certificate –WA19PO55501-13

Combining Statement of Net Position – 2016

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

Combining Statement of Cash Flows – 2016

Combining Statement of Net Position – Component Units – 2016

Combining Statement of Revenues, Expenses and Changes in Net Position – Component  
Units – 2016

Combining Statement of Cash Flows – Component Units – 2016



# Spokane Housing Authority, Spokane County, Washington

## Management's Discussion and Analysis

For the Eighteen-Month Period Ended December 31, 2016

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The Spokane Housing Authority ("SHA" or the "Authority") is pleased to present its basic financial statements for the eighteen-month period ended December 31, 2016 which have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). GAAP requires the inclusion of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The basic financial statements provide both long-term and short-term information about the Authority's overall financial condition. The basic financial statements also include notes that provide additional information and more detailed data.

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

This narrative overview and analysis of the Authority's financial performance during the eighteen-month period ended December 31, 2016 with comparative data for the year ended June 30, 2015 is provided as a supplement to SHA's basic financial statements. It is presented in conformance with the Government Accounting Standards Board (GASB) financial reporting model as set forth in GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. The Authority changed its fiscal year-end date from June to December for the year beginning July 1, 2015. Therefore, the reporting period for this report reflects an eighteen-month period beginning July 1, 2015 through December 31, 2016.

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

### FINANCIAL HIGHLIGHTS

- Total net position increased by \$10.9 million from June 30, 2015 to December 31, 2016. When annualizing 2016 revenues and expenses to a twelve-month period for comparative purposes, the Authority experienced an increase of \$4.5 million in operating revenues and capital contributions while operating expenses increased by \$.9 million, and nonoperating revenues increased by \$5 million. The primary reason for favorable increases in revenues was a result of developer fees earned on the rehabilitation of three affordable housing apartment buildings and the net gain realized on the sale of the same complexes to tax credit limited partnerships in which the Authority is the general partner.
- Assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources at December 31, 2016 by \$10.6 million (net position), representing an increase of \$10.9 million over June 30, 2015. Of this amount approximately \$10.6 million (unrestricted net position) may be used to meet ongoing obligations, (\$1.9 million) is invested in capital assets net of related debt and \$1.9 million is restricted as to its allowable usage.
- The Authority's current ratio that measure liquidity increased during the period from 3.56 to 6.34. Current assets increased by \$3.8 million as a result of higher cash balances from receipts of developer fees and sales proceeds and from HUD Section 8 subsidies in the amount of \$2.3 million for January 2017 received in December 2016. This transaction also significantly increased deferred inflows of resources. Current liabilities only decreased by 3.64% or \$54 thousand during the period from typical fluctuations in accounts payable.
- Noncurrent assets increased significantly from June 30, 2015 to December 31, 2016 by \$9.8 million. This is the result of \$10.4 million in seller financed notes and developer fees notes, including interest receivable on the notes, issued to tax credit component units from the sale and rehabilitation of three affordable housing properties previously owned by the Authority.
- Capital assets decreased by \$5.3 million or 29.14% primarily from the sale of three affordable housing properties to unaffiliated non-profits and three additional affordable housing properties to tax credit component units. Recognition of depreciation on capital assets also contributes to the decrease.

# Spokane Housing Authority, Spokane County, Washington

## Management's Discussion and Analysis

For the Eighteen-Month Period Ended December 31, 2016

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- The Authority's noncurrent liabilities decreased by \$3.6 million or 15.4% over the reporting period. The reduction stemmed primarily from the payoffs of revenue bonds for Cedar West and Woodhaven Apartments, assignment of the Newark Apartment's note to the purchaser, and the payoff of the Authority's development line of credit. The reduction was offset by a note that was acquired from Spokane County to finance rehabilitation of 11 units to ADA standards at Valley 206 Apartments.

### OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Authority's basic financial statements are comprised of two components: 1) the basic financial statements and 2) notes to the basic financial statements that provide additional information and more detailed data.

- **Statement of Net Position** - present the assets, liabilities, deferred outflows of resources, deferred inflows of resources and net position of the Authority at the end of the fiscal year. The difference between the total assets and deferred outflow of resources and the total liabilities and deferred inflow of resources equals the Authority's net position. Assets and liabilities are presented in the order of liquidity and are classified as "current" (convertible to cash within one year) and "noncurrent". Over time, increases or decreases in net position may serve as useful indicators of the Authority's financial health.
- **Statement of Revenues, Expenses, and Changes in Net Position** - present information showing how the Authority's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported for some items that will only result in cash flows in future years.
- **Statement of Cash Flows** report how the Authority's cash and cash equivalents were used in and provided by its operating, noncapital financing, capital and related financing, and investing activities during the period reported. The net of these activities is added to the beginning year cash balance to reconcile to the cash and cash equivalents balances as of December 31, 2016. The Authority uses the direct method of presenting cash flows, which includes a reconciliation of operating activities to operating income. These statements provide answers to such questions as where did cash come from, how was cash used, and what was the change in the cash balance during the year.
- **Notes to the Basic Financial Statements** provide financial statement disclosures that are an integral part of the basic financial statements. Such disclosures are essential to a comprehensive understanding of the information provided in the basic financial statements.

# Spokane Housing Authority, Spokane County, Washington

## Management's Discussion and Analysis

For the Eighteen-Month Period Ended December 31, 2016

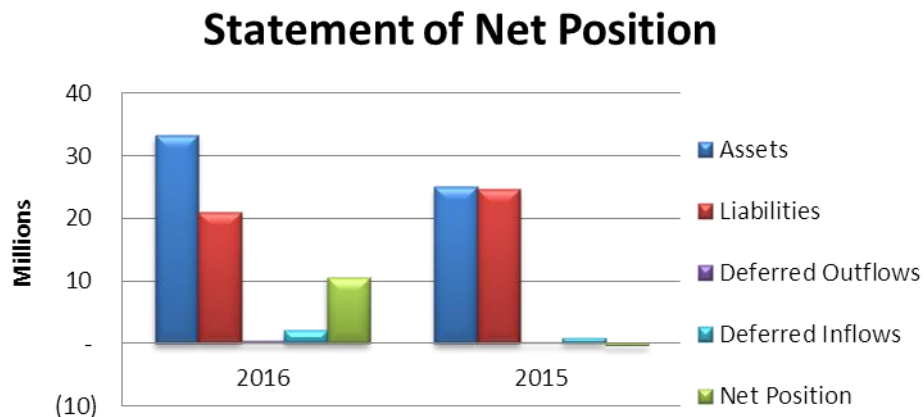
### FINANCIAL ANALYSIS

#### Statement of Net Position

The following table summarizes the Statement of Net Position as of December 31, 2016 and June 30, 2015:

	December 31, 2016	June 30, 2015
<b>Assets</b>		
Current Assets, Unrestricted	\$ 5,632,197	\$ 4,959,167
Other Current Assets, Restricted	3,481,725	353,361
Noncurrent Assets, Restricted	695,658	1,357,614
Other Noncurrent Assets	10,629,329	123,048
Capital Assets, Net	12,907,986	18,216,318
Total Assets	33,346,895	25,009,508
<b>Deferred Outflows of Resources</b>	456,949	235,129
<b>Liabilities</b>		
Current Liabilities	1,437,249	1,491,558
Long-term Liabilities	19,606,445	23,182,388
Total Liabilities	21,043,694	24,673,946
<b>Deferred Inflows of Resources</b>	2,203,236	915,730
<b>Net Position</b>		
Net Investment in Capital Assets	(1,928,325)	(2,060,043)
Restricted	1,934,084	1,491,366
Unrestricted	10,551,155	223,638
Total Net Position	\$ 10,556,914	\$ (345,039)

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



# Spokane Housing Authority, Spokane County, Washington

## Management's Discussion and Analysis

For the Eighteen-Month Period Ended December 31, 2016

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The statement of net position presents the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position of the Authority at the end of the fiscal year. The purpose of the statement of net position is to give the financial statement readers a snapshot of the fiscal condition of the Authority as of a certain point in time.

Total assets of the Authority at December 31, 2016 and June 31, 2015 amounts to \$33.3 million and \$25 million, respectively, an increase of approximately 33.3%. The significant components of current assets are unrestricted cash, receivables, inventories, prepaid items, current receivables from partnerships, and restricted cash. Capital assets include land, buildings, equipment, leasehold improvements, construction in progress and intangible assets. All capital assets except for land and construction in progress are shown net of accumulated depreciation. The primary changes in assets from June 30, 2015 to December 31, 2016 were increases to cash and long term notes receivable, and decreases to capital assets. Increases in cash were the result of receipts of developer fees and sales proceeds and from HUD Section 8 subsidies in the amount of \$2.3 million for January 2017 received in December 2016. Increases in long term notes receivable is the result of \$10.4 million in seller financed notes and developer fee notes, including interest receivable on the notes, issued to tax credit component units from the sale and rehabilitation of three affordable housing properties previously owned by the Authority. The reduction in capital assets is primarily from the sale of three affordable housing properties to unaffiliated non-profits and three additional affordable housing properties to tax credit component units. Recognition of depreciation on capital assets also contributes to the decrease.

Total liabilities of the Authority were \$21 million and \$24.7 million at December 31, 2016 and June 30, 2015, respectively, representing a decrease of \$3.6 million or 14.7%. Current liabilities include accounts payable, tenant security deposits payable, accrued liabilities, unearned revenue, and current portions of long term debt. A liability is considered to be current if it is due within one year. Current liabilities have decreased slightly during the period by \$54 thousand from fluctuations primarily a result of the timing of payments to vendors and other government entities. Noncurrent liabilities are primarily made up of the long term portion of notes and bonds payable along with their accrued interest, net pension liability, and other accrued long term liabilities. Noncurrent liabilities decreased by \$3.6 million or 15.4% from June 30, 2015 to December 31, 2016. The reduction was primarily from the payoffs of revenue bonds and assignments of notes in connection with the sale of six properties over the period.

Deferred outflows of resources and deferred inflows of resources are primarily related to pensions as a result of the adoption of Government Accounting Standards Board (GASB) Statement No. 68, *Financial Reporting for Pensions – an amendment of GASB No. 27*, and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, which require governments participating in pension plans for their employees to record their share of net pension liabilities. The deferred outflows of resources primarily relate to contributions made by the Authority subsequent to the measurement date of the collective net pension liability, and deferred inflows of resources primarily relate to the difference between projected and actual earnings on the plan investments. During the period, the Authority's proportionate share of pension related deferred outflows increased by \$222 thousand and pension related deferred inflows decreased by \$785 thousand. However, for December 2016, an additional deferred inflow was realized for \$2.1 million relating to HUD Section 8 Housing Assistance subsidy (not including administrative subsidies) that were for January 2017 but received in December 2016. These resources received are considered deferred inflows as they were received before time requirements were met, but after all other eligibility requirements, per GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Net position represents the Authority's equity, a portion of which is restricted for certain uses. Net position is divided into three major categories. The first category, net investment in capital assets, represents the Authority's equity in land, buildings, construction in progress, and equipment, net of related capital debt outstanding. The second category, restricted net position, has external limitations on the way in which these assets can be used. The last category, unrestricted net position, is available to be used for any lawful and prudent Authority purpose. Unrestricted net position increased by \$10.3 million during the period from \$224 thousand to \$10.6 million. This was primarily the result of developer fees earned on the rehabilitation of three affordable housing apartment buildings and the net gain realized on the sale of the same complexes to tax credit limited partnerships in which the Authority is the general partner. The following table presents details regarding the changes in unrestricted net position during the year:

# Spokane Housing Authority, Spokane County, Washington

## Management's Discussion and Analysis

For the Eighteen-Month Period Ended December 31, 2016

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Unrestricted Net Position - June 30, 2015	\$ 223,638
Change in Net Position	10,901,953
Adjustments:	
Depreciation (1)	<u>2,393,481</u>
Adjusted Change in Net Position	13,295,434
Payments on Capital Asset Long-Term Debt Borrowings	(5,328,516)
Additions to Capital Asset Long-Term Debt Borrowings	416,944
Modification of Debt Security to Pledge of General Revenues	(528,478)
Capital Asset Additions	(1,399,293)
Capital Asset Disposals	4,314,144
Decrease in Restricted Net Position	<u>(442,718)</u>
Unrestricted Net Position - December 31, 2016	<u><u>\$ 10,551,155</u></u>

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

# Spokane Housing Authority, Spokane County, Washington

## Management's Discussion and Analysis

For the Eighteen-Month Period Ended December 31, 2016

### Revenues, Expenses and Changes in Net Position

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

	(18 months) December 31, 2016	(12 months) December 31, 2016 Annualized*	(12 months) June 30, 2015
<b>Operating Revenues:</b>			
Government Grants	\$ 43,409,655	\$ 28,939,770	\$ 26,925,466
Tenant Revenue	6,548,623	4,365,749	4,333,509
Other Operating Revenue	4,805,060	3,203,373	901,379
Total Operating Revenues	54,763,338	36,508,892	32,160,354
<b>Operating Expenses:</b>			
Administrative	5,621,981	3,747,987	3,577,606
Utilities	1,044,557	696,371	748,757
Ordinary Maintenance and Operations	2,921,674	1,947,783	1,749,933
Housing Assistance payments	38,328,189	25,552,126	24,937,555
General Expenses	542,933	361,955	389,294
Depreciation	2,393,481	1,595,654	1,622,372
Total Operating Expenses	50,852,815	33,901,877	33,025,517
Operating Income	3,910,523	2,607,015	(865,163)
<b>Nonoperating Revenues (Expenses):</b>		-	
Gain on Capital Asset Disposition	7,958,951	5,305,967	165,972
Interest and Investment Income	304,730	203,153	15,849
Interest Subsidy	198,948	132,632	101,521
Interest Expense	(1,801,147)	(1,200,765)	(1,146,024)
Total Nonoperating Revenue (Expenses)	6,661,482	4,440,988	(862,682)
Income (Loss) Before Contributions	10,572,005	7,048,003	(1,727,845)
Capital Contributions	329,948	219,965	64,240
Change in Net Position	10,901,953	7,267,969	(1,663,605)
Net Position, Beginning of Year	(345,039)	(345,039)	4,086,636
Adjustments	-	-	(2,768,070)
Net Position, End of Year	\$ 10,556,914	\$ 6,922,930	\$ (345,039)

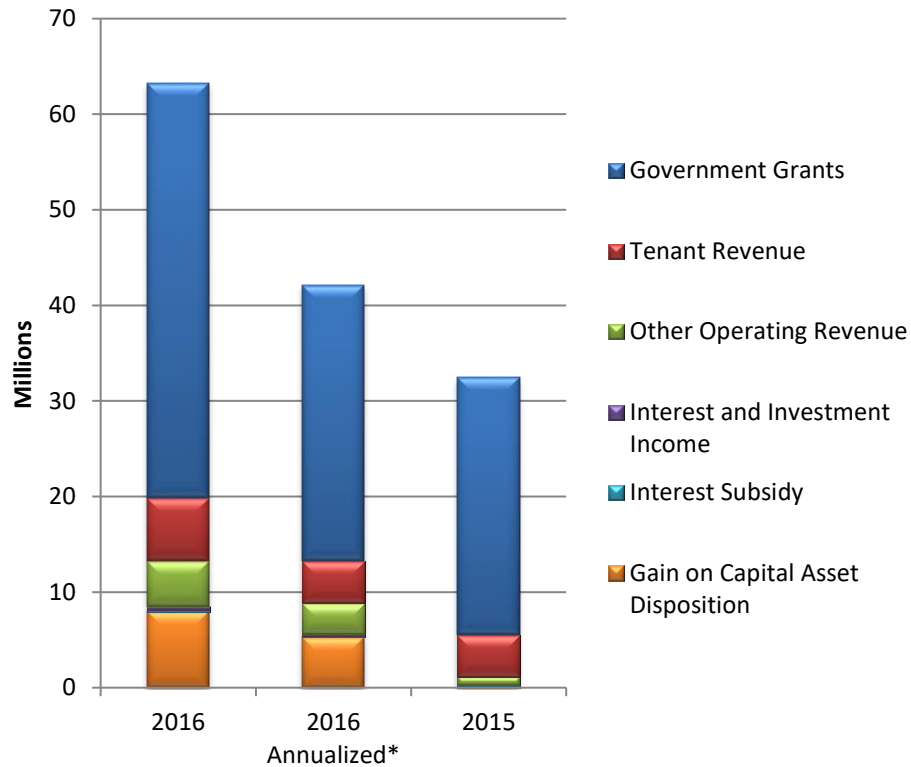
\* This column does not provide actual results and is only provided for comparative purposes due to the eighteen-months ended December 31, 2016 being an eighteen-month period. The numbers in this column were calculated by dividing the eighteen-months ended December 31, 2016 by 18 (months) then by multiplying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

# Spokane Housing Authority, Spokane County, Washington

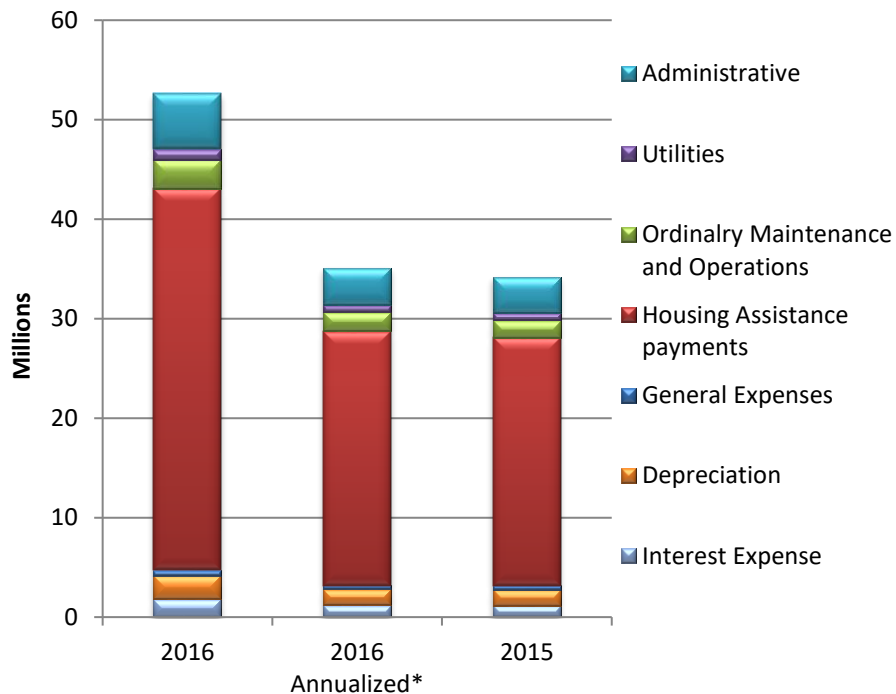
## Management's Discussion and Analysis

For the Eighteen-Month Period Ended December 31, 2016

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



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



# Spokane Housing Authority, Spokane County, Washington

## Management's Discussion and Analysis

For the Eighteen-Month Period Ended December 31, 2016

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

The statement of revenues, expenses, and changes in net position reflects the eighteen-month period ended December 31, 2016 compared to the twelve month period ending June 30, 2015. An additional column annualizing the eighteen-month period into a twelve month period for comparative purposes was added. This column does not provide actual results and is only provided for comparative purposes. The numbers in this column were calculated by dividing the eighteen-months ended December 31, 2016 by 18 (months) then by multiplying the result by 12 (months).

When comparing the annualized December 31, 2016 to the June 30, 2015, overall, operating revenues increased by approximately 13.5% or \$4.3 million; operating expenses increased by 2.7% or approximately \$880 thousand; net nonoperating revenues increased by \$5.3 million; and capital contributions increased by \$156 thousand. Net position increased by \$10.9 million from June 30, 2015 to December 31, 2016.

The favorable increases in operating revenues was primarily a result of developer fees earned on the rehabilitation of the Cedar West Apartments, Woodhaven Apartments, and Parsons Apartments. Developer fees of over \$3 million were earned during the period. Increases in subsidies for housing assistance payments and grant funds also contributed to the increase in operating revenues.

The most significant increase in operating expenses was the increase in housing assistance payment expense of approximately \$600 thousand. Housing assistance payments increased due to higher voucher payment standards compared to 2015 and higher utilization. In addition, administrative expenses increased by approximately 4.8% or 170 thousand and ordinary maintenance and operations increased by 11.3% or \$200 thousand during the period.

Nonoperating revenues (expenses) increased by approximately \$5.1 million during the period. The most significant increase was realized as gains on capital asset dispositions. Cedar West Apartments and Woodhaven Apartments were sold to the Cedar Haven LLLP component unit; Parsons Apartments was sold to the Parsons LLLP component unit; Sharon Lord Apartments, Courtview Apartments, and Newark Apartments were sold to non-affiliated non-profits. Investment income rose by approximately \$187 thousand from interest earned on seller financing and sponsor notes issued by the Authority to components units during the period.

Capital contributions for the eighteen-month period ended December 31, 2016 were made up of \$100 thousand in Community Development Block grant funds and \$230 thousand from Public Housing capital grants for minor capital replacements needed.



# Spokane Housing Authority, Spokane County, Washington

## Management's Discussion and Analysis

For the Eighteen-Month Period Ended December 31, 2016

### Capital Assets

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

	December 31, 2016	June 30, 2015
Land	\$ 2,080,439	\$ 2,716,539
Buildings	19,834,614	27,963,132
Equipment - Dwellings	1,242,570	1,516,802
Equipment - Administration	529,946	613,397
Leasehold Improvements	4,388,472	5,371,003
Construction In Progress	526,511	56,557
Intangible Assets	151,060	39,875
Total Capital Assets	28,753,612	38,277,305
Less Accumulated Depreciation	(15,845,626)	(20,060,987)
Total Capital Assets	\$ 12,907,986	\$ 18,216,318

At December 31, 2016, the Authority had \$12,907,986 in capital assets, which represents a decrease of \$5.3 million or 29% during the eighteen-month period. The decrease was primarily the result of the sale of six affordable apartment complexes during the period. Three of the complexes were sold to tax credit partnerships of which the Authority is the general partner and three small properties were sold to non-affiliated non profits as they were determined to be outside the parameters set by the Authority's Board for property management/ownership goals for the portfolio. The following reconciliation summarizes the change in capital assets from June 30, 2015 to December 31, 2016.

Balance at June 30, 2015	\$ 18,216,318
Additions	1,399,293
Transfers/Retirements - Net	(4,314,144)
Depreciation Expense	(2,393,481)
Total Capital Assets	\$ 12,907,986

Note 8 and 9 to the Authority's basic financial statements provides additional detail regarding the changes in capital assets during the period.

# Spokane Housing Authority, Spokane County, Washington

## Management's Discussion and Analysis

For the Eighteen-Month Period Ended December 31, 2016

### Outstanding Debt

As of December 31, 2016 the Authority had outstanding debt of \$15,351,432, a decrease of approximately \$4.9 million. SHA's outstanding debt is summarized in the table below:

	December 31, 2016	June 30, 2015
<b>Revenue Bonds:</b>		
Cedar West Apartments	\$ -	\$ 1,985,000
Heritage Heights Apartments	1,605,087	1,657,387
Valley 206 Apartments	7,522,434	7,909,791
Westfall Village Apartments	2,919,381	3,014,507
Woodhaven Apartments	-	2,351,026
<b>Promissory Notes:</b>		
Authority Office Building	362,862	395,133
Hifumi En Apartments (2014)	408,924	444,973
Development Line of Credit	-	108,290
<b>Deferred and Other Debt:</b>		
Heritage Heights Apartments	200,000	200,000
Westfall Village Apartments	350,000	350,000
Valley 206 Apartments	409,512	
SHA - Cedar West Apartments	528,478	528,477
Courtview Apartments	-	120,734
Hifumi En Apartments	1,044,754	1,037,323
Newark Apartments	-	152,000
	<u>\$ 15,351,432</u>	<u>\$ 20,254,641</u>

The Authority typically issues various types of debt obligations to finance the acquisition and construction of assets. During the eighteen-month period ended December 31, 2016, the Authority had the following significant changes in outstanding debt.

- Cedar West Apartments Housing Revenue bond and Woodhaven Apartments Housing Revenue bonds were paid in full on September 30, 2016 upon sale of the property to Cedar Haven LLLP.
- The Development Line of Credit with U.S. Bank was paid in full in February 2016 and was not renewed in March 2016.
- An intergovernmental loan from Spokane County funded from HUD's Home program was issued to the Authority for \$409,512 for the conversion of eleven units at Valley 206 Apartments to accessible units for the disabled. units.
- The State of Washington Department of Commerce intergovernmental loan for Courtview Apartments was paid in full upon the sale of the property in July 2016.
- The Intergovernmental loan from the State of Washington Department of Commerce for Newark Apartments for \$152,000 was assigned over to the purchaser of the property in July 2015.

All debt service payments were made during the eighteen-month period ended December 31, 2016 as scheduled and on time. Additional information on SHA's outstanding debt can be found in Note 11 of the notes to the financial statements.

# Spokane Housing Authority, Spokane County, Washington

## Management's Discussion and Analysis

For the Eighteen-Month Period Ended December 31, 2016

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### ECONOMIC FACTORS AFFECTING SHA'S FUTURE

The majority of SHA's funding is from HUD in the form of operating subsidies, capital fund grants, Housing Choice Vouchers, and other various grants. The Authority earned \$43 million in federal dollars for its operating programs and \$330 thousand for its capital projects. HUD funding is dependent on congressional appropriations and related budget priorities. Therefore Federal appropriation levels for HUD programs continue to have a major impact on the Authority's budget.

The Authority has successfully weathered the challenges to date of federal budget reduction to non-defense discretionary funding resulting from the approximate \$2 trillion in federal budget cuts to discretionary programs required over a ten year period under the Budget Control Act of 2011 and Sequestration. Congress had enacted a reprieve from Sequestration for 2014 and 2015, and as a result the Authority experienced improvements in federal funding through 2016. As of the date of these financial statements, Congress had recently completed passage of the 2017 budget; results are expected to be more favorable for the Authority than a full continuing resolution. However, there is considerable uncertainty on the future federal appropriations under the new administration. Nonetheless, the Authority expects to maintain current service and program levels through 2017 and is well-positioned to respond to moderate changes in the federal budget in 2018.

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

- The Public Housing Program operating subsidy was funded by HUD at 90.21% of the Authority's eligibility for the calendar year 2016 and 85.36% for calendar year 2015. As of the date of these financial statements calendar year 2017 funding is at 92.40%.
- The administrative portion of the HCV Program funding was funded at 83.86% of eligibility during calendar year 2016 and funded at 81.6% of eligibility for 2015. As of the date of these financial statements the calendar year 2017 funding is at 74.3% of eligibility.
- The Housing Choice Voucher Housing Assistance Payment funding was funded at 100% of eligibility in 2016 and 100% of eligibility in 2015. Currently funding at 97% of eligibility for 2017.

The Authority continues to pursue its strategy to strengthen its' overall net position by converting the ownership structure on several of its apartment complexes within its portfolio from Authority owned to ownership by limited partnership with the Authority as general managing partner using the Low Income Housing Tax Credit program. The federal income tax credits awarded under the Low Income Tax Credit program allow the limited partnerships to receive equity contributions to fund redevelopment activities and reduce dependency on HUD financing. In September 2015, the Authority converted and sold the Cedar West Apartments and Woodhaven Apartments to Cedar Haven LLLP with the Authority as general managing partner using the Low Income Housing Tax Credit program. In January 2016, the Authority sold its Parsons Apartments Public Housing property to Parsons Apartments LLLP with the Authority as general managing partner utilizing the Low Income Housing Tax Credit Program and converted it to a project-based Section 8 funded project under the Rental Assistance Demonstration (RAD) program. The RAD program allow for leveraging of private capital to meet physical needs of public housing properties. In May of 2016, the Authority received from HUD a Commitment to enter into a Housing Assistance Payment (CHAP) for the remaining 74 of its public housing units. The Authority expects to convert the HUD operating subsidy on its' remaining 74 public housing units to project based funding under the RAD program, and transfer the RAD funding to other units within the Authority's portfolio or to a non-affiliate non-profit affordable housing project. Once the subsidy is converted, the Authority plans to sell the remaining 74 scattered sites single family units and use the proceeds to turn 74 units into 250 units by acquiring or constructing a new affordable housing project. The Authority is expecting to also be closing on another Low Income Tax Credit conversion of three of its' affordable housing projects in July 2017, known as the Wilbur and Cook Portfolio Project.

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

# **Spokane Housing Authority, Spokane County, Washington**

## **Management's Discussion and Analysis**

**For the Eighteen-Month Period Ended December 31, 2016**

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The Authority continues to monitor congressional budgetary developments, however it is anticipated that most HUD programs will continue to see decreases in renewal funding including the Housing Choice Voucher Program, which is the Authority's largest program, serving over 5,200 households. Strategic focus of maintaining and strengthening existing programs and seeking long term solutions to the decline in federal support while providing housing for low-income residents is continuing.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide the reader with a general overview of the Authority's finances and to demonstrate the Authority's financial accountability over its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer/Deputy Director of the Spokane Housing Authority. The Authority's offices are located at 55 W. Mission Avenue, Spokane, WA 99201.

**Spokane Housing Authority, Spokane County, Washington**  
**Statement of Net Position**  
**December 31, 2016**

	Primary Government	Component Units
<b>ASSETS</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 5,277,330	\$ 483,951
Receivables (Net)	97,062	19,145
Inventories	1,021	-
Prepays and Other Assets	89,586	41,548
Receivable from Component Units	167,198	-
<i>Restricted Assets:</i>		
Cash and Cash Equivalents	3,310,483	1,299,512
Tenant Security Deposits	171,242	121,459
<b>Total Current Assets</b>	<b>9,113,922</b>	<b>1,965,615</b>
<i>Noncurrent Assets:</i>		
Restricted Cash and Cash Equivalents	695,658	-
<i>Capital Assets:</i>		
Land	2,080,439	626,941
Buildings	19,834,614	52,175,449
Equipment - Dwellings	1,242,570	1,221,803
Equipment - Administration	529,946	130,541
Leasehold Improvements	4,388,472	1,045,011
Construction In Progress	526,511	-
Intangible Assets	151,060	-
Accumulated Depreciation	(15,845,626)	(7,932,359)
<b>Total Capital Assets (Net)</b>	<b>12,907,986</b>	<b>47,267,386</b>
Notes Receivable from Component Units	10,143,588	-
Interest Receivable from Component Units	269,993	-
Other Noncurrent Assets	215,748	216,051
<b>Total Noncurrent Assets</b>	<b>24,232,973</b>	<b>47,483,437</b>
<b>TOTAL ASSETS</b>	<b>\$ 33,346,895</b>	<b>\$ 49,449,052</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows Related to Pensions	\$ 456,949	\$ -
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 456,949</b>	<b>\$ -</b>

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

**Spokane Housing Authority, Spokane County, Washington**  
**Statement of Net Position (Continued)**  
**December 31, 2016**

	Primary Government	Component Units
<b>LIABILITIES</b>		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 249,456	\$ 428,714
Accounts Payable - Intergovernment	14,525	-
Tenant Security Deposits	171,242	121,459
Accrued Wages and Payroll Taxes	128,129	-
Accrued Compensated Absences, Current Portion	57,561	-
Accrued Interest Payable	84,477	33,084
Unearned Revenue	303,874	12,359
Other Current Liabilities	68,864	408,089
Current Portion of Long-Term Debt	353,019	11,157,257
Current Portion of Capital Leases	6,102	-
Payable to Housing Authority	-	167,198
<b>Total Current Liabilities</b>	<b>1,437,249</b>	<b>12,328,160</b>
<i>Noncurrent Liabilities:</i>		
Accrued Compensated Absences, Net of Current	218,299	-
Long-Term Debt, Net of Current	14,998,413	18,694,720
Capital Leases, Net of Current	7,255	-
Accrued Interest Payable, Net of Current	1,670,578	424,305
Net Pension Liability	2,711,900	-
Other Noncurrent Liabilities	-	197,500
<b>Total Noncurrent liabilities</b>	<b>19,606,445</b>	<b>19,316,525</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 21,043,694</b>	<b>\$ 31,644,685</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows Related to Pensions	\$ 131,179	\$ -
Grants Received in Advance	2,072,057	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 2,203,236</b>	<b>\$ -</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ (1,928,325)	\$ 17,415,409
Restricted For:		
Housing Assistance Payments	110,190	-
Debt Service Reserves	558,898	-
Capital Replacement Reserves	-	428,144
Operating and Other Reserves	1,264,996	871,368
Unrestricted	10,551,155	(910,554)
<b>TOTAL NET POSITION</b>	<b>\$ 10,556,914</b>	<b>\$ 17,804,367</b>

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

**Spokane Housing Authority, Spokane County, Washington**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Eighteen-Month Period Ended December 31, 2016**

	Primary Government	Component Units
<b>OPERATING REVENUES:</b>		
Tenant Rental Revenue	\$ 6,329,708	\$ 3,156,650
HUD Operating Subsidies	42,947,773	-
Other Government Grants	461,882	30,000
Other Tenant Revenue	218,915	143,667
Fee Revenue	3,333,519	-
Other Revenue	1,471,541	26,880
<b>TOTAL OPERATING REVENUES</b>	<b>54,763,338</b>	<b>3,357,197</b>
<b>OPERATING EXPENSES:</b>		
<i>Administrative:</i>		
Administrative Wages	3,509,056	271,106
Auditing Fees	34,224	74,350
Employee Benefit Contributions	1,187,669	107,708
Management and Bookkeeping Fees	97,665	212,287
Other Operating Expenses	789,845	202,625
Tenant Services	3,522	19,059
	<u>5,621,981</u>	<u>887,135</u>
<i>Utilities:</i>		
Electricity	260,929	184,783
Natural Gas	39,949	71,689
Water	185,838	46,890
Sewer	554,224	314,816
Other Utilities Expenses	3,617	6,951
	<u>1,044,557</u>	<u>625,129</u>
<i>Ordinary Maintenance and Operations:</i>		
Contract Costs	1,433,513	354,411
Maintenance and Operations Wages	843,884	263,058
Employee Benefit Contributions	417,559	137,708
Materials and Other	226,718	92,790
	<u>2,921,674</u>	<u>847,967</u>
<i>General Expenses:</i>		
Housing Assistance Payments	38,328,189	-
Insurance Premiums	215,991	61,307
Other General Expenses	326,942	213,869
Depreciation and Amortization	2,393,481	2,486,595
	<u>41,264,603</u>	<u>2,761,771</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>50,852,815</b>	<b>5,122,002</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 3,910,523</b>	<b>\$ (1,764,805)</b>

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

**Spokane Housing Authority, Spokane County, Washington**  
**Statement of Revenues, Expenses and Changes in Net Position (Continued)**  
**For the Eighteen-Month Period Ended December 31, 2016**

	Primary Government	Component Units
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Gain (Losses) on Capital Asset Disposition	7,958,951	(186)
Interest Expense and Related Charges	(1,801,147)	(357,476)
Interest Subsidy	198,948	-
Bond Issuance Costs and Amortization	-	(57,429)
Interest and Investment Income	304,730	7,185
TOTAL NONOPERATING REVENUES (EXPENSES)	6,661,482	(407,906)
<i>Income (Loss) Before Contributions</i>	10,572,005	(2,172,711)
CAPITAL CONTRIBUTIONS - GRANTS	329,948	-
CAPITAL CONTRIBUTIONS - PARTNERSHIPS	-	799,520
CHANGE IN NET POSITION	10,901,953	(1,373,191)
NET POSITION, BEGINNING OF YEAR	(345,039)	19,177,558
NET POSITION, END OF YEAR	\$ 10,556,914	\$ 17,804,367

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



**Spokane Housing Authority, Spokane County Washington**  
**Statement of Cash Flows**  
**For the Eighteen-Month Period Ended December 31, 2016**

	Primary Government
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from Tenants and Others	\$ 6,398,455
Receipts from Government Operating Grants	45,971,126
Payments for Housing Assistance	(38,315,290)
Payments to Employees and on behalf of Employees	(6,165,733)
Payments to Suppliers for Goods and Services	(4,165,070)
Other Receipts	4,957,548
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>8,681,036</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Payments Received on Advances - Partnerships	67,153
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>67,153</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Capital Contributions	335,025
Purchases and Construction of Capital Assets	(1,319,332)
Proceeds from Sale of Capital Assets	12,121,092
Proceeds from Issuance of Capital Debt	417,292
Principal Paid on Capital Debt	(5,176,864)
Capital Debt Interest Subsidy Received	199,550
Interest Paid on Capital Debt	(1,641,339)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>4,935,424</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Issuance of Notes - Partnerships	(10,143,588)
Investment in Partnerships	(200)
Interest Received	34,737
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITY</b>	<b>(10,109,051)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>3,574,562</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>5,880,151</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 9,454,713</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>	
<b>TO THE STATEMENT OF NET POSITION:</b>	
Cash and Cash Equivalents - Unrestricted	\$ 5,277,330
Cash and Cash Equivalents - Restricted	4,006,141
Tenant Security Deposits	171,242
	<b>\$ 9,454,713</b>

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

**Spokane Housing Authority, Spokane County Washington**  
**Statement of Cash Flows (Continued)**  
**For the Eighteen-Month Period Ended December 31, 2016**

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	Primary Government
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	\$ 3,910,523
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash</i>	
<i>Provided by Operating Activities:</i>	
Depreciation and Amortization Expense	2,393,481
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in Assets:	
Receivables (Net)	468,171
Inventories	2
Prepays and Other Assets	92,256
Other Noncurrent Assets	(92,500)
Increase (Decrease) in Liabilities:	
Accounts Payable - Operations	(213,150)
Accounts Payable - Intergovernment	11,244
Tenant Security Deposits	(48,367)
Accrued Wages and Taxes Payable	(38,992)
Accrued Compensated Absences	(1,252)
Unearned Revenue	280,243
Other Liabilities	26,671
Net Pension Liability	827,020
Changes in Deferred Outflows and Inflows:	
(Increase) in Deferred Outflows of Resources	(221,820)
Increase in Deferred Inflows of Resources	1,287,506
Total Reconciling Adjustments	4,770,513
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 8,681,036</b>

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

1) The State of Washington Department of Commerce note of \$152,000 for Newark Apartments was assigned from the Housing Authority and assumed by the purchaser of Newark Apartments in July 2015.

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

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

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**NOTE 1 —SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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

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

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

**A. Reporting Entity:**

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

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

As defined by GAAP, the reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the Board of the primary government are financial accountable. In determining how to define the reporting entity, management has considered all potential component units. The determination to include a component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting and Financial Reporting Standards and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* and Statement No. 39, *Determining Whether Certain Organization are Component Units*. These criteria include financial benefit to or burden on a primary organization; financial accountability as a result of fiscal dependency; potential for dual inclusion; and organizations included in the reporting entity although the primary government is not financially accountable.

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

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

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

***Discretely Presented Component Units:***

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

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

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

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

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

See Note 15 for additional information on the tax credit limited partnerships.

***Programs Administered by the Spokane Housing Authority:***

The accompanying basic financial statements include the activities of several housing programs subsidized by HUD as well as various other agencies. A summary of each significant program is provided below. Each program has a fiscal year ending of December 31<sup>st</sup> and are reporting eighteen months of operations for the transition of the Authority's fiscal year end; with the exceptions of Heritage Heights Apartments, Westfall Village Apartments, and Valley 206 Apartments, previously reported on a calendar year basis and are reporting two years of operations for the transition of the Authority's fiscal year end.

***Housing Choice Voucher Program***

The Authority administers the Housing Choice Voucher Program, Moderate Rehabilitation Single Room Occupancy Program and the Veterans' Affairs Supportive Housing Program, which utilizes existing privately owned family rental housing units to provide decent and affordable housing to low-income families. Funding of the program is provided by federal housing assistance contributions from HUD for the difference between the approved landlord contract rent and the rent paid by the tenants. The Authority has administrative responsibility for the Housing Choice Voucher programs in Spokane, Stevens, Pend Oreille, Whitman, Lincoln and Ferry Counties.

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

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

**Public Housing Program**

The Authority's Public Housing Program consists of two asset management projects ("AMPS"), which collect both operating and capital fund subsidy. AMP 1 is the 50 unit Parsons Apartment complex and AMP 2 is an accumulation of 75 housing units referred to as scattered sites and is located within the City of Spokane, City of Spokane Valley, and Spokane County. Each AMP is accounted for as a separate project, and is reported in the Combining Statements.

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

On January 29, 2016, the Parsons Apartment complex (AMP 1 ) was sold to the Parsons LLLP tax credit limited liability limited partnership through the HUD's Rental Assistance Demonstration Program (RAD). All units were converted from Public Housing operating and capital fund subsidy to low income housing tax credit units with project based subsidy administered by the Housing Choice Voucher Program.

On August 1, 2016, the scattered sites (AMP 2) unit located at 3218 E. Grace Street was purchased by the State of Washington, Department of Transportation through an eminent domain HUD section 18 disposition.

**Capital Fund Programs (CFP):**

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

**Other Grant Programs:**

The Authority receives HOME entitlement grant funds from the City of Spokane for tenant based rental assistance, and administers a twelve county State funded housing program for persons with AIDS (HOPWA).

**Other Properties:**

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

**Courtview Apartments** – Is a 14 unit apartment building which was purchased in 1992 and is operated solely on the income generated by the property. Courtview Apartments was sold to a non-affiliate non-profit on July 13, 2016.

**Sharon Lord Apartments** – Consists of 2 duplexes which were constructed in 2003 on land owned by the Authority. The duplexes are dedicated to housing families with very low income (at or below 30% of area median income). Sharon Lord Apartments was sold to a non-affiliate non-profit on July 13, 2016.

**Newark Apartments** – Is a 6 unit property which was purchased in 1993 and was leased to the Salem Arms, a Spokane non-profit organization, as housing for its clients. Newark Apartments was sold to a non-affiliate non-profit on July 31, 2015.

**Woodhaven Apartments** – Is a 72 unit complex which was purchased in 2001 with housing revenue bonds issued by the Authority. Woodhaven was sold to the Cedar Haven LLLP tax credit limited liability limited partnership on September 30, 2015.

**Valley 206 Apartments** – Consists of a 207 unit affordable housing property, which was purchased in 1998 through the issuance of housing revenue bonds. The bonds were refinanced through a private placement bond issue in 2009.

**Cedar West Apartments** –Is a 74 unit complex which was purchased in 1999 through the issuance of housing revenue bonds. Cedar West was sold to the Cedar Haven LLLP tax credit limited liability limited partnership on September 30, 2015.

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

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

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

**Heritage Heights Apartments** — Is a 62 unit tax credit apartment complex which was purchased in 2010 from the Heritage Heights Limited Partnership with Build America bonds issued by the Authority.

**Westfall Village Apartments** — Is a 110 unit tax credit apartment complex which was purchased in 2010 from the Heritage Heights Limited Partnership with Build America bonds issued by the Authority.

**B. Basis of Accounting**

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

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

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

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

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

**C. Cash and Cash Equivalents** — It is the Authority's policy to invest all temporary cash surpluses in low-risk short-term investments of a liquid nature. This amount is classified on the Statement of Net Assets as cash and cash equivalents. Cash held for future payment of long-term liabilities is classified as a Noncurrent asset. For purposes of the Statement of Cash Flows, the Authority considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**D. Receivables** — Accounts receivable consist primarily of amounts due from tenants for rent and other charges and cost reimbursements due from grantors. Annually, tenant receivable balances are analyzed and the allowance for doubtful accounts is estimated and adjusted in accordance with historical experience. Other receivable allowances are established for uncertain collectibles. No allowances existed at December 31, 2016, other than the allowance for tenant accounts receivable.

# Spokane Housing Authority, Spokane County, Washington

## Notes to Basic Financial Statements

For the Eighteen-Month Period Ended December 31, 2016

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

- E. Inventories**— Inventories belonging to the Authority as of December 31, 2016 consisted of office supplies of \$1,021. Inventories are valued by the FIFO method, which approximates the market value.
- F. Prepaid and Other Assets** — Prepaid and other assets represent amounts paid in advance of the period which the expenses benefit. Prepaids consist primarily of the current portion of insurance premiums, ongoing maintenance and service contracts, and postage.
- G. Restricted Assets** — Restricted assets contain cash or cash equivalents that are restricted by federal or state regulation or statute to the use of particular programs or grants. The total of the Authority restricted cash as of December 31, 2016 was \$4,177,383. Component Units as of December 31, 2016 had restricted cash of \$1,420,971. The balances consist of the following:

	Primary Government	Component Units
Section 8 reserves	\$ 2,133,985	\$ -
Bond debt service reserves	558,898	-
Other reserves	1,264,996	1,299,512
Tenant security deposits	171,242	121,459
Grants	48,262	-
Total	<u>\$ 4,177,383</u>	<u>\$ 1,420,971</u>

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

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

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

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

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

New construction & building acquisition	27-40 years
Furniture, equipment & machinery	3-10 years
Modernization of buildings and improvements	5-25 years
Intangibles	15 years
Land is not depreciated	
Construction in progress is not depreciated	

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

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

- I. *Deferred Outflows/Inflows of Resources*** — A deferred outflow of resources is not an asset and is defined as a consumption of net position that is applicable to a future reporting period. The Authority has recorded \$456,949 in deferred outflows of resources as of December 31, 2016 related to pensions. A deferred inflow of resources is not a liability and is defined as an acquisition of net position that is applicable to a future reporting period. The Authority has recorded \$131,179 in deferred inflows of resources as of December 31, 2016 related to pensions and \$2,072,057 for grants received in advance. The deferred inflow for grants received in advance significantly reduced Restricted Net Position.
- J. *Compensated Absences*** — Compensated absences are absences for which employees will be paid such as vacation and sick leave. All regular full-time and part-time employees accrue paid time off leave based on position and the number of years of service. The Authority's liability for future payment of compensated absences as of December 31, 2016 was \$275,860. Unused paid time off may accumulate up to a maximum of 1000 hours. Employees are paid for up to 400 hours at the employee's current pay rate upon resignation, retirement, or death. Liability for other compensated absences, such as holidays, does not vest and are not considered material.
- K. *Unearned Revenues*** — Unearned revenues are primarily operating grant funds and tenant rent payments that have been received or advanced and have not yet been earned or expended. At the time the funds are earned or expended revenue will be recognized.
- L. *Pensions*** — For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- M. *Revenue Recognition*** — Operating subsidies received from HUD and other grantors are generally recognized during the periods to which they relate and all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted. Receipts from the Public Housing Capital Grant Program and other reimbursement based grants are recognized when the related expenses are incurred. Tenant revenues are recognized during the period of occupancy. Expenses are recognized when incurred.
- N. *Revenue and Expenses*** — All revenues and expenses related to the operations of the Authority and its component units are classified as operating revenues and expenses. Non-operating revenues include capital grants and contributions, interest and investment income, and interest subsidy. Non-operating expenses include interest expense and related charges, bond issuance costs and amortization, and gain (losses) on capital asset disposition.
- O. *Tax Status*** — The Authority is qualified as a tax-exempt organization under the provisions of Section 115(1) of the Internal Revenue Code. Under state law (RCW 35.82.210) the Authority is exempt from all taxes imposed by cities, counties, the state or any political subdivision thereof. Accordingly, no provision for income taxes is reflected in the accompanying statements. Pursuant to agreements with the City of Spokane and Spokane County, the Authority makes a Payment in Lieu of Taxes (PILOT) to reimburse the City and County for services provided.

The component units, as partnerships, are required to file IRS form 1065, U.S. Return of Partnership Income and Schedule K-1 which reports the taxable income or loss to be reported by the respective partners allocated in accordance with their percentage of ownership. Management of the partnerships have evaluated the Partnerships' tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of FASB ASC 740-10, regarding the reporting of uncertainty in income taxes. With few exceptions, the Partnerships are no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2011.



**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

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

- P. Use of Estimates** — The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions the Authority may undertake in the future. Actual results may ultimately differ from those estimates.
- Q. Budgetary Accounting and Control**— The Authority prepares an annual budget which is presented to the Board of Commissioners and adopted through the passage of a budget resolution prior to the beginning of the fiscal year. Budgets are not, however, legally adopted nor required for financial statement presentation. The Authority maintains budgetary control by not permitting total operating expenses and expenditures for individual programs to exceed their respective budget amounts without the appropriate approvals. All budget amounts lapse at year-end. Encumbrance accounting is not used as an extension of formal budget control.

**NOTE 2 — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

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

**NOTE 3 — CHANGE IN FISCAL YEAR END:**

The Authority obtained approval from its Board of Commissioners and from HUD to change its fiscal year from a June 30<sup>th</sup> based fiscal year to a calendar year basis. To facilitate the change, the Authority extended fiscal year 2016 for six months to December 31, 2016. The change in fiscal year was intended to add clarity and transparency to financial management with reporting of its affiliated component units that report on a calendar year basis. Previously issued financial statements presented component units for the prior calendar year end differing from the Authority. With the change of the Authority's fiscal year end, component units are now presented as of the same calendar year end. Therefore, the reporting period for the Authority presented is an eighteen-month reporting period ended December 31, 2016 and a two year reporting period ended December 31, 2016 for its component units.

**NOTE 4 — ADOPTION OF NEW ACCOUNTING STANDARDS:**

The Governmental Accounting Standards Board (GASB) issued five new statements, which the Authority adopted during the eighteen months ended December 31, 2016:

Statement No. 72, *Fair Value Measurement and Application* enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The requirements of this Statement were effective for financial statements for periods beginning after June 15, 2015. The implementation of Statement No. 72 had no effect on the Authority's financial statements this year.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions were effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

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**NOTE 4 — ADOPTION OF NEW ACCOUNTING STANDARDS (continued):**

for pensions that are within the scope of Statement 68 were effective for fiscal years beginning after June 15, 2015. The implementation of Statement No. 73 had no effect on the Authority's financial statements this year.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The requirements of this Statement were effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. There were no impacts to the Authority's financial statements as a result of implementing this statement.

Statement No. 79, *Certain External Investment Pools and Pool Participants* enhances comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-base measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share. The requirements of this Statement were effective for reporting periods beginning after June 15, 2015. There were no impacts to the Authority's financial statements as a result of implementing this statement.

Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14* improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The Authority early adopted this Statement and determined there was no impact to the Authority's financial statements as a result of implementing this statement.

In addition, the Authority's component units adopted Accounting Standards Update 2015-03 *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). Under this statement debt issuance costs are presented as a deduction from the carrying amount of the related obligation and amortization of debt issuance cost are shown as a component of interest expense. The Authority's financial statements for its component units as of December 31, 2016 present \$531,328 in debt issuance costs as a deduction from the carrying amount of the related debt and amortization of debt issuance costs of \$4,903 is shown as a component of interest expense.

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

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

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

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

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**NOTE 4 — ADOPTION OF NEW ACCOUNTING STANDARDS (continued):**

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

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

Statement No. 81, *Irrevocable Split-Interest Agreements* improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016.

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

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

**NOTE 5 — Cash and Investments:**

**A. Deposits**

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

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
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**NOTE 5 — Cash and Investments (continued):**

Cash and cash equivalents consist of the following at December 31, 2016 for the Authority and component units:

	Primary Government	Component Units
Cash in demand deposits	\$ 9,007,371	\$ 1,904,922
Local government investment pool	447,342	-
US Government Obligations	-	-
Total deposits	<u>\$ 9,454,713</u>	<u>\$ 1,904,922</u>

**B. Investments**

The Authority's cash management and investment policy requires that all available cash funds are to be managed to preserve the value of cash resources and to earn the maximum return on funds until they are disbursed. Safety and preservation of capital through prudent stewardship of the Authority's cash funds is a primary objective of the policy. The investment policy does not permit the Authority to invest in any securities that would be considered as speculative or leveraged investments. Washington State Law (RCW 35.82.070(6)) limits investments by housing authorities to those investments that are legal for savings banks. In general, permitted investments include: bonds or other obligations issued or guaranteed by the United States; bonds or other obligations issued by any state, county, city town, special district, or other municipal corporation; time, money market, or savings deposits in qualified public depositories; or loans secured by real property.

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

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

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

**C. Custodial Risk:**

Custodial Credit risk is the risk that, in the event of failure of the counterparty to a transaction, the Authority will not be able to recover the value of the investments. As of December 31, 2016, all deposits and investments were insured or registered, and held by the Authority or its agent in the Authority's name, or uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name, or investment pools that are not classified since the investments are not evidenced by securities that exist in physical or book entry form deposits may not be returned to it. Therefore, the investments are not exposed to custodial risk. The Authority's policy allows for safekeeping of securities either by the agent or a third party custodian as is the case for the Local Government Investment Pool.

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
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**NOTE 5 — Cash and Investments (Continued):**

**D. Concentration of Credit Risk, Credit Risk, and Interest Rate Risk:**

Concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer (not including investments issued or guaranteed by the U.S. government, investments in a mutual fund, or external investment pools). At December 31, 2016, the Authority's investments were limited to investments that were guaranteed by the U.S. Government or to investments in external investment pools.

Credit risk of investments is the risk that the issuer or other counterparty will not meet its obligations. This credit risk is measured by the credit quality rating of investments in debt securities, as described by a national statistical rating organization such as Standard and Poor's (S&P). To limit credit risk, the Authority's investment policy does not allow for the investment in corporate bonds or other fixed income securities that are not guaranteed or insured by the U.S. Government, or have not been issued by a state or local government.

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

**NOTE 6 — RECEIVABLES**

Receivables consisted of the following amounts due to the Authority and component units as of December 31, 2016:

	<u>Primary Government</u>	<u>Component Units</u>
HUD - Housing Choice Voucher Program	\$ 332	\$ -
HUD - Public Housing Capital Grant Program	5,077	-
HUD - Other programs	2,916	-
Other Governments	40,696	-
IRS - Interest Subsidy	17,669	-
Tenants accounts receivable - net	13,644	15,697
Other accounts receivable	16,728	3,448
Total receivables, net of allowance	<u>\$ 97,062</u>	<u>\$ 19,145</u>

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

**NOTE 7 — NOTES AND INTEREST RECEIVABLE FROM COMPONENT UNITS:**

Changes in notes and interest receivable from component units to the primary government during the eighteen-months ended December 31, 2016 are summarized in the following table:

	Balance at July 1, 2015	Additions	Reductions	Balance at December 31, 2016	Due Within One Year
<b>Cedar Haven LLLP</b>					
Developer Fee Note	\$ -	\$ 2,225,000	\$ -	\$ 2,225,000	\$ -
Seller Financed Note	-	5,000,000	-	5,000,000	-
Accrued Interest on Notes	-	165,000	-	165,000	-
Accrued Interest on Base rent	-	594	-	594	-
	-	7,390,594	-	7,390,594	-
<b>Parsons LLLP</b>					
Developer Fee Note	-	646,100	-	646,100	-
Seller Financed Note	-	2,225,000	-	2,225,000	-
Sponser Note	-	47,488	-	47,488	-
Accrued Interest on Notes	-	104,156	-	104,156	-
Accrued Interest on Base rent	-	243	-	243	-
	-	3,022,987	-	3,022,987	-
Notes Receivable from Component Units	-	10,143,588	-	10,143,588	-
Interest Receivable from Component Units	-	269,993	-	269,993	-
	\$ -	\$ 10,413,581	\$ -	\$ 10,413,581	\$ -

**Cedar Haven LLLP Notes Receivable**

- A. Developer Fee Note** – Issued on September 30, 2015 in connection with the acquisition and development of Cedar Haven LLLP. As of December 31, 2016, the balance of the note was \$2,225,000. Any installment of the developer fee not paid when otherwise due shall be deferred with interest at the annual rate of 1% and shall be paid from available cash flows of the Partnership in the priority set forth in the Amended and Restated Agreement of Limited Liability Limited Partnership. Any unpaid balance shall be unconditionally due and payable on the earlier of December 31, 2029 or the date of liquidation of the Partnership. The note is considered to be non-current since repayment is subject to available cash flow of the partnership. As of December 31, 2016 there was \$0 accrued interest on the note.
- B. Seller Financed Note** – A promissory note in the amount of \$5,000,000 dated September 30, 2015 was issued in connection with the acquisition of the leasehold in two apartment complexes with 146 units by Cedar Haven LLLP. No annual payments are required on the principle or the interest that accrues at the compounding rate of 2.64% per annum. The note is considered to be non-current as repayment is subject to available cash flows of the Partnership in the priority set forth in the Amended and Restate Agreement of Limited Liability Limited Partnership. The note shall be due and payable in all events on or before December 31, 2055. Interest in the amount of \$165,000 had accrued as of December 31, 2016.

**Parsons LLLP Notes Receivable**

- A. Developer Fee Note** – Issued on January 29, 2016 in connection with the acquisition and development of Parsons LLLP. As of December 31, 2016, the balance of the note was \$646,100. Any installment of the developer fee not paid when otherwise due shall be deferred with interest at the annual rate of 1% and shall be paid from available cash flows of the Partnership in the priority set forth in the Amended and Restated Agreement of Limited Liability Limited Partnership. Any unpaid balance shall be unconditionally due and payable on the earlier of December 31, 2029 or the date of liquidation of the Partnership. The note is considered to be non-current since repayment is subject to available cash flow of the partnership. As of December 31, 2016 there was \$0 accrued interest on the note.

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

**NOTE 7 — NOTES AND INTEREST RECEIVABLE FROM COMPONENT UNITS (continued):**

- B. Seller Financed Note** – A promissory note in the amount of \$2,225,000 dated January 29, 2016 was issued in connection with the acquisition of the leasehold in the 50 unit Parsons Apartment complex by Parsons LLLP. No annual payments are required on the principle or the interest that accrues at the compounding rate of 5% annually during the construction period and thereafter at 3.1% compounded annually. The note is considered to be non-current as repayment is subject to available cash flows of the Partnership in the priority set forth in the Amended and Restate Agreement of Limited Liability Limited Partnership. The note shall be due and payable in all events on or before December 31, 2056. Interest in the amount of \$101,979 had accrued as of December 31, 2016.
- C. Sponsor Note** – A promissory note in the amount of \$340,000 dated January 29, 2016 was issued in connection with the acquisition and development of Parsons LLLP of which \$47,488 was drawn as of December 31, 2016. No annual payments are required on the principle or the interest that accrues at the compounding rate of 5% annually during the construction period and thereafter at 3.1% compounded annually. The note is considered to be non-current as repayment is subject to available cash flows of the Partnership in the priority set forth in the Amended and Restate Agreement of Limited Liability Limited Partnership. The note shall be due and payable in all events on or before December 31, 2056. Interest in the amount of \$2,177 had accrued as of December 31, 2016.

**NOTE 8 — CAPITAL ASSETS:**

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

**Primary Government:**

Changes in capital assets of the primary government during the eighteen-months ended December 31, 2016 are shown below:

	July 1, 2015	Additions	Dispositions/ transfers	December 31, 2016
Capital Assets Not Depreciated:				
Land	\$ 2,716,539	\$ -	\$ (636,100)	\$ 2,080,439
Construction In Progress	56,557	517,442	(47,488)	526,511
Total Capital Assets Not Depreciated	2,773,096	517,442	(683,588)	2,606,950
Capital Assets Being Depreciated:				
Buildings	27,963,132	28,400	(8,156,918)	19,834,614
Leasehold Improvements	5,371,003	639,269	(1,621,800)	4,388,472
Equipment	2,130,199	102,997	(460,680)	1,772,516
Intangible Assets	39,875	111,185	-	151,060
Total Capital Assets Being Depreciated	35,504,209	881,851	(10,239,398)	26,146,662
Accumulated Depreciation:				
Buildings	15,374,734	1,517,742	(5,063,139)	11,829,337
Leasehold Improvements	2,995,667	643,834	(1,174,526)	2,464,975
Equipment	1,690,586	231,905	(371,177)	1,551,314
Intangible Assets	-	-	-	-
Total Accumulated Depreciation	20,060,987	2,393,481	(6,608,842)	15,845,626
Total Capital Assets	\$ 18,216,318	\$ (994,188)	\$ (4,314,144)	\$ 12,907,986

# Spokane Housing Authority, Spokane County, Washington

## Notes to Basic Financial Statements

For the Eighteen-Month Period Ended December 31, 2016

### NOTE 8 — CAPITAL ASSETS (continued):

Capital asset additions of \$1,399,293 are primarily attributable to the conversion of 11 units at Valley 206 apartments to accessible units, of which remains in Construction in Progress; sprinkler installation at Hifumi En Apartments; and small improvements made throughout the Authority's property portfolio. Intangible assets acquired of \$111,185 represent commercial software purchases. Net capital asset dispositions and transfers of \$10,239,398 include the sale of Newark Apartments in July 2015; sale of Cedar West Apartments and Woodhaven Apartments to Cedar Haven LLLP in September 2015; sale Parsons Apartments to Parsons LLLP in January 2016; and the sale of Courtview and Sharon Lord Apartments in July 2016, as well as retirement of surplus assets. During the eighteen-month period ended December 31, 2016, the Authority did not incur interest costs related to the acquisition and construction of capital assets.

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

### Component Units:

Changes in capital assets of the component units during the two year-period ended December 31, 2016 are shown below:

	January 1, 2015	Additions	Dispositions/ transfers	December 31, 2016
Capital Assets Not Depreciated:				
Land	\$ 626,941	\$ -	\$ -	\$ 626,941
Construction In Progress	-	-	-	-
Total Capital Assets Not Depreciated	626,941	-	-	626,941
Capital Assets Being Depreciated:				
Buildings	28,064,451	24,110,998	-	52,175,449
Leasehold Improvements	157,018	887,993	-	1,045,011
Equipment	491,292	861,346	(294)	1,352,344
Total Capital Assets Being Depreciated	28,712,761	25,860,337	(294)	54,572,804
Accumulated Depreciation:				
Buildings	4,985,307	2,371,308	-	7,356,615
Leasehold Improvements	57,040	37,767	-	94,807
Equipment	403,525	77,520	(108)	480,937
Total Accumulated Depreciation	5,445,872	2,486,595	(108)	7,932,359
Total Capital Assets	\$ 23,893,830	\$ 23,373,742	\$ (186)	\$ 47,267,386

Capital Assets additions for component units of \$25,860,337 are primarily attributable to the acquisition and rehabilitation of Cedar West Apartment and Woodhaven Apartments by the Cedar Haven LLLP, and acquisition and rehabilitation of Parsons Apartments by the Parsons LLLP. During the two year-period ended December 31, 2016, component units capitalized \$311,356 of interest costs related to the acquisition and construction of capital assets.



# Spokane Housing Authority, Spokane County, Washington

## Notes to Basic Financial Statements

For the Eighteen-Month Period Ended December 31, 2016

### NOTE 9 — CONSTRUCTION COMMITMENTS:

The following schedule shows the significant components of construction in progress at December 31, 2016:

	Project Authorization	Expended through 12/31/2016	Committed
Valley 206 - ADA Project	\$ 516,827	\$ 495,476	\$ 21,351
Public Housing - Scattered Sites - RAD Project	100,000	9,299	90,701
Spokane Housing Authority - 55 W Mission office	40,000	14,627	25,373
Hifumi En - ADA Project	7,109	7,109	-
	<u>\$ 663,936</u>	<u>\$ 526,511</u>	<u>\$ 137,425</u>

### NOTE 10 — OTHER NONCURRENT ASSETS:

Noncurrent assets consist of the following at December 31, 2016:

	Primary Government	Component Units
Financing Costs, Net of Accumulated Amortization	\$ -	\$ 216,051
Partnership Management Fee Receivable	167,500	-
Base Rent Receivable	30,000	
Other Noncurrent Assets	18,248	
Total Noncurrent Assets	<u>\$ 215,748</u>	<u>\$ 216,051</u>

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

**NOTE 11 — LONG-TERM DEBT AND CHANGES IN LONG TERM LIABILITIES:**

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

A summary of changes in long-term debt and long term liabilities for the eighteen-month period ended December 31, 2016 is as follows:

	Balance at July 1, 2015	Additions	Reductions	Balance at December 31, 2016	Due Within One Year
Revenue Bonds:					
Cedar West Apartments	\$ 1,985,000	\$ -	\$ (1,985,000)	\$ -	\$ -
Heritage Heights Apartments	1,657,387	-	(52,300)	1,605,087	28,919
Valley 206 Apartments	7,909,791	-	(387,357)	7,522,434	213,546
Westfall Village Apartments	3,014,507	-	(95,126)	2,919,381	52,599
Woodhaven Apartments Housing	2,351,026	-	(2,351,026)	-	-
Total Bonds Payable	16,917,711	-	(4,870,809)	12,046,902	295,064
Promissory Notes:					
Washington Trust Bank					
Authority Office Building	395,133	-	(32,271)	362,862	23,430
Hifumi En Apartments (2014)	444,973	-	(36,049)	408,924	25,195
US Bank					
Development Line of Credit	108,290	-	(108,290)	-	-
Total Promissory Notes	948,396	-	(176,610)	771,786	48,625
Intergovernmental Loans					
City of Spokane:					
Heritage Heights Apartments	200,000	-	-	200,000	-
Westfall Village Apartments	350,000	-	-	350,000	-
Spokane County					
Valley 206 Apartments	-	409,512	-	409,512	-
State of Washington Department of Commerce					
SHA - Cedar West	528,477	1	-	528,478	9,330
Courtview Apartments	120,734	-	(120,734)	-	-
Hifumi En Apartments	1,037,323	7,431	-	1,044,754	-
Newark Apartments	152,000	-	(152,000)	-	-
Total Intergovernmental Loans	2,388,534	416,944	(272,734)	2,532,744	9,330
Total Long-Term Debt	20,254,641	416,944	(5,320,153)	15,351,432	353,019
Capital Leases	21,720	-	(8,363)	13,357	6,102
Accrued Compensated Absences	277,112	564,259	(565,511)	275,860	57,561
Net Pension Liability	1,884,880	827,020	-	2,711,900	-
Accrued Interest Payable	1,595,247	291,344	(131,536)	1,755,055	84,477
Total Noncurrent Liabilities	<u>\$24,033,600</u>	<u>\$ 2,099,567</u>	<u>\$ (6,025,563)</u>	<u>\$ 20,107,604</u>	<u>\$ 501,159</u>

**Cedar West Apartments Housing Revenue Bonds** – Issued January 2000 to purchase Cedar West Apartments; Series A principal amount of \$2,835,000 and Series B principal amount of \$225,000; total amount issued \$3,060,000; annual installments of \$217,219 to \$283,762; interest rates ranging from 4.25% to 5.75%; debt service paid from revenues of the Cedar West Apartments. The Series B bonds were redeemed in fiscal year ending June 30, 2005, and the Series A Bonds were redeemed on January 1, 2016.

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

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

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**NOTE 11 — LONG-TERM DEBT AND CHANGES IN LONG TERM LIABILITIES (continued):**

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

**Westfall Village Build America Revenue Bonds** – Issued August 2010 to purchase and rehabilitate the Westfall Village Apartments, principal amount of \$3,179,125. Quarterly payments of \$61,338 include interest at 6.65% per annum. These are IRS subsidized bonds, where the IRS reimburses the Authority for 35% of the interest payment at the time of debt service payment. Debt service is paid from revenues of the Westfall Village Apartments and is secured by a deed of trust on the property. The bond matures on August 11, 2025.

**Woodhaven Apartments Housing Revenue Bonds** – Issued December 2001 to purchase Woodhaven Apartments; Series A principal \$2,715,000 less discount of \$52,680; Series B principal \$450,000; annual installments of \$210,010 to \$229,360; interest rates ranging from 4.2% to 6.0%; debt service paid from revenues of the Woodhaven Apartments. Both Series A and Series B bond were redeemed in full on January 1, 2016.

**Washington Trust Bank – Housing Authority Office Building** – Issued September 1998 in the original amount of \$567,000, to purchase the office building at 55 West Mission for the administrative offices of the Authority with monthly payments of \$3,981 per month at 5.75% interest per annum. On December 23, 2008, an additional \$154,170 was added to the existing note for improvements to the administrative offices of the Authority for total principal due of \$517,167. The interest rate on the new note is the Five-Year Federal Home Loan Bank Long Term Fixed Rate plus 2.75% adjusted at the five year anniversary. As of December 31, 2016, the rate was 4.84% with monthly payments of \$3,326. Debt service is paid from general revenues of the Authority and is secured by a deed of trust on the property. The final payment is due December 23, 2018.

**Washington Trust Bank – Hifumi En Apartments (2014)** – Issued September 23, 2014 for \$459,780 for the refunding of the Washington Trust Bank – Hifumi En Apartments (2004) note. The interest rate on the new note is the Five-Year Federal Home Loan Bank Intermediate/Long Term, Fixed Rate Advance plus 2.5% adjusted at the five year anniversary. As of December 31, 2016, the rate was 3.77% with monthly payments of \$3,348. Debt service is paid from revenues of the Hifumi En Apartments and is secured by a deed of trust on the property. The final payment is due October 5, 2024.

**US Bank – Development Line of Credit** – Revolving taxable line of credit Issued March 31, 2014 in the amount of not to exceed \$500,000 to provide predevelopment funds for housing projects of the Authority. Interest is at an annual rate of 3.50% plus the one-month LIBOR rate quoted by US Bank. The rate is reset monthly on the first day of each month. The principle balance of the note was paid in full in February 2016 and not renewed upon maturity in March 2016.

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

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

**Spokane County – Valley 206 Apartments** – Intergovernmental loan issued for the renovation of eleven units at Valley 206 Apartments; in the amount of \$441,967 of which \$409,512 was drawn as of December 31, 2016. The note bears interest of 0% and is a recoverable grant after ten years if all terms and conditions of the HOME Program Agreement are met.

**Spokane Housing Authority, Spokane County, Washington**  
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**For the Eighteen-Month Period Ended December 31, 2016**

**NOTE 11 — LONG-TERM DEBT AND CHANGES IN LONG TERM LIABILITIES (continued):**

**State of Washington Department of Commerce – Cedar West** – In the initial amount of \$498,342 to remediate mold at the Cedar West Apartments. The note was amended on April 1, 2016 whereas the second deed of trust held by the State of Washington Department of Commerce was released and terminated in exchange for a pledge of the Authority's general revenues. The new loan balance was restated as the \$498,342, original loan amount plus \$30,135 accrued interest through March 31, 2016, and shall accrue interest at .5% per annum. Annual payments of \$11,972 shall be made annually on March 31<sup>st</sup> through the maturity date of March 31, 2066.

**State of Washington Department of Commerce – Courtview Apartments** – Purchase Courtview Apartments, for \$140,000 at 1.0% interest, deferred payments begun in 2013, in the amount of \$7,758 per year. The note was paid in full upon sale of Courtview Apartments in July 2016.

**State of Washington Department of Commerce – Hifumi En Apartments** – Purchase the Hifumi En Apartments, for \$995,000. A portion of the note, \$450,000, accrues interest at 1.0% compounded quarterly. This portion of the note is deferred for thirty years until July 1, 2036 at which time payments of \$15,971 are due quarterly thereafter. The remainder of the note, \$545,000, is a recoverable grant if after forty years the use of the property does not change from its current use as housing for the low income and disabled. The note is secured by a second deed of trust on the property. Deferred interest totaling \$7,431 was capitalized during the eighteen-month period ended December 31, 2016. No change in the use of the property had taken place as of the end of fiscal year ended December 31, 2016.

**State of Washington Department of Commerce – Newark Apartments** – Purchase Newark Apartments, for \$152,000, at interest rate of 0.0%. The loan reverts to a grant if the property is retained by the Authority and continued to be used for low-income housing until the year 2043. The State of Washington Department of Commerce approved and consented to the assignment and assumption of the loan upon sale of Newark Apartments to Salem Arms, a non-profit, in July 2015.

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

Year ended December 31,	Principal	Interest	Total
2017	347,347	756,703	1,104,050
2018	679,522	989,381	1,668,903
2019	356,550	956,911	1,313,461
2020	370,260	943,199	1,313,459
2021	390,477	922,983	1,313,460
2022-2026	5,819,492	3,429,228	9,248,720
2027-2031	5,959,501	604,356	6,563,857
2032-2036	79,719	12,083	91,802
2037-2041	349,568	29,709	379,277
2042-2046	771,678	120,657	784,880
2047-2051	54,722	5,138	179,637
2052-2056	56,103	3,757	59,860
2057-2061	57,519	2,340	641,277
2062-2066	58,974	888	59,862
	<u>\$15,351,432</u>	<u>\$ 8,777,333</u>	<u>\$24,722,505</u>

**B. Arbitrage Compliance** – The Authority periodically monitors for the existence of any rebate of arbitrage interest associated with its tax-exempt debt. The rebate is based on the differential between the interest earnings from the investment of bond proceeds as compared to the interest expense associated with the respective bonds. As of December 31, 2016, the Authority estimates that no arbitrage rebate exists in conjunction with its debt reserve funds, and therefore no liability exists.

**C. Conduit Debt** – RCW 35.82 provides that Housing Authorities are authorized to facilitate the issuance of tax-exempt non-recourse revenue bonds to finance housing projects. Conduit revenue bonds issued by the Authority are payable from revenues derived as a result of the project activities funded by the revenue bonds and are secured by deeds of

# Spokane Housing Authority, Spokane County, Washington

## Notes to Basic Financial Statements

For the Eighteen-Month Period Ended December 31, 2016

### NOTE 11 — LONG-TERM DEBT AND CHANGES IN LONG TERM LIABILITIES (continued):

trust on the underlying projects. The bonds are neither a liability nor contingent liability of the Authority nor a lien on any of its properties or revenues other than for the project for which they are issued. The outstanding revenue bonds are not recorded in the Authority's financial statements, as they represent conduit debt obligation under GASB Interpretation No. 2. The Authority as of December 31, 2016 is not participating in conduit debt transactions.

- D. Long Term Debt – Component Units** - Long-term debt of the component units includes construction bonds, notes and mortgages payable and intergovernmental loans. The following is a summary of changes in long-term debt for the component units for the two year-period ended December 31, 2016.

	Balance at January 1, 2015	Additions	Reductions	Balance at December 31, 2016	Due Within One Year
Construction Bonds:					
Cedar Haven LLLP	\$ -	\$ 11,102,870	\$ -	\$ 11,102,870	\$ 11,102,870
Parsons LLLP	-	3,124,313	-	3,124,313	
Total Bonds Payable	-	14,227,183	-	14,227,183	11,102,870
Intergovernmental Loans					
City of Spokane:					
Martindale Apartments LP	500,000	-	-	500,000	-
Cornerstone II -The Borning Building LP	242,793	-	(8,098)	234,695	4,387
Cornerstone II -The Borning Building LP	88,477	-	-	88,477	-
Washington State Department of Commerce					
Martindale Apartments LP	2,235,830	-	-	2,235,830	-
Cornerstone II -The Borning Building LP	1,155,000	-	(70,000)	1,085,000	35,000
Cornerstone II - Helena Apartments LP	1,035,000	-	(30,000)	1,005,000	15,000
Spokane Housing Authority					
Cedar Haven LLLP - Seller Financing Note	-	5,000,000	-	5,000,000	-
Parsons LLLP - Seller Financing Note	-	2,225,000	-	2,225,000	-
Cedar Haven LLLP - Developer Fee Note	-	2,225,000	-	2,225,000	-
Parsons LLLP - Developer Fee Note	-	725,000	(78,900)	646,100	-
Parsons LLLP - Sponser Note	-	47,488		47,488	-
Federal Home Loan Bank			-		
Cornerstone II -The Borning Building LP	200,000	-	-	200,000	-
Washington State HFC					
Martindale Apartments LP	663,532	-	-	663,532	-
Total Intergovernmental Loans	6,120,632	10,222,488	(186,998)	16,156,122	54,387
Debt Issuance Cost*	(168,764)	(372,370)	9,806	(531,328)	
Total long-term debt*	5,951,868	24,077,301	(177,192)	29,851,977	11,157,257
Accrued Interest Payable	97,498	359,891	-	457,389	33,084
Non-current liabilities - Other	120,002	77,498	-	197,500	-
Total noncurrent liabilities	\$ 6,169,368	\$ 24,514,690	\$ (177,192)	\$ 30,506,866	\$ 11,190,341

\* The Authority's component units adopted Accounting Standards Update 2015-03 *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). In accordance with the new standard, the Authority restated the beginning long-term debt at January 1, 2015. The restatement consisted of \$168,764 of debt issuance reclassified from Other Noncurrent Assets to Long Term Debt, Net of Current.

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

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**NOTE 11 — LONG-TERM DEBT AND CHANGES IN LONG TERM LIABILITIES (continued):**

**Cedar Haven LLLP – Construction Bond** – Issued September 30, 2015 by the Authority on behalf of the component unit to fund the renovation of the Cedar Haven LLLP properties. The note amount will equal the total outstanding incremental loan draws and is not to exceed \$11,500,000. The note bears interest at a fixed rate of 2.75% per annum with interest only payments to be made on the first day of each month beginning November 1, 2015 until the loan converts to permanent financing no later than October 1, 2017 subject to a six month extension. The note will be paid down with tax credit equity to a final permanent note of \$6,450,000. The note is secured by a deed of trust on the partnership's leasehold interest in Cedar West Apartments and Woodhaven Apartments and full guaranty by the Authority until permanent loan conversion.

**Parsons LLLP – Construction Bond** – Issued January 29, 2016 by the Authority on behalf of the component unit to fund the renovation of the Parsons LLLP property. The note amount will equal the total outstanding incremental loan draws and is not to exceed \$3,100,000. The note bears interest at a fixed rate of 2.75% per annum with interest only payments to be made on the first day of each month beginning March 1, 2016 until the loan converts to permanent financing no later than February 1, 2018, subject to a six month extension. The note will be paid down with tax credit equity to a final permanent note of \$1,000,000. The note is secured by a deed of trust on the partnership's leasehold interest in Parsons Apartments and full guaranty by the Authority until permanent loan conversion.

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

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

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

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

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

**State of Washington Department of Commerce Housing Trust Fund – Cornerstone II – Helena Apartments LP** – Intergovernmental loan issued in 2008 in the amount of \$1,395,000 for rehabilitation of the Pearl on Adams, at 0% interest. The first portion of the loan, \$600,000, shall require quarterly payments in the amount of \$3,750 which began on June 30, 2011 for a total of 40 years. The second portion of the loan, \$795,000, is deferred for 40 years, at which point the full principal amount will be due on December 31, 2049. The loan is secured by a deed of trust on the partnership's leasehold interest in the Pearl on Adams.

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

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

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**NOTE 11 — LONG-TERM DEBT AND CHANGES IN LONG TERM LIABILITIES (continued):**

Limited Partnership. The note shall be due and payable in all events on or before December 31, 2055. Interest in the amount of \$165,000 had accrued as of December 31, 2016.

**Spokane Housing Authority – Parsons LLLP – Seller Financing Note** – Intergovernmental loan in the amount of \$2,225,000 dated January 29, 2016 was issued to Parsons LLLP in connection with the acquisition of the leasehold in the 50 unit Parsons Apartment complex. No annual payments are required on the principle or the interest that accrues at the compounding rate of 5% annually during the construction period and thereafter at 3.1% compounded annually. The note is considered to be non-current as repayment is subject to available cash flows of the Partnership in the priority set forth in the Amended and Restated Agreement of Limited Liability Limited Partnership. The note shall be due and payable in all events on or before December 31, 2056. Interest in the amount of \$101,979 had accrued as of December 31, 2016.

**Spokane Housing Authority – Cedar Haven LLLP – Developer Fee Note** - Issued on September 30, 2015 in connection with the acquisition and development of Cedar Haven LLLP. As of December 31, 2016, the balance of the note was \$2,225,000. Any installment of the developer fee not paid when otherwise due shall be deferred with interest at the annual rate of 1% and shall be paid from available cash flows of the Partnership in the priority set forth in the Amended and Restated Agreement of Limited Liability Limited Partnership. Any unpaid balance shall be unconditionally due and payable on the earlier of December 31, 2029 or the date of liquidation of the Partnership. The note is considered to be non-current since repayment is subject to available cash flow of the partnership. As of December 31, 2016 there was \$0 accrued interest on the note.

**Spokane Housing Authority Parsons LLLP – Developer Fee Note** - Issued on January 29, 2016 in connection with the acquisition and development of Parsons LLLP. As of December 31, 2016, the balance of the note was \$646,100. Any installment of the developer fee not paid when otherwise due shall be deferred with interest at the annual rate of 1% and shall be paid from available cash flows of the Partnership in the priority set forth in the Amended and Restated Agreement of Limited Liability Limited Partnership. Any unpaid balance shall be unconditionally due and payable on the earlier of December 31, 2029 or the date of liquidation of the Partnership. The note is considered to be non-current since repayment is subject to available cash flow of the partnership. As of December 31, 2016 there was \$0 accrued interest on the note.

**Spokane Housing Authority Parsons LLLP – Sponsor Note** – Intergovernmental loan in the amount of \$340,000 dated January 29, 2016 was issued in connection with the acquisition and development of Parsons LLLP of which \$47,488 was drawn as of December 31, 2016. No annual payments are required on the principle or the interest that accrues at the compounding rate of 5% annually during the construction period and thereafter at 3.1% compounded annually. The note is considered to be non-current as repayment is subject to available cash flows of the Partnership in the priority set forth in the Amended and Restated Agreement of Limited Liability Limited Partnership. The note shall be due and payable in all events on or before December 31, 2056. Interest in the amount of \$2,177 had accrued as of December 31, 2016.

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

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

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

**NOTE 11 — LONG-TERM DEBT AND CHANGES IN LONG TERM LIABILITIES (continued):**

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

Year ended December 31,	Principal	Interest	Total
2017	\$ 11,157,257	\$ 12,377	\$ 11,169,634
2018	6,097,525	12,140	6,109,665
2019	54,876	11,888	66,764
2020	55,138	11,626	66,764
2021	55,425	11,339	66,764
2022-2026	281,878	51,942	333,820
2027-2031	291,568	42,252	333,820
2032-2036	304,202	29,618	333,820
2037-2041	253,240	80,580	333,820
2042-2046	261,917	163,228	425,145
2047-2051	1,478,427	191,111	1,669,538
2052-2056	9,560,524	9,002,028	18,562,552
	<u>\$ 29,851,977</u>	<u>\$ 9,620,129</u>	<u>\$ 39,472,106</u>

**NOTE 12 — GENERAL REVENUE PLEDGE:**

The Authority issues certain bonds and notes that are secured by the general revenues of the Authority. The Authority also secures certain bonds issued by its discretely presented component units. For some borrowings, revenues from the properties are intended to be the primary source of repayment and the revenues of the Authority would be used only if those revenues are not sufficient to cover the required payments. For the eighteen-month period ended December 31, 2016 general revenues were \$6,655,917 and the total pledged revenues are as follows:

	Principal balance at December 31, 2016	Total Future Revenues Pledged	Proportion of Annual Debt Service Pledged to 2016 General Revenues	Term of Commitment	Annual Debt Service
<b>General revenues are primary repayment source:</b>					
State of Washington Department of Commerce: Cedar West	\$ 528,478	\$ 598,600	0.18%	2066	\$ 11,972
Promissory Note: Authority Office Building	362,862	394,559	0.61%	2018	40,615
<b>Project revenues are primary repayment source:</b>					
Revenue Bonds: Valley 206 Apartments	7,522,434	10,768,489	8.23%	2028	547,695
	<u>\$ 8,413,774</u>	<u>\$11,761,648</u>			<u>\$ 600,282</u>

General Revenues Calculation: \$ 6,655,886



# Spokane Housing Authority, Spokane County, Washington

## Notes to Basic Financial Statements

For the Eighteen-Month Period Ended December 31, 2016

### NOTE 13 — LEASES:

#### A. Operating Leases

The Authority leases various office equipment under non-cancelable operating leases. The total costs for such leases for the Authority was \$30,253 for the eighteen-month period ended December 31, 2016 and \$10,894 for the component units for the two year-period ended December 31, 2016. Future lease commitments are as follows:

Operating Leases		
Year Ending Dec 31,	Primary Government	Component Units
2017	\$ 19,056	\$ 5,725
2018	6,956	1,876
2019	2,280	-
2020	1,710	-
	<u>\$ 30,002</u>	<u>\$ 7,601</u>

#### B. Capital Leases

The Authority has entered into a lease agreement for the financing of an office telephone system. The lease agreement qualifies as a capital lease for accounting purposes, therefore had been recorded at the present value of the future minimum lease payments as of the inception date. The recorded value of the telephone system is \$27,986 less accumulated depreciation of \$15,859.

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2016 were as follows:

Year Ending Dec 31,	
2017	\$ 6,924
2018	6,924
2019	577
2020	-
Total Minimum Lease Payments	<u>\$ 14,425</u>
Less: Interest	<u>\$ (1,102)</u>
Present Value of Minimum Lease Payments	<u>\$ 13,323</u>

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

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**NOTE 14 — PENSION PLANS:**

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB 68 for the eighteen month period ended December 31, 2016:

Aggregate Pension Amounts - All Plans		
Pension liabilities	\$	2,711,900
Pension assets	\$	-
Deferred outflows of resources	\$	456,949
Deferred inflows of resources	\$	131,179
Pension expense/expenditures	\$	275,570

**State Sponsored Pension Plans**

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

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

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

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

**Public Employees' Retirement System (PERS)**

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

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

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

# Spokane Housing Authority, Spokane County, Washington

## Notes to Basic Financial Statements

For the Eighteen-Month Period Ended December 31, 2016

### NOTE 14 — PENSION PLANS (continued):

Actual Contribution Rates:	Employer	Employee
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
<b>Total</b>	<b>11.18%</b>	<b>6.00%</b>

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

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

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

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

Contributions – The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS PLAN 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

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

The Spokane Housing Authority's actual PERS plan contributions were \$195,173 to PERS Plan 1 and \$254,480 to PERS Plan 2/3 for the eighteen-month period ended December 31, 2016.

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

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**NOTE 14 — PENSION PLANS (continued):**

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2014 with a valuation date of June 30, 2013. 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. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime. There were minor changes in methods and assumptions since the last valuation.

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

**Discount Rate**

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

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

# Spokane Housing Authority, Spokane County, Washington

## Notes to Basic Financial Statements

For the Eighteen-Month Period Ended December 31, 2016

### NOTE 14 — PENSION PLANS (continued):

#### Long-Term Expected Rate of Return

The long-term expected rate of return on DRS pension plan investments of 7.5 percent was determined using a building-block method. 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. 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 WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
Fixed Income	20.00%	1.70%
Tangible Assets	5.00%	4.40%
Real Estate	15.00%	5.80%
Global Equity	37.00%	6.60%
Private Equity	23.00%	9.60%
	<u>100.00%</u>	

#### Sensitivity of NPL

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 1,486,623	\$ 1,232,792	\$ 1,014,354
PERS 2/3	2,723,305	1,479,108	(769,961)
	<u>\$ 4,209,928</u>	<u>\$ 2,711,900</u>	<u>\$ 244,393</u>

#### Pension Plan Fiduciary Net Position

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

# Spokane Housing Authority, Spokane County, Washington

## Notes to Basic Financial Statements

For the Eighteen-Month Period Ended December 31, 2016

### NOTE 14 — PENSION PLANS (continued):

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

At June 30, 2016, the Spokane Housing Authority reported a total pension liability of \$2,711,900 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 1,232,792
PERS 2/3	1,479,108
TOTAL	<u>\$ 2,711,900</u>

At June 30, the Spokane Housing 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	0.022717%	0.022955%	0.000238%
PERS 2/3	0.029346%	0.029377%	0.000031%

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

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

In fiscal year 2016, the state of Washington contributed 39.46 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.54 percent employer contributions.

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

#### Pension Expense

For the eighteen month period ended December 31, 2016, the Spokane Housing Authority recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 29,731
PERS 2/3	245,839
TOTAL	<u>\$ 275,570</u>

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

**NOTE 14 — PENSION PLANS (continued):**

**Deferred Outflows of Resources and Deferred Inflows of Resources**

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ 31,040	\$ -
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 64,994	\$ -
TOTAL	\$ 96,034	\$ -

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 78,761	\$ 48,828
Net difference between projected and actual investment earnings on pension plan investments	\$ 181,000	\$ -
Changes of assumptions	\$ 15,288	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 978	\$ 82,351
Contributions subsequent to the measurement date	\$ 84,888	\$ -
TOTAL	\$ 360,915	\$ 131,179

Total All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 78,761	\$ 48,828
Net difference between projected and actual investment earnings on pension plan investments	\$ 212,040	\$ -
Changes of assumptions	\$ 15,288	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 978	\$ 82,351
Contributions subsequent to the measurement date	\$ 149,882	\$ -
TOTAL	\$ 456,949	\$ 131,179

# Spokane Housing Authority, Spokane County, Washington

## Notes to Basic Financial Statements

### For the Eighteen-Month Period Ended December 31, 2016

**NOTE 14 — PENSION PLANS (continued):**

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

Year Ended December 31:	PERS 1	PERS 2/3
2017	\$ (7,643)	\$ (42,462)
2018	(7,643)	(29,827)
2019	28,507	131,293
2020	17,819	85,844
2021	-	-
Thereafter	-	-
TOTAL	\$ 31,040	\$ 144,848

**NOTE 15— COMPONENT UNITS:**

Pursuant to Statement No. 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, (GASB-14), the limited partnerships are defined as component units and are discretely presented in the financial statements of the Authority. The fiscal year end of all the tax credit limited partnerships is December 31st. Accordingly, the financial results included in the accompanying financial statements are for the year ended December 31, 2016.

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

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

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

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

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

The partnership agreement for the Cornerstone II – The Borning Building LP stipulates that partnership management fees be paid to the Authority in the amount of \$15,000 annually for services rendered in managing the business of the partnership. The fee is to be paid to the extent cash flow is available and if net cash flow is not available, the fee shall accrue. For the two year-period ended December 31, 2016 the partnership management fee expense was \$30,000. Total partnership management fees owed as of December 31, 2016 were \$135,000.



**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

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**NOTE 15— COMPONENT UNITS (continued):**

Pursuant to the Property Management and Operating Agreement for the Cornerstone Courtyard, the partnership is required to pay the Authority a monthly management fee for its daily operation of the project. Effective June 2008, the fee equals 8% of the project's monthly gross rental income excluding vacancies and concessions. For the two year-period ended December 31, 2016 the property management fee incurred and paid was \$53,795.

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

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

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

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

The partnership agreement for the Cornerstone II – Helena Apartments LP stipulates that partnership management fees be paid to the Authority in the amount of \$7,500 annually for services rendered in managing the business of the partnership. The fee is to be paid to the extent cash flow is available and if net cash flow is not available, the fee shall not accrue. For the two year period ended December 31, 2016 the partnership management fee expense was \$15,000. Total partnership management fees owed as of December 31, 2016 were \$7,500.

Pursuant to the Property Management and Operating Agreement for the Pearl on Adams, the partnership is required to pay the Authority a monthly management fee for its daily operation of the project. Effective in 2009, the fee equals 7% of the project's monthly gross rental income excluding vacancies and concessions. For the two year-period ended December 31, 2016 the property management fee incurred and paid was \$27,113.

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

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

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

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**NOTE 15— COMPONENT UNITS (continued):**

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

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

The partnership agreement for the Martindale Apartments, LP dated November 12, 2010, stipulates that an annual noncumulative partnership management fee be paid to the Authority in an amount up to \$25,000 annually for services rendered in managing the business of the partnership. The fee is to be paid to the extent cash flow is available and if net cash flow is not available, the fee shall not accrue. For the two-year period ended December 31, 2016 the partnership management fee expense was \$36,000. Total partnership management fees owed as of December 31, 2016 were \$25,000.

Pursuant to the Property Management and Operating Agreement for the Agnes Kehoe Place, the partnership is required to pay the Authority a monthly management fee for its daily operation of the project. Effective in 2012, the fee equals 7.5% of the project's monthly gross rental income excluding vacancies and concessions. For the two year-period ended December 31, 2016 the property management fee incurred and paid was \$49,607.

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

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

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

The Spokane Housing Authority holds legal title to the property, and on September 30, 2005 a financing lease agreement was entered into between the Authority and Cedar Haven, LLLP which required an initial capitalized rent of \$9,025,000. Of this amount, \$4,025,000 was paid in cash and the remainder was paid through the issuance of an Authority issued seller financed note. Annual base rent of \$10,000 per year is payable each January 1 through December 31, 2114 unless terminated earlier. The annual base rent will increase 5% commencing on January 1, 2026 and every tenth January 1 thereafter. The annual base rent is to be paid to the extent cash flow is available and shall accrue annually. Any unpaid amounts shall bear interest at 2.64%. For the two year-period ended December 31, 2016, the annual base rent expense was \$20,000. Total base rent payable to the Authority along with accrued interest as of December 31, 2016 were \$20,000 and \$594 respectively. The lease allows the limited partnership to remain the owner for federal income tax purposes, and gives it an equity interest in all improvements to the property plus debt service payments.

Pursuant to the Property Management and Operating Agreement for Cedar West Apartments and Woodhaven Apartments, the partnership is required to pay the Authority a monthly management fee for its daily operation of the project. Effective in 2015, the fee equals 5% of the project's monthly effective gross income excluding vacancies, concessions and allowances. For the two year-period ended December 31, 2016 the property management fee incurred and paid was \$62,897.

Pursuant to the Development Agreement for Cedar Haven, LLLP, the Authority is entitled to a development fee in the amount of \$2,350,000 of which \$2,350,000 had been earned as of December 31, 2016. As of December 31, 2016, the

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

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**NOTE 15— COMPONENT UNITS (continued):**

developer fee payable to the Authority was \$2,225,000. The development fee will be paid from capital contributions from the Limited Partner, and any development fee not paid by the fourth installment of the Limited Partner's capital contribution will bear interest at 1% per annum and will be paid from available cash flow as defined in the Partnership Agreement for Cedar Haven LLLP. The unpaid balance of development fee must be paid in full by December 31, 2029.

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

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

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

The Spokane Housing Authority holds legal title to the property, and on January 29, 2016 a financing lease agreement was entered into between the Authority and Parsons, LLLP which required an initial capitalized rent of \$2,925,000. Of this amount, \$700,000 was paid in cash and the remainder was paid through the issuance of an Authority issued seller financed note. Annual base rent of \$10,000 per year is payable each January 1 through December 31, 2115 unless terminated earlier. The annual base rent will increase 5% commencing on January 1, 2027 and every tenth January 1 thereafter. The annual base rent is to be paid to the extent cash flow is available and shall accrue annually. Any unpaid amounts shall bear interest at 2.65%. For the two year-period ended December 31, 2016, the annual base rent expense was \$10,000. Total base rent payable to the Authority along with accrued interest as of December 31, 2016 were \$10,000 and \$243 respectively. The lease allows the limited partnership to remain the owner for federal income tax purposes, and gives it an equity interest in all improvements to the property plus debt service payments.

Pursuant to the Property Management and Operating Agreement for the Parsons Apartments, the partnership is required to pay the Authority a monthly management fee for its daily operation of the project. Effective in 2016, the fee equals 5% of the project's monthly effective gross income excluding vacancies, concessions and allowances. For the two year-period ended December 31, 2016 the property management fee incurred and paid was \$18,875.

Pursuant to the Development Agreement for Parsons, LLLP, the Authority is entitled to a development fee in the amount of \$725,000 of which \$721,100 had been earned as of December 31, 2016. As of December 31, 2016, the developer fee payable to the Authority was \$646,100. The development fee will be paid from capital contributions from the Limited Partner, and any development fee not paid by the fourth installment of the Limited Partner's capital contribution will bear interest at 1% per annum and will be paid from available cash flow as defined in the Partnership Agreement for Parsons LLLP. The unpaid balance of development fee must be paid in full by December 31, 2029.

**NOTE 16 —RISK MANAGEMENT:**

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

The Authority is a member of the Housing Authorities Risk Retention Pool (HARRP). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), fifty-five public housing authorities in the states of Washington, Oregon and California originally formed HARRP in March 1987. HARRP was created for the purposes

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to Basic Financial Statements**  
**For the Eighteen-Month Period Ended December 31, 2016**

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**NOTE 16 — RISK MANAGEMENT (continued):**

of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. HARRP is a U.S. Department of Housing and Urban Development (HUD) approved self-insurance entity for utilization by public housing authorities. HARRP has a total of eight six member/owner housing authorities in the in the states of Washington, Oregon, California and Nevada. Thirty-six of the eighty-six members are Washington public housing entities.

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

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

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

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

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

**NOTE 17 — CONTINGENCIES AND LITIGATION:**

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

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

**NOTE 18 — EXTRAORDINARY ITEMS:**

Significant transactions or events that are either unusual in nature or infrequent in occurrence, and are also not within the control of management are classified as extraordinary items. During the eighteen-month period ending December 31, 2016 there were no extraordinary items to report.

**NOTE 19 — SUBSEQUENT EVENTS:**

Management has evaluated events and transactions occurring after December 31, 2016 through the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. There were no subsequent events or transactions that required disclosure.

**Spokane Housing Authority, Spokane County, Washington**  
**Schedule of Proportional Share of the Net Pension Liability**  
**As of June 30, 2016 (measurement date)**  
**Last 10 Fiscal Years\***

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

\*These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

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

**NOTE 1 — CHANGES OF BENEFIT TERMS:**

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

**NOTE 2 — CHANGES OF ASSUMPTIONS:**

There were minor changes in methods and assumption 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. no changes in the assumption for the Pension Plans.

**Spokane Housing Authority, Spokane County, Washington**  
**Schedule of Employer Contributions**  
**As of December 31, 2016 (reporting date)**  
**Last 10 Fiscal Years\***

<b>PERS # 1</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016***</b>
Contractually required contributions	\$ 69,414	\$ 110,020	\$ 104,473	\$ 195,173
Contributions in relation to the contractually required contributions	\$ (69,414)	\$ (110,020)	\$ (104,473)	\$ (195,173)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll**	\$ 2,858,418	\$ 2,733,973	\$ 2,603,865	\$ 4,127,567
Contributions as a percentage of covered payroll	2.43%	4.02%	4.01%	4.73%
<b>PERS # 2/3</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016***</b>
Contractually required contributions	\$ 131,809	\$ 132,238	\$ 130,657	\$ 254,480
Contributions in relation to the contractually required contributions	\$ (131,809)	\$ (132,238)	\$ (130,657)	\$ (254,480)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll**	\$ 2,858,418	\$ 2,733,973	\$ 2,603,865	\$ 4,127,567
Contributions as a percentage of covered-employee payroll	4.61%	4.84%	5.02%	6.17%

\*These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

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

**Spokane Housing Authority, Spokane County, Washington**  
**Notes to the Required Supplementary Information on Pensions**  
**For the Eighteen-Month Period Ended December 31, 2016**

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**NOTE 1 — CHANGES OF BENEFIT TERMS:**

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

**NOTE 2 — CHANGES OF ASSUMPTIONS:**

There were minor changes in methods and assumption 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. No changes in the assumption for the Pension Plans.

**NOTE 2 — CHANGE OF FISCAL YEAR END:**

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

**Spokane Housing Authority, Spokane County, Washington**  
**Schedule of Expenditures of Federal Awards**  
**For the Eighteen-Month Period Ended December 31, 2016**

CFDA #	Federal Agency	Federal Program	Pass-Through Agency	Other Award I.D. Number	Current Year Expenditures			Passed through to Subrecipients	Notes Ref.
					Pass-Through Awards	Direct Awards	Total		
14.191	Office of Community Planning and Development, Department of Housing and Urban Development	Multifamily Housing Service Coordinator	n/a	WA19HS10006	\$ -	\$ 17,011	\$ 17,011	\$ -	1,2
14.218	Office of Community Planning and Development, Department of Housing and Urban Development	Community Development Block Grant/Entitlements	n/a	B-14-MC-53-006	-	100,000	100,000	-	
14.239	Office of Community Planning and Development, Department of Housing and Urban Development	HOME Investment Partnership Program	City of Spokane	OPR2014-0550	60,588		60,588	-	1,2
				OPR2015-0352	29,593		29,593	-	1,2
				OPR2015-0353	78,695		78,695	-	1,2
				Subtotal	168,876	-	168,876	-	
14.241	Office of Community Planning and Development, Department of Housing and Urban Development	Housing Opportunities for Person with Aids	Washington Department of Commerce	F14-46203-11	115,794		115,794	-	1,2
				F15-46201-01	167,195		167,195	-	1,2
				Subtotal	282,989	-	282,989	-	
14.249	Office of Community Planning and Development, Department of Housing and Urban Development	Section 8 Moderate Rehab Single Room Occupancy	n/a	WA055SRO003	-	183,947	183,947	-	1,2
				WA055SRO006	-	448,919	448,919	-	1,2
				Subtotal	-	632,866	632,866	-	
14.267	Office of Community Planning and Development, Department of Housing and Urban Development	Continuum of Care Program	City of Spokane	OPR2013-0595	3,802	-	3,802	-	1,2
14.850	Office of Public and Indian Housing, Department of Housing and Urban Development	Public and Indian Housing	n/a	WA055-000001/ WA055-000002	-	562,508	562,508	-	1,2
14.871	Office of Public and Indian Housing, Department of Housing and Urban Development	Section 8 Housing Choice Voucher Program	n/a	WA055VO/ WA055AF	-	41,921,361	41,921,361	-	1,2
14.872	Office of Public and Indian Housing, Department of Housing and Urban Development	Public Housing Capital Fund	n/a	WA19P055501	-	289,334	289,334	-	1,2
<b>Total Federal Expenditures</b>					<b>\$ 455,667</b>	<b>\$ 43,523,080</b>	<b>\$ 43,978,747</b>	<b>\$ -</b>	



**Spokane Housing Authority, Spokane County, Washington**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Eighteen-Month Period Ended December 31, 2016**

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**NOTE 1 — BASIS OF ACCOUNTING:**

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") presents the activity of all federal financial assistance programs of the Spokane Housing Authority ("Authority"). The Authority's reporting entity is defined in Note 1 to the Authority's financial statements. All federal financial assistance received directly from the federal government as well as federal financial assistance that is passed through from other governmental agencies is required to be included on the Schedule.

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

**NOTE 2 — PROGRAM COSTS:**

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

The information presented in the Schedule is presented in accordance with the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 — INDIRECT COST RATE:**

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

**Spokane Housing Authority, Spokane County, Washington**  
**Supplemental Financial Data Schedule**  
**December 31, 2016**

Line Item #	Account description	Parsons	Low Rent	14.871Housing	6.1Component	2 State/	1Business
		Apts WA055000001	Scattered Sites WA055000002	Choice Vouchers	Units - Discretely Presented	Local	Activities
111	Cash-unrestricted	\$ -	\$ 320,012	\$ 1,407,643	\$ 483,951	\$ -	\$ 1,568,066
112	Cash-restricted-modernization and development	-	135,400	-	-	-	292,512
113-030	Cash-other restricted	-	-	2,133,985	1,299,512	-	1,259,222
114	Cash-tenant security deposits	-	24,808	-	121,459	-	146,434
115	Cash - Restricted for payment of current liability	-	-	2,033	-	-	-
100	Total Cash	-	480,220	3,543,661	1,904,922	-	3,266,234
122-020	Accounts receivable - HUD other projects - Capital fund	-	5,077	-	-	-	-
122-030	Accounts receivable - HUD other projects - Other	-	-	332	-	-	-
124	Account receivable - other government	-	-	-	-	1,324	1,686
125-040	Account receivable - miscellaneous - Tax Credit	-	-	-	3,353	-	-
125-050	Account receivable - miscellaneous - Other	-	521	15,038	95	-	18,838
126.0	Accounts receivable - tenants	-	1,022	-	15,697	-	21,770
126.1	Allowance for doubtful accounts - tenants	-	-	-	-	-	(9,148)
127	Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	-
128	Fraud recovery	-	-	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	-	269,993
120	Total receivables, net of allowance for doubtful accounts	-	6,620	15,370	19,145	1,324	303,139
131	Investments - unrestricted	-	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-	-
135	Investments - Restricted for payment of current liability	-	-	-	-	-	-
142	Prepaid expenses and other assets	-	9,125	6,610	41,548	-	26,319
143	Inventories	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-	-
144-010	Inter program - due from	-	-	-	-	-	-
145	Assets held for sale	-	-	-	-	-	-
150	Total Current Assets	-	495,965	3,565,641	1,965,615	1,324	3,595,692
161	Land	-	740,000	-	626,941	-	1,072,876
162	Buildings	-	4,454,916	-	52,175,449	-	14,208,075
163	Furniture, equipment and machinery - dwellings	-	153,837	-	1,221,803	-	1,088,733
164	Furniture, equipment and machinery - administration	-	54,383	13,885	130,541	-	113,101
165	Leasehold improvements	-	1,794,036	54,091	1,045,011	-	2,413,536
166	Accumulated depreciation	-	(5,344,494)	(20,276)	(7,932,359)	-	(9,371,219)
167	Construction in progress	-	9,299	9,215	-	-	502,585
168	Infrastructure	-	-	-	-	-	-
160	Total capital assets, net of accumulated depreciation	-	1,861,977	56,915	47,267,386	-	10,027,687
171	Notes, Loans, & mortgages receivable - Non-current	-	-	-	-	-	10,143,588
172	Notes, Loans, & mortgages receivable - Non-current - past due	-	-	-	-	-	-
173	Grants receivable - Non-current	-	-	-	-	-	-
174	Other assets	-	-	-	216,051	-	30,000
176	Investment in joint venture	-	-	-	-	-	-
180	Total Non-current Assets	-	1,861,977	56,915	47,483,437	-	20,201,275
190	Total Assets	-	2,357,942	3,622,556	49,449,052	1,324	23,796,967
200	Deferred outflow of Resources	-	18,278	191,919	-	-	13,708
290	Total Assets and Deferred Outflow of Resources	\$ -	\$ 2,376,220	\$ 3,814,475	\$ 49,449,052	\$ 1,324	\$ 23,810,675

**Spokane Housing Authority, Spokane County, Washington**  
**Supplemental Financial Data Schedule (Continued)**  
**December 31, 2016**

14.267 Continuum of Care Program	14.218 CDBG	14.239 HOME	14.241 Housing	14.249 Section 8		14.191	COCC	Subtotal	ELIM	Total
		Investment Partnerships Program	Opportunities for Person with Aids	8 Other Federal Program 1	Moderate Rehabilitation Single Room Occupancy	Multifamily Housing Service Coordinators				
\$ -	\$ -	\$ -	\$ -	\$ 143,505	\$ 62,597	\$ 3,217	\$ 1,772,290	\$ 5,761,281	\$ -	\$ 5,761,281
-	-	-	-	-	-	-	-	427,912	-	427,912
-	-	-	-	23,712	10,025	-	136,760	4,863,216	-	4,863,216
-	-	-	-	-	-	-	-	292,701	-	292,701
-	-	-	-	8,681	3,811	-	-	14,525	-	14,525
-	-	-	-	175,898	76,433	3,217	1,909,050	11,359,635	-	11,359,635
-	-	-	-	-	-	-	-	5,077	-	5,077
-	-	-	-	617	300	1,999	-	3,248	-	3,248
-	-	17,666	20,020	-	-	-	-	40,696	-	40,696
-	-	-	-	-	-	-	167,198	170,551	-	170,551
-	-	-	-	-	-	-	-	34,492	-	34,492
-	-	-	-	-	-	-	-	38,489	-	38,489
-	-	-	-	-	-	-	-	(9,148)	-	(9,148)
-	-	-	-	-	-	-	2,646	2,646	2,646	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	269,993	-	269,993
-	-	17,666	20,020	617	300	1,999	169,844	556,044	2,646	553,398
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	47,532	131,134	-	131,134
-	-	-	-	-	-	-	1,021	1,021	-	1,021
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	95,315	95,315	95,315	-
-	-	-	-	-	-	-	-	-	-	-
-	-	17,666	20,020	176,515	76,733	5,216	2,222,762	12,143,149	97,961	12,045,188
-	-	-	-	-	-	-	267,563	2,707,380	-	2,707,380
-	-	-	-	-	-	-	1,171,623	72,010,063	-	72,010,063
-	-	-	-	-	-	-	-	2,464,373	-	2,464,373
-	-	-	-	-	-	-	348,577	660,487	-	660,487
-	-	-	-	-	-	-	277,869	5,584,543	-	5,584,543
-	-	-	-	-	-	-	(1,109,637)	(23,777,985)	-	(23,777,985)
-	-	-	-	-	-	-	5,412	526,511	-	526,511
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	961,407	60,175,372	-	60,175,372
-	-	-	-	-	-	-	12,941	10,156,529	12,941	10,143,588
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	185,748	431,799	-	431,799
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,160,096	70,763,700	12,941	70,750,759
-	-	17,666	20,020	176,515	76,733	5,216	3,382,858	82,906,849	110,902	82,795,947
-	-	-	-	-	-	-	233,044	456,949	-	456,949
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,666</u>	<u>\$ 20,020</u>	<u>\$ 176,515</u>	<u>\$ 76,733</u>	<u>\$ 5,216</u>	<u>\$ 3,615,902</u>	<u>\$83,363,798</u>	<u>\$ 110,902</u>	<u>\$83,252,896</u>

**Spokane Housing Authority, Spokane County, Washington**  
**Supplemental Financial Data Schedule (Continued)**  
**December 31, 2016**

Line Item #	Account description	Parsons	Low Rent	14.871Housing	6.1Component	2 State/	1Business
		Apts WA055000001	Scattered Sites WA055000002	Choice Vouchers	Units - Discretely Presented	Local	Activities
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable <= 90 days	-	4,273	6,845	595,912	-	115,030
313	Accounts payable > 90 days past due	-	-	-	-	-	-
321	Accrued wage/payroll taxes payable	-	-	-	-	-	-
322	Accrued compensated absences - current portion	-	1,430	13,834	-	-	5,488
324	Accrued contingency liability	-	-	-	-	-	-
325	Accrued interest payable	-	-	-	33,084	-	84,477
331	Accounts payable - HUD PHA Programs	-	-	2,033	-	-	-
332	Accounts payable - PHA Projects	-	-	650	-	-	-
333	Accounts payable - other government	-	-	-	-	-	-
341	Tenant security deposits	-	24,808	-	121,459	-	146,434
342	Unearned Revenue	-	4,384	269,449	12,359	-	24,571
343	Current portion of long-term debt - capital projects/mortgage revenue bonds	-	-	-	11,157,257	-	320,259
344	Current portion of long-term debt - operating borrowings	-	-	-	-	-	11,976
345	Other current liabilities	-	625	-	408,089	-	15,434
346	Accrued liabilities - other	-	-	-	-	-	-
347	Inter program - due to	-	-	-	-	1,793	39,785
348	Loan liability - current	-	-	-	-	-	-
310	Total Current Liabilities	-	35,520	292,811	12,328,160	1,793	763,454
351	Capital Projects/ Mortgage Revenue Bonds	-	-	-	18,694,720	-	14,139,833
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-	532,089
353	Non-current liabilities - other	-	-	-	621,805	-	1,670,578
354	Accrued compensated absences- Non-current	-	13,873	73,650	-	-	6,302
355	Loan liability - Non-current	-	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-	-
357-010	Accrued Pension and OPEB Liability	-	108,476	1,138,998	-	-	81,357
350	Total Non-Current Liabilities	-	122,349	1,122,648	19,316,525	-	16,430,159
300	Total Liabilities	-	157,869	1,505,459	31,644,685	1,793	17,193,613
400	Deferred Inflow of Resources	-	5,247	2,093,415	-	-	3,935
508.4	Net Investment in Capital Assets	-	186,197	56,915	17,415,409	-	(4,432,405)
511.4	Restricted Net Position	-	135,400	97,698	1,299,512	-	1,551,734
512.4	Unrestricted Net Position	-	215,727	60,988	(910,554)	(469)	9,493,798
513	Total Equity - Net Assets/Position	-	2,213,104	215,601	17,804,367	(469)	6,613,127
600	Total Liabilities, Deferred Inflow of Resources, and Equity - Net Assets/Position	\$ -	\$ 2,376,220	\$ 3,814,475	\$ 49,449,052	\$ 1,324	\$ 23,810,675

**Spokane Housing Authority, Spokane County, Washington**  
**Supplemental Financial Data Schedule (Continued)**  
**December 31, 2016**

14.267 Continuum of Care Program		14.249 Section 8									
		14.239 HOME Investment Partnerships Program	14.241Housing Opportunities for Person with Aids	8 Other Federal Program 1	Moderate Rehabilitation Single Room Occupancy	14.191 Multifamily Housing Service Coordinators	COCC	Subtotal	ELIM	Total	
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
-	-		339		596	-	-		1,854		19,869
-	-		-		-	-	-		-	-	-
-	-		-		-	-	-		128,129		128,129
-	-		-		-	-	-		36,809		57,561
-	-		-		-	-	-		-	-	-
-	-		-		-	-	-		-	-	-
-	-		-		-	-	-		117,561		117,561
-	-		-		-	8,681	3,811	-	-		14,525
-	-		-		-	-	-	-	-		650
-	-		-		-	-	-	-	-	-	-
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-	-		-		-	-					

**Spokane Housing Authority, Spokane County, Washington**  
**Supplemental Financial Data Schedule (Continued)**  
**December 31, 2016**

Line Item #	Account description	Parsons	Low Rent	14.871Housing	6.1Component	2 State/	1Business
		Apts WA055000001	Sites WA055000002	Choice Vouchers	Units - Discretely Presented	Local	Activities
70300	Net tenant rental revenue	\$ 65,567	\$ 297,088	\$ -	\$ 3,156,650	\$ -	\$ 5,967,053
70400	Tenant revenue - other	3,228	17,698	-	143,667	-	197,989
70500	Total Tenant Revenue	68,795	314,786	-	3,300,317	-	6,165,042
70600-000	HUD PHA operating grants	249,114	372,780	41,622,540	-	-	-
70610	Capital grants	202,512	27,436	-	799,520	-	-
70710	Management Fee	-	-	-	-	-	-
70720	Asset Management Fee	-	-	-	-	-	-
70730	Book-Keeping Fee	-	-	-	-	-	-
70740	Front Line Service Fee	-	-	-	-	-	-
70750	Other Fees	-	-	-	-	-	3,071,100
70700	Total Fee Revenue	-	-	-	-	-	3,071,100
70800	Other government grants	-	-	-	30,000	5,301	-
71100-000	Investment income - unrestricted	611	2,122	5,624	7,185	-	286,482
71200	Mortgage interest income	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-
71310	Cost of sale of assets	-	-	-	-	-	-
71400	Fraud recovery	-	-	119,351	-	-	-
71500	Other revenue	6,727	650	420,725	26,880	-	213,727
71600	Gain or loss on sale of capital assets	-	109,981	-	(186)	-	7,849,087
72000	Investment income - restricted	-	-	-	-	-	-
70000	Total Revenue	\$ 527,759	\$ 827,755	\$ 42,168,240	\$ 4,163,716	\$ 5,301	\$ 17,585,438

**Spokane Housing Authority, Spokane County, Washington**  
**Supplemental Financial Data Schedule (Continued)**  
**December 31, 2016**

14.267 Continuum of Care Program		14.249 Section 8													
		14.239 HOME Investment Partnerships Program	14.241Housing Opportunities for Person with Aids	8 Other Federal Program 1	Moderate Rehabilitation Single Room Occupancy	14.191 Multifamily Housing Service Coordinators	COCC	Subtotal	ELIM	Total					
\$	-	\$	-	\$	-	\$	-	\$	-	\$	9,486,358	\$	-	\$	9,486,358
	-		-		-		-		-		362,582		-		362,582
	-		-		-		-		-		9,848,940		-		9,848,940
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**Spokane Housing Authority, Spokane County, Washington**  
**Supplemental Financial Data Schedule (Continued)**  
**December 31, 2016**

Line Item #	Account description	Parsons	Low Rent	14.871Housing	6.1Component	2 State/	1Business
		Apts WA 055000001	Scattered Sites WA 055000002	Choice Vouchers	Units - Discretely Presented	Local	Activities
91100	Administrative salaries	\$ 13,981	\$ 43,621	\$ 1,308,322	\$ 245,339	\$ 447	\$ 387,116
91200	Auditing fees	1,102	1,373	24,982	74,350	-	2,750
91300	Management Fee	17,630	72,306	1,079,496	212,287	-	460,731
91310	Book-Keeping Fee	2,452	9,930	674,685	-	-	-
91400	Advertising and Marketing	50	247	-	44,688	-	41,393
91500	Employee benefit contributions - administrative	6,500	10,971	707,267	105,609	165	230,492
91600	Office Expenses	14,360	8,025	107,320	93,648	335	156,104
91700	Legal Expense	629	1,963	-	35,879	-	39,093
91800	Travel	1,348	334	39,087	11,728	-	12,419
91810	Allocated Overhead	-	-	-	-	-	-
91900	Other	-	2,561	-	16,682	-	24,324
91000	Total Operating-Administrative	58,052	151,331	3,941,159	840,210	947	1,354,422
92000	Asset Management Fee	3,500	5,250	-	-	-	-
92100	Tenant services - salaries	-	-	-	-	-	-
92200	Relocation Costs	-	-	-	-	-	-
92300	Employee benefit contributions - tenant services	-	-	-	-	-	-
92400	Tenant services - other	1,036	-	-	19,059	-	2,486
92500	Total Tenant Services	4,536	5,250	-	19,059	-	2,486
93100	Water	1,705	33,782	-	46,890	-	149,072
93200	Electricity	10,274	2,118	-	184,783	-	218,698
93300	Gas	3,486	11	-	71,689	-	32,998
93400	Fuel	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-
93600	Sewer	19,750	70,128	-	314,816	-	462,606
93700	Employee benefit contributions - utilities	-	-	-	-	-	-
93800	Other utilities expense	-	-	-	6,951	-	3,617
93000	Total Utilities	35,215	106,039	-	625,129	-	866,991
94100	Ordinary maintenance and operations - labor	7,041	87,299	-	232,399	-	387,439
94200	Ordinary maintenance and operations - materials and other	8,410	28,377	-	92,790	-	189,931
94300-000	Ordinary Maintenance and Operations Contracts	11,260	96,121	442,072	345,828	-	665,833
94500	Employee benefit contribution - ordinary maintenance	3,748	36,592	-	114,798	-	180,303
94000	Total Maintenance	30,459	248,389	442,072	785,815	-	1,423,506
95100	Protective services - labor	-	-	-	-	-	-
95200	Protective services - other contract costs	348	-	-	8,583	-	17,736
95300	Protective services - other	-	-	-	-	-	-
95500	Employee benefit contributions - protective services	-	-	-	-	-	-
95000	Total Protective Services	348	-	-	8,583	-	17,736
96110	Property Insurance	4,851	28,047	-	29,628	-	114,635
96120	Liability Insurance	612	2,226	-	16,742	-	10,171
96130	Workmen's Compensation	1,277	7,122	25,587	25,009	4	42,128
96140	All other Insurance	372	5,301	22,379	14,937	-	7,676
96100	Total Insurance Premiums	7,112	42,696	47,966	86,316	4	174,610



**Spokane Housing Authority, Spokane County, Washington**  
**Supplemental Financial Data Schedule (Continued)**  
**December 31, 2016**

		14.249 Section 8									
		14.239 HOME	14.241Housing			Moderate	14.191				
14.267 Continuum		Investment	Opportunities	8 Other		Rehabilitation	Multifamily				
of Care Program	14.218 CDBG	Partnerships	for Person	Federal		Single Room	Housing Service				
		Program	with Aids	Program 1		Occupancy	Coordinators	COCC	Subtotal	ELIM	Total
\$ 325	\$ -	\$ 3,705	\$ 9,241	\$ 3,323	\$ 1,586	\$ 42	\$ 1,306,814	\$ 3,323,862	\$ -	\$ 3,323,862	
-	-	-	-	-	-	-	4,017	108,574	-	108,574	
-	-	-	-	11,232	5,400	-	-	1,859,082	1,549,130	309,952	
-	-	-	-	7,020	3,375	-	-	697,462	697,462	-	
-	-	-	-	-	-	-	-	86,378	-	86,378	
132	-	1,479	3,936	1317	617	17	187,345	1,255,847	-	1,255,847	
229	-	3,871	8,630	5,586	2,685	-	222,473	623,266	-	623,266	
-	-	-	-	-	-	-	16,944	94,508	-	94,508	
-	-	-	-	-	-	-	79,555	144,471	-	144,471	
-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	280	43,847	-	43,847	
686	-	9,055	21,807	28,478	13,663	59	1,817,428	8,237,297	2,246,592	5,990,705	
-	-	-	-	-	-	-	-	8,750	8,750	-	
-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	22,581	-	22,581	
-	-	-	-	-	-	-	-	31,331	8,750	22,581	
-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	1,279	232,728	-	232,728	
-	-	-	-	-	-	-	29,839	445,712	-	445,712	
-	-	-	-	-	-	-	3,454	111,638	-	111,638	
-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	1,740	869,040	-	869,040	
-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	10,568	-	10,568	
-	-	-	-	-	-	-	36,312	1,669,686	-	1,669,686	
-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	276,385	990,563	-	990,563	
-	-	-	-	-	-	-	-	319,508	-	319,508	
4	-	252	1,399	312	64	16,952	64,988	1,645,085	16,155	1,628,930	
-	-	-	-	-	-	-	126,288	461,729	-	461,729	
4	-	252	1,399	312	64	16,952	467,661	3,416,885	16,155	3,400,730	
-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	26,667	-	26,667	
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-	-	-	-	-	-	-	-	26,667	-	26,667	
-	-	-	-	-	-	-	4,631	181,792	-	181,792	
-	-	-	-	-	-	-	83	29,834	-	29,834	
3	-	36	102	41	20	-	31,739	133,068	-	133,068	
-	-	-	-	-	-	-	15,007	65,672	-	65,672	
3	-	36	102	41	20	-	51,460	410,366	-	410,366	

**Spokane Housing Authority, Spokane County, Washington**  
**Supplemental Financial Data Schedule (Continued)**  
**December 31, 2016**

Line Item #	Account description	Parsons	Low Rent	14.871Housing	6.1Component	2 State/	1Business
		Apts WA055000001	Scattered Sites WA055000002	Choice Vouchers	Units - Discretely Presented	Local	Activities
96200	Other general expenses	\$ -	\$ -	\$ 130,438	\$ 157,799	\$ -	\$ 71,493
96210	Compensated absences	2,603	16,477	167,566	49,428	-	84,623
96300	Payments in lieu of taxes	-	7,779	-	863	-	-
96400	Bad debt - tenant rents	1,681	8,711	-	55,207	-	106,840
96500	Bad debt - mortgages	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-
96800	Severance expense	-	-	-	6,998	-	673
96000	Total Other General Expenses	4,284	32,967	298,004	270,295	-	263,629
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	357,476	-	1,572,569
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	1,177
96730	Amortization of Bond Issue Costs	-	-	-	57,429	-	-
96700	Total Interest Expense and Amortization Cost	-	-	-	414,905	-	1,573,746
96900	Total Operating Expenses	140,006	586,672	4,729,201	3,050,312	951	5,677,126
97000	Excess Revenue Over Operating Expenses	387,753	241,083	37,439,039	1,113,404	4,350	11,908,312
97100	Extraordinary maintenance	-	-	-	-	-	2,500
97200	Casualty losses- Non-capitalized	-	-	-	-	-	129,827
97300-000	Housing assistance payments	175,514	-	36,759,752	-	4,819	-
97350	HAP Portability-in	-	-	375,493	-	-	-
97400	Depreciation expense	29,220	458,352	916	2,486,595	-	1,775,378
97500	Fraud losses	-	-	-	-	-	-
97600	Capital Outlays - Governmental Funds	-	-	-	-	-	-
97700	Debt Principal Payments - Governmental Funds	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-
90000	Total Expenses	344,740	1,045,024	41,865,362	5,536,907	5,770	7,584,831
10010	Operating transfer in	-	-	-	-	-	-
10020	Operating transfer out	-	-	-	-	-	-
10030	Operating transfers from / to primary government	-	-	-	-	-	-
10040	Operating transfers from / to component unit	-	-	-	-	-	-
10050	Proceeds from Notes, Loans & Bonds	-	-	-	-	-	-
10060	Proceeds from Property Sales	-	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-
10080	Special items, net gain/loss	-	-	-	-	-	-
10091	Inter Project Excess Cash Transfer In	5,837	-	-	-	-	-
10092	Inter Project Excess Cash Transfer Out	-	(5,837)	-	-	-	-
10093	Transfers between Programs and Projects - in	-	-	-	-	-	100,000
10094	Transfers between Programs and Projects - out	-	-	-	-	-	-
10100	Total other financing sources (uses)	5,837	(5,837)	-	-	-	100,000
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	\$ 188,856	\$ (223,106)	\$ 302,878	\$ (1,373,191)	\$ (469)	\$ 10,100,607

**Spokane Housing Authority, Spokane County, Washington**  
**Supplemental Financial Data Schedule (Continued)**  
**December 31, 2016**

		14.249 Section 8								
		14.239 HOME	14.241Housing		Moderate	14.191				
14.267 Continuum		Investment	Opportunities	8 Other	Rehabilitation	Multifamily				
of Care Program	14.218 CDBG	Partnerships	for Person	Federal	Single Room	Housing Service				
		Program	with Aids	Program 1	Occupancy	Coordinators	COCC	Subtotal	ELIM	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 359,730	\$ -	\$ 359,730
-	-	-	-	-	-	-	243,676	564,373	-	564,373
-	-	-	-	-	-	-	-	8,642	-	8,642
-	-	-	-	-	-	-	-	172,439	-	172,439
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	635	8,306	-	8,306
-	-	-	-	-	-	-	244,311	1,113,490	-	1,113,490
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	29,630	1,959,675	-	1,959,675
-	-	-	-	-	-	-	-	1,177	1,177	-
-	-	-	-	-	-	-	-	57,429	-	57,429
-	-	-	-	-	-	-	29,630	2,018,281	1,177	2,017,104
693	-	9,343	23,308	28,831	13,747	17,011	2,646,802	16,924,003	2,272,674	14,651,329
2,836	100,000	160,199	260,202	459,144	189,171	765	603,096	52,869,354	-	52,869,354
-	-	-	-	-	-	-	-	2,500	-	2,500
-	-	-	-	-	-	-	-	129,827	-	129,827
3,109	-	159,533	259,681	420,088	170,200	-	-	37,952,696	-	37,952,696
-	-	-	-	-	-	-	-	375,493	-	375,493
-	-	-	-	-	-	-	129,615	4,880,076	-	4,880,076
-	-	-	-	-	-	-	-	-	-	-
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-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
3,802	-	168,876	282,989	448,919	183,947	17,011	2,776,417	60,264,595	2,272,674	57,991,921
14,619	-	-	-	-	-	-	-	14,619	14,619	-
-	-	-	-	-	-	-	(14,619)	(14,619)	(14,619)	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	5,837	5,837	-
-	-	-	-	-	-	-	-	(5,837)	(5,837)	-
-	-	-	-	-	-	-	-	100,000	100,000	-
-	(100,000)	-	-	-	-	-	-	(100,000)	(100,000)	-
14,619	(100,000)	-	-	-	-	-	(14,619)	-	-	-
\$ 14,346	\$ -	\$ 666	\$ 521	\$ 39,056	\$ 18,971	\$ 765	\$ 458,862	\$ 9,528,762	\$ -	\$ 9,528,762

**Spokane Housing Authority, Spokane County, Washington**  
**Supplemental Financial Data Schedule (Continued)**  
**December 31, 2016**

Line Item #	Account description	Parsons	Low Rent	4.871Housing	6.1Component	2 State/	1Business
		Apts WA055000001	Scattered Sites WA055000002	Choice Vouchers	Units - Discretely Presented	Local	Activities
11020	Required Annual Debt Principal Payments	\$ -	\$ -	\$ -	\$ 107,683	\$ -	\$ 582,183
11030	Beginning equity	859,801	2,538,829	836,297	19,177,558	-	(4,345,042)
11040	Prior period adjustments, equity transfers, and correction of errors	(1,048,657)	(102,619)	(923,574)	-	-	857,562
11170	Administrative Fee Equity	-	-	117,903	-	-	-
11180	Housing Assistance Payments Equity	-	-	97,698	-	-	-
11190	Number of Unit Months Available	350	1,346	91,734	6,049	10	10,488
11210	Unit Months Leased	327	1,324	89,958	5,519	10	10,066
11270	Excess Cash	(11,667)	267,285	-	-	-	-
11610	Land Purchases	-	-	-	-	-	-
11620	Building Purchases	-	-	-	-	-	-
11630	Furniture & Equipment-Dwelling Purchases	-	3,014	-	-	-	-
11640	Furniture & Equipment-Administrative Purchases	-	-	-	-	-	-
11650	Leasehold Improvements Purchases	212,064	42,865	-	-	-	-
11660	Infrastructure Purchases	-	-	-	-	-	-
13510	CFFP Debt Service Payments	-	-	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-	-

**Spokane Housing Authority, Spokane County, Washington**  
**Supplemental Financial Data Schedule (Continued)**  
**December 31, 2016**

14.267 Continuum of Care Program		14.249 Section 8															
		14.239 HOME		14.241 Housing		Moderate		14.191									
		Investment	Partnerships	Opportunities	for Person	8 Other	Rehabilitation	Multifamily	Housing Service								
	14.218 CDBG	Program	Program	with Aids	Federal	Program 1	Single Room	Occupancy	Coordinators	COCC	Subtotal	ELIM	Total				
\$	-	\$	-	\$	-	\$	-	\$	-	\$ 41,412	\$ 731,278	\$	-	\$ 731,278			
	(14,346)		-		(19,705)		1,532		101,369		42,153		2,597	(348,524)	18,832,519	-	18,832,519
	-		-		-		-		-		1217,288		-	-	-	-	-
	-		-		-		-		-		-		117,903		-	-	117,903
	-		-		-		-		-		-		97,698		-	-	97,698
	12		-		354		693		936		450		-	-	112,422		112,422
	12		-		354		693		883		433		-	-	109,579		109,579
	-		-		-		-		-		-		-	-	255,618		255,618
	-		-		-		-		-		-		-	-	-		-
	-		-		-		-		-		-		-	-	-		-
	-		-		-		-		-		-		-	-	3,014		3,014
	-		-		-		-		-		-		-	-	-		-
	-		-		-		-		-		-		-	-	254,929		254,929
	-		-		-		-		-		-		-	-	-		-
	-		-		-		-		-		-		-	-	-		-
	-		-		-		-		-		-		-	-	-		-

# Actual Modernization Cost Certificate

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

OMB Approval No. 2577-0157 (exp. 01/31/2017)

## Capital Fund Program (CFP)

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

Do not send this form to the above address.

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

PHA Name:

Spokane Housing Authority

Modernization Project Number:

WA19PO55501-13

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

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

A. Funds Approved	\$ 135,249.00
B. Funds Disbursed	\$ 135,249.00
C. Funds Expended (Actual Modernization Cost)	\$ 135,249.00
D. Amount to be Recaptured (A-C)	\$
E. Excess of Funds Disbursed (B-C)	\$

2. That all modernization work in connection with the Modernization Grant has been completed;

3. That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;

4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work;

5. That the time in which such liens could be filed has expired; and

6. That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.

7. Please mark one:

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

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


I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012, 31 U.S.C. 3729, 3802)

Name & Title of Authorized Signatory (type or print clearly):

Pamela Tietz, Executive Director

Signature of Executive Director (or Authorized Designee):

X 

Date:

8/6/15

For HUD Use Only

The Cost Certificate is approved for audit (if box 7A is marked):

Approved for Audit (Director, Office of Public Housing)

X 

Date:

10-13-2015

The costs shown above agree with HUD verified costs (if box 7A or 7B is marked):

Approved: (Director, Office of Public Housing)

X

Date:

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

**Spokane Housing Authority, Spokane County Washington**  
**Combining Statement of Net Position**  
**December 31, 2016**

	Section 8	Public Housing - Parsons Apts	Public Housing - Scattered Sites	Court View Apts	Sharon Lord Apts	Newark Apts	Woodhaven Apts	Valley 206 Apts
<b>ASSETS</b>								
<i>Current Assets:</i>								
Cash and Cash Equivalents	\$ 1,613,745	\$ -	\$ 320,012	\$ -	\$ -	\$ -	\$ -	\$ 450,549
Receivables (Net)	16,287	-	6,620	-	-	-	-	3,821
Inventories	-	-	-	-	-	-	-	-
Prepays and Other Assets	6,610	-	9,125	-	-	-	-	12,545
Receivable from Component Units	-	-	-	-	-	-	-	-
Interprogram Due From	-	-	-	-	-	-	-	-
<i>Restricted Assets:</i>								
Cash and Cash Equivalents	2,182,247	-	135,400	-	-	-	-	-
Tenant Security Deposits	-	-	24,808	-	-	-	-	83,583
Total Current Assets	3,818,889	-	495,965	-	-	-	-	550,498
<i>Noncurrent Assets:</i>								
Restricted Cash and Cash Equivalents	-	-	-	-	-	-	-	558,898
<i>Capital Assets:</i>								
Land	-	-	740,000	-	-	-	-	620,000
Buildings	-	-	4,454,916	-	-	-	-	8,406,879
Equipment - Dwellings	-	-	153,837	-	-	-	-	934,399
Equipment - Administration	13,885	-	54,383	-	-	-	-	50,711
Leasehold Improvements	6,391	-	1,794,036	-	-	-	-	983,613
Construction In Progress	9,215	-	9,299	-	-	-	-	495,476
Intangible Assets	47,700	-	-	-	-	-	-	-
Accumulated Depreciation	(20,276)	-	(5,344,494)	-	-	-	-	(7,013,759)
Total Capital Assets (Net)	56,915	-	1,861,977	-	-	-	-	4,477,319
Notes Receivable from Component Units	-	-	-	-	-	-	-	-
Interest Receivable from Component Units	-	-	-	-	-	-	-	-
Other Noncurrent Assets	-	-	-	-	-	-	-	-
Total Noncurrent Assets	56,915	-	1,861,977	-	-	-	-	5,036,217
<b>TOTAL ASSETS</b>	<b>\$ 3,875,804</b>	<b>\$ -</b>	<b>\$ 2,357,942</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,586,715</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Deferred Outflows Related to Pensions	\$ 191,919	\$ -	\$ 18,278	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 191,919</b>	<b>\$ -</b>	<b>\$ 18,278</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

**Spokane Housing Authority, Spokane County Washington**  
**Combining Statement of Net Position (Continued)**  
**December 31, 2016**

Valley 206 Apts	Cedar West Apts	Hifumi En Apts	Heritage Heights	Westfall Village	Grants	Development	Other Business Activities	Central Office Cost Center	Subtotal	Eliminating Entries	Total
\$ 450,549	\$ -	\$ 115,887	\$ 225,885	\$ 745,837	\$ 3,217	\$ 29,908	\$ -	\$ 1,772,290	\$ 5,277,330	\$ -	\$ 5,277,330
3,821	-	2,006	8,605	17,028	41,009	-	1,686	2,646	99,708	(2,646)	97,062
-	-	-	-	-	-	-	-	1,021	1,021	-	1,021
12,545	-	2,019	4,507	7,058	-	190	-	47,532	89,586	-	89,586
-	-	-	-	-	-	-	-	167,198	167,198	-	167,198
-	-	-	-	-	-	-	-	95,315	95,315	(95,315)	-
-	-	-	-	-	-	992,836	-	-	3,310,483	-	3,310,483
83,583	-	7,455	18,483	36,913	-	-	-	-	171,242	-	171,242
550,498	-	127,367	257,480	806,836	44,226	1,022,934	1,686	2,086,002	9,211,883	(97,961)	9,113,922
558,898	-	-	-	-	-	-	-	136,760	695,658	-	695,658
620,000	-	50,000	112,157	290,719	-	-	-	267,563	2,080,439	-	2,080,439
8,406,879	-	1,395,820	1,590,791	2,814,585	-	-	-	1,171,623	19,834,614	-	19,834,614
934,399	-	48,113	16,949	89,272	-	-	-	-	1,242,570	-	1,242,570
50,711	-	41,597	6,399	14,394	-	-	-	348,577	529,946	-	529,946
983,613	-	186,220	558,515	685,188	-	-	-	174,509	4,388,472	-	4,388,472
495,476	-	7,109	-	-	-	-	-	5,412	526,511	-	526,511
-	-	-	-	-	-	-	-	103,360	151,060	-	151,060
(7,013,759)	-	(827,230)	(564,511)	(965,719)	-	-	-	(1,109,637)	(15,845,626)	-	(15,845,626)
4,477,319	-	901,629	1,720,300	2,928,439	-	-	-	961,407	12,907,986	-	12,907,986
-	-	-	-	-	-	10,143,588	-	-	10,143,588	-	10,143,588
-	-	-	-	-	-	269,993	-	-	269,993	-	269,993
-	-	-	-	-	-	30,000	-	198,689	228,689	(12,941)	215,748
5,036,217	-	901,629	1,720,300	2,928,439	-	10,443,581	-	1,296,856	24,245,914	(12,941)	24,232,973
\$ 5,586,715	\$ -	\$ 1,028,996	\$ 1,977,780	\$ 3,735,275	\$ 44,226	\$ 11,466,515	\$ 1,686	\$ 3,382,858	\$ 33,457,797	\$ (110,902)	\$ 33,346,895
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,708	\$ -	\$ 233,044	\$ 456,949	\$ -	\$ 456,949
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,708	\$ -	\$ 233,044	\$ 456,949	\$ -	\$ 456,949

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



**Spokane Housing Authority, Spokane County Washington**  
**Combining Statement of Net Position (Continued)**  
**December 31, 2016**

	Section 8	Public Housing - Parsons Apts	Public Housing - Scattered Sites	Court View Apts	Sharon Lord Apts	Newark Apts	Woodhaven Apts	Valley 206 Apts
<b>LIABILITIES</b>								
<i>Current Liabilities:</i>								
Accounts Payable	\$ 7,495	\$ -	\$ 4,273	\$ -	\$ -	\$ -	\$ -	\$ 30,740
Accounts Payable - Intergovernment	14,525	-	-	-	-	-	-	-
Tenant Security Deposits	-	-	24,808	-	-	-	-	83,583
Accrued Wages and Payroll Taxes	-	-	-	-	-	-	-	-
Accrued Compensated Absences, Current Portion	13,834	-	1,430	-	-	-	-	-
Accrued Interest Payable	-	-	-	-	-	-	-	28,748
Unearned Revenue	274,919	-	4,384	-	-	-	-	15,420
Other Current Liabilities	-	-	625	-	-	-	-	3,778
Current Portion of Long-Term Debt	-	-	-	-	-	-	-	213,546
Current Portion of Capital Leases	-	-	-	-	-	-	-	-
Interprogram Due To	-	-	-	-	-	-	-	-
Total Current Liabilities	310,773	-	35,520	-	-	-	-	375,815
<i>Noncurrent Liabilities:</i>								
Accrued Compensated Absences, Net of Current	73,650	-	13,873	-	-	-	-	-
Long-Term Debt, Net of Current	-	-	-	-	-	-	-	7,718,400
Capital Leases, Net of Current	-	-	-	-	-	-	-	-
Accrued Interest Payable, Net of Current	-	-	-	-	-	-	-	-
Net Pension Liability	1,138,998	-	108,476	-	-	-	-	-
Total Noncurrent Liabilities	1,212,648	-	122,349	-	-	-	-	7,718,400
TOTAL LIABILITIES	\$ 1,523,421	\$ -	\$ 157,869	\$ -	\$ -	\$ -	\$ -	\$ 8,094,215
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Deferred Inflows Related to Pensions	\$ 55,095	\$ -	\$ 5,247	\$ -	\$ -	\$ -	\$ -	\$ -
Grants Received in Advance	2,072,057	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 2,127,152	\$ -	\$ 5,247	\$ -	\$ -	\$ -	\$ -	\$ -
<b>NET POSITION</b>								
Net Investment in Capital Assets	\$ 56,915	\$ -	\$ 1,861,977	\$ -	\$ -	\$ -	\$ -	\$ (3,454,627)
Restricted For:								
Housing Assistance Payments	110,190	-	-	-	-	-	-	-
Debt Service Reserves	-	-	-	-	-	-	-	558,898
Operating and Other Reserves	-	-	135,400	-	-	-	-	-
Unrestricted	250,045	-	215,727	-	-	-	-	388,229
TOTAL NET POSITION	\$ 417,150	\$ -	\$ 2,213,104	\$ -	\$ -	\$ -	\$ -	\$ (2,507,500)

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

**Spokane Housing Authority, Spokane County Washington**  
**Combining Statement of Net Position (Continued)**  
**December 31, 2016**

Cedar West Apts	Hifumi En Apts	Heritage Heights	Westfall Village	Grants	Development	Other Business Activities	Central Office Cost Center	Subtotal	Eliminating Entries	Total
\$ -	\$ 7,779	\$ 53,426	\$ 23,084	\$ 2,789	\$ 1	\$ -	\$ 119,869	\$ 249,456	\$ -	\$ 249,456
-	-	-	-	-	-	-	-	14,525	-	14,525
-	7,455	18,483	36,913	-	-	-	-	171,242	-	171,242
-	-	-	-	-	-	-	128,129	128,129	-	128,129
-	-	-	-	-	5,488	-	36,809	57,561	-	57,561
-	1,284	17,908	32,573	-	3,964	-	-	84,477	-	84,477
-	2,067	2,078	5,006	-	-	-	-	303,874	-	303,874
-	10,763	243	650	-	-	-	52,805	68,864	-	68,864
-	27,841	28,919	52,599	-	9,330	-	23,430	355,665	(2,646)	353,019
-	-	-	-	-	-	-	6,102	6,102	-	6,102
-	38,099	-	-	55,530	-	1,686	-	95,315	(95,315)	-
-	95,288	121,057	150,825	58,319	18,783	1,686	367,144	1,535,210	(97,961)	1,437,249
-	-	-	-	-	6,302	-	124,474	218,299	-	218,299
-	1,441,424	1,776,168	3,216,782	-	519,148	-	339,432	15,011,354	(12,941)	14,998,413
-	-	-	-	-	-	-	7,255	7,255	-	7,255
-	-	607,483	1,063,095	-	-	-	-	1,670,578	-	1,670,578
-	-	-	-	-	81,357	-	1,383,069	2,711,900	-	2,711,900
-	1,441,424	2,383,651	4,279,877	-	606,807	-	1,854,230	19,619,386	(12,941)	19,606,445
\$ -	\$ 1,536,712	\$ 2,504,708	\$ 4,430,702	\$ 58,319	\$ 625,590	\$ 1,686	\$ 2,221,374	\$ 21,154,596	\$ (110,902)	\$ 21,043,694
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,935	\$ -	\$ 66,902	\$ 131,179	\$ -	\$ 131,179
-	-	-	-	-	-	-	-	2,072,057	-	2,072,057
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,935	\$ -	\$ 66,902	\$ 2,203,236	\$ -	\$ 2,203,236
\$ -	\$ (552,049)	\$ (84,787)	\$ (340,942)	\$ -	\$ -	\$ -	\$ 585,188	\$ (1,928,325)	\$ -	\$ (1,928,325)
-	-	-	-	-	-	-	-	110,190	-	110,190
-	-	-	-	-	-	-	-	558,898	-	558,898
-	-	-	-	-	992,836	-	136,760	1,264,996	-	1,264,996
-	44,333	(442,141)	(354,485)	(14,093)	9,857,862	-	605,678	10,551,155	-	10,551,155
\$ -	\$ (507,716)	\$ (526,928)	\$ (695,427)	\$ (14,093)	\$ 10,850,698	\$ -	\$ 1,327,626	\$ 10,556,914	\$ -	\$ 10,556,914

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

**Spokane Housing Authority, Spokane County, Washington**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Eighteen-Month Period Ended December 31, 2016**

	Section 8	Public Housing - Parsons Apts	Public Housing - Scattered Sites	Court View Apts	Sharon Lord Apts	Newark Apts	Woodhaven Apts	Valley 206 Apts
<b>OPERATING REVENUES:</b>								
Tenant Rental Revenue	\$ -	\$ 65,567	\$ 297,088	\$ 71,076	\$ 31,935	\$ 3,240	\$ 88,017	\$ 3,041,319
HUD Operating Subsidies	42,308,103	249,114	372,780	-	-	-	-	-
Other Government Grants	-	-	-	-	-	-	-	-
Other Tenant Revenue	-	3,228	17,698	2,126	1,467	-	5,654	125,486
Fee Revenue	-	-	-	-	-	-	-	-
Other Revenue	544,286	6,727	650	7	88	-	22,417	23,394
<b>TOTAL OPERATING REVENUES</b>	<b>42,852,389</b>	<b>324,636</b>	<b>688,216</b>	<b>73,209</b>	<b>33,490</b>	<b>3,240</b>	<b>116,088</b>	<b>3,190,199</b>
<b>OPERATING EXPENSES:</b>								
<i>Administrative:</i>								75,343
Administrative Wages	1,480,797	15,777	50,369	5,316	1,329	109	8,653	150,686
Auditing Fees	24,982	1,102	1,373	-	-	-	-	-
Employee Benefit Contributions	734,849	6,633	11,250	2,037	509	41	3,773	63,897
Management & Bookkeeping Fees	1,781,208	23,582	87,486	7,596	3,442	327	7,549	218,031
Other Operating Expenses	154,678	16,387	13,130	1,411	907	169	6,808	88,995
Tenant Services	-	1,036	-	-	683	-	32	435
	4,176,514	64,517	163,608	16,360	6,870	646	26,815	522,044
<i>Utilities:</i>								
Electricity	-	10,274	2,118	4,475	47	589	7,215	67,611
Natural Gas	-	3,486	11	-	-	15	2,699	20,008
Water	-	1,705	33,782	(611)	769	292	4,649	78,017
Sewer	-	19,750	70,128	10,333	3,036	708	6,659	152,997
Other Utilities Expenses	-	-	-	-	-	-	180	1,658
	-	35,215	106,039	14,197	3,852	1,604	21,402	320,291
<i>Ordinary Maintenance and Operations:</i>								
Contract Costs	442,448	11,608	96,121	9,199	7,157	747	57,354	340,700
Maintenance and Operations Wages	-	7,848	97,028	10,312	3,431	318	10,106	173,659
Employee Benefit Contributions	-	4,892	43,435	4,968	1,647	154	3,847	91,528
Materials and Other	-	8,410	28,377	6,235	606	49	3,738	96,080
	442,448	32,758	264,961	30,714	12,841	1,268	75,045	701,967
<i>General Expenses:</i>								
Housing Assistance Payments	37,725,533	175,514	-	-	-	-	-	-
Insurance Premiums	22,379	5,835	35,574	2,174	1,255	104	4,902	59,701
Other General Expenses	130,438	1,681	16,490	914	861	-	1,250	84,546
Depreciation and Amortization	916	29,220	458,352	21,034	17,957	804	23,617	990,630
	37,879,266	212,250	510,416	24,122	20,073	908	29,769	1,134,877
<b>TOTAL OPERATING EXPENSES</b>	<b>42,498,228</b>	<b>344,740</b>	<b>1,045,024</b>	<b>85,393</b>	<b>43,636</b>	<b>4,426</b>	<b>153,031</b>	<b>2,679,179</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 354,161</b>	<b>\$ (20,104)</b>	<b>\$ (356,808)</b>	<b>\$ (12,184)</b>	<b>\$ (10,146)</b>	<b>\$ (1,186)</b>	<b>\$ (36,943)</b>	<b>\$ 511,020</b>

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

**Spokane Housing Authority, Spokane County, Washington**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position (Continued)**  
**For the Eighteen-Month Period Ended December 31, 2016**

Cedar West Apts	Hifumi En Apts	Heritage Heights	Westfall Village	Grants	Development	Other Business Activities	Central Office Cost Center	Subtotal	Eliminating Entries	Total
\$ 112,325	\$ 434,586	\$ 756,064	\$ 1,428,491	\$ -	\$ -	\$ -	\$ -	\$ 6,329,708	\$ -	\$ 6,329,708
-	-	-	-	17,776	-	-	-	42,947,773	-	42,947,773
-	-	-	-	461,882	-	-	-	461,882	-	461,882
6,136	6,420	12,076	38,624	-	-	-	-	218,915	-	218,915
-	-	-	-	-	3,071,100	-	2,533,916	5,605,016	(2,271,497)	3,333,519
1,243	101,068	1,000	56	-	30,000	34,454	706,151	1,471,541	-	1,471,541
119,704	542,074	769,140	1,467,171	479,658	3,101,100	34,454	3,240,067	57,034,835	(2,271,497)	54,763,338
		23,480	38,865				1,014,983			
8,030	25,589	46,960	77,730	13,760	101,476	-	1,522,475	3,509,056	-	3,509,056
-	-	990	1,760	-	-	-	4,017	34,224	-	34,224
3,353	9,808	18,069	29,911	5,874	102,087	-	195,578	1,187,669	-	1,187,669
6,555	29,681	68,963	116,333	-	-	2,254	-	2,353,007	(2,255,342)	97,665
5,538	13,787	33,183	48,276	13,065	74,259	-	319,252	789,845	-	789,845
45	580	297	414	-	-	-	-	3,522	-	3,522
23,521	79,445	168,462	274,424	32,699	277,822	2,254	2,041,322	7,877,323	(2,255,342)	5,621,981
2,830	60,791	42,662	32,478	-	-	-	29,839	260,929	-	260,929
1,601	444	5,490	2,741	-	-	-	3,454	39,949	-	39,949
2,522	4,519	14,231	44,684	-	-	-	1,279	185,838	-	185,838
12,516	42,837	84,185	149,335	-	-	-	1,740	554,224	-	554,224
15	89	1,556	119	-	-	-	-	3,617	-	3,617
19,484	108,680	148,124	229,357	-	-	-	36,312	1,044,557	-	1,044,557
11,136	153,639	84,304	119,455	18,607	5	32,200	64,988	1,449,668	(16,155)	1,433,513
11,950	44,100	51,497	96,791	-	31,809	-	305,035	843,884	-	843,884
6,231	21,139	27,472	51,656	-	10,796	-	149,794	417,559	-	417,559
8,770	13,235	21,477	39,741	-	-	-	-	226,718	-	226,718
38,087	232,113	184,750	307,643	18,607	42,610	32,200	519,817	2,937,829	(16,155)	2,921,674
-	-	-	-	427,142	-	-	-	38,328,189	-	38,328,189
4,502	7,626	17,291	34,422	-	505	-	19,721	215,991	-	215,991
2,689	1,608	5,015	15,167	-	66,283	-	-	326,942	-	326,942
39,187	107,946	209,722	364,481	-	-	-	129,615	2,393,481	-	2,393,481
46,378	117,180	232,028	414,070	427,142	66,788	-	149,336	41,264,603	-	41,264,603
127,470	537,418	733,364	1,225,494	478,448	387,220	34,454	2,746,787	53,124,312	(2,271,497)	50,852,815
\$ (7,766)	\$ 4,656	\$ 35,776	\$ 241,677	\$ 1,210	\$ 2,713,880	\$ -	\$ 493,280	\$ 3,910,523	\$ -	\$ 3,910,523

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

**Spokane Housing Authority, Spokane County, Washington**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position (Continued)**  
**For the Eighteen-Month Period Ended December 31, 2016**

	Section 8	Public Housing - Parsons Apts	Public Housing - Scattered Sites	Court View Apts	Sharon Lord Apts	Newark Apts	Woodhaven Apts	Valley 206 Apts
<b>NONOPERATING REVENUES (EXPENSES):</b>								
Gain (Losses) on Capital Asset Disposition	-	-	109,981	(23,183)	(207,971)	54,268	3,292,761	(6,398)
Interest Expense and Related Charges	-	-	-	(1,207)	-	-	(99,902)	(706,523)
Interest Subsidy	-	-	-	-	-	-	-	-
Interest and Investment Income	6,744	611	2,122	391	143	24	64	8,132
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>6,744</b>	<b>611</b>	<b>112,103</b>	<b>(23,999)</b>	<b>(207,828)</b>	<b>54,292</b>	<b>3,192,923</b>	<b>(704,789)</b>
<i>Income (Loss) Before Contributions and Transfers</i>	<u>360,905</u>	<u>(19,493)</u>	<u>(244,705)</u>	<u>(36,183)</u>	<u>(217,974)</u>	<u>53,106</u>	<u>3,155,980</u>	<u>(193,769)</u>
<b>CAPITAL CONTRIBUTIONS - GRANTS</b>	-	202,512	27,436	-	-	-	-	-
<b>TRANSFERS</b>	-	(965,856)	(5,837)	(14,051)	(15,628)	(11,563)	(2,887,072)	-
<b>CHANGE IN NET POSITION</b>	<b>360,905</b>	<b>(782,837)</b>	<b>(223,106)</b>	<b>(50,234)</b>	<b>(233,602)</b>	<b>41,543</b>	<b>268,908</b>	<b>(193,769)</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>979,819</b>	<b>859,801</b>	<b>2,538,829</b>	<b>50,234</b>	<b>233,602</b>	<b>(41,543)</b>	<b>(268,908)</b>	<b>(2,313,731)</b>
<b>PRIOR PERIOD ADJUSTEMENT</b>	<b>(923,574)</b>	<b>(76,964)</b>	<b>(102,619)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 417,150</b>	<b>\$ -</b>	<b>\$ 2,213,104</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,507,500)</b>

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

**Spokane Housing Authority, Spokane County, Washington**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position (Continued)**  
**For the Eighteen-Month Period Ended December 31, 2016**

Cedar West Apts	Hifumi En Apts	Heritage Heights	Westfall Village	Grants	Development	Other Business Activities	Central Office Cost Center	Subtotal	Eliminating Entries	Total
2,446,630	-	(149)	(178)	-	2,293,307	-	(117)	7,958,951	-	7,958,951
(27,268)	(33,728)	(320,914)	(576,527)	-	(6,625)	-	(29,630)	(1,802,324)	1,177	(1,801,147)
-	-	70,578	128,370	-	-	-	-	198,948	-	198,948
28	121	2,021	5,241	-	270,317	-	9,948	305,907	(1,177)	304,730
2,419,390	(33,607)	(248,464)	(443,094)	-	2,556,999	-	(19,799)	6,661,482	-	6,661,482
2,411,624	(28,951)	(212,688)	(201,417)	1,210	5,270,879	-	473,481	10,572,005	-	10,572,005
-	-	-	-	100,000	-	-	-	329,948	-	329,948
(1,786,299)	100,000	-	-	(85,381)	5,572,175	-	99,512	-	-	-
625,325	71,049	(212,688)	(201,417)	15,829	10,843,054	-	572,993	10,901,953	-	10,901,953
(625,325)	(578,765)	(314,240)	(494,010)	(29,922)	7,644	-	(348,524)	(345,039)	-	(345,039)
-	-	-	-	-	-	-	1,103,157	-	-	-
\$ -	\$ (507,716)	\$ (526,928)	\$ (695,427)	\$ (14,093)	\$ 10,850,698	\$ -	\$ 1,327,626	\$ 10,556,914	\$ -	\$ 10,556,914

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

# Spokane Housing Authority, Spokane County, Washington

## Combining Statement of Cash Flows

### For the Eighteen-Month Period Ended December 31, 2016

	Section 8	Public Housing - Parsons Apts	Public Housing - Scattered Sites	Court View Apts	Sharon Lord Apts	Newark Apts	Woodhaven Apts	Valley 206 Apts
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>								
Receipts from Tenants and Others	\$ -	\$ 56,892	\$ 310,418	\$ 67,093	\$ 31,449	\$ 3,240	\$ 74,404	\$ 3,106,268
Receipts from Government Operating Grants	44,896,927	249,114	362,626	-	-	-	-	-
Payments for Housing Assistance	(37,712,634)	(175,514)	-	-	-	-	-	-
Payments to Employees and on behalf of Employees	(2,134,227)	(116,197)	(200,078)	(22,633)	(6,916)	(622)	(26,379)	(479,770)
Payments to Suppliers for Goods and Services	(2,624,670)	(112,824)	(412,558)	(42,038)	(18,136)	(5,683)	(136,058)	(1,152,938)
Other Receipts	544,280	6,727	(9,606)	7	88	-	22,417	23,109
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,969,676	(91,802)	50,802	2,429	6,485	(3,065)	(65,616)	1,496,669
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>								
Transfers	-	(286,676)	(5,837)	(14,051)	(15,628)	(11,563)	(2,887,072)	-
Principal on Operating Debt Received (Issued)	-	-	-	-	-	-	-	-
Payments Received on Advances - Partnerships	-	-	-	-	-	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	(286,676)	(5,837)	(14,051)	(15,628)	(11,563)	(2,887,072)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>								
Capital Contributions	-	202,512	32,513	-	-	-	-	-
Purchase and Construction of Capital Assets	(56,914)	(9,538)	(45,507)	(6,351)	(237)	-	(32,195)	(782,706)
Proceeds from Sale of Capital Assets	-	-	135,400	44,907	(18,058)	(38,908)	5,050,000	-
Proceeds from Issuance of Capital Debt	-	-	-	-	-	-	-	409,512
Principal Paid on Capital Debt	-	-	-	(120,734)	-	-	(2,351,026)	(387,357)
Capital Debt Interest Subsidy Received	-	-	-	-	-	-	-	-
Interest Paid on Capital Debt	-	-	-	(1,207)	-	-	(171,440)	(708,035)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(56,914)	192,974	122,406	(83,385)	(18,295)	(38,908)	2,495,339	(1,468,586)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>								
Issuance of Notes - Partnerships	-	-	-	-	-	-	-	-
Investment in Partnerships	-	-	-	-	-	-	-	-
Interest Received	6,744	611	2,122	391	143	24	64	8,132
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	6,744	611	2,122	391	143	24	64	8,132
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,919,506	(184,893)	169,493	(94,616)	(27,295)	(53,512)	(457,285)	36,215
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	876,486	184,893	310,727	94,616	27,295	53,512	457,285	1,056,815
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,795,992</u>	<u>\$ -</u>	<u>\$ 480,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,093,030</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:</b>								
Cash and Cash Equivalents - Unrestricted	\$ 1,613,745	\$ -	\$ 320,012	\$ -	\$ -	\$ -	\$ -	\$ 450,549
Cash and Cash Equivalents - Restricted	2,182,247	-	135,400	-	-	-	-	558,898
Tenant Security Deposits	-	-	24,808	-	-	-	-	83,583
	<u>\$ 3,795,992</u>	<u>\$ -</u>	<u>\$ 480,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,093,030</u>

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

**Spokane Housing Authority, Spokane County, Washington**  
**Combining Statement of Cash Flows (Continued)**  
**For the Eighteen-Month Period Ended December 31, 2016**

Cedar West Apts	Hifumi En Apts	Heritage Heights	Westfall Village	Grants	Development	Other Business Activities	Central Office Cost Center	Subtotal	Eliminating Entries	Total
\$ 86,776	\$ 439,648	\$ 765,238	\$ 1,457,029	\$ -	\$ -	\$ -	\$ -	\$ 6,398,455	\$ -	\$ 6,398,455
-	-	-	-	462,459	-	-	-	45,971,126	-	45,971,126
-	-	-	-	(427,142)	-	-	-	(38,315,290)	-	(38,315,290)
(29,564)	(100,636)	(143,998)	(256,088)	(19,634)	(162,794)	-	(2,466,197)	(6,165,733)	-	(6,165,733)
(59,647)	(356,204)	(383,180)	(596,354)	(27,486)	(140,935)	(34,641)	(333,215)	(6,436,567)	2,271,528	(4,165,039)
1,243	101,068	1,000	(251)	-	3,071,100	34,641	3,433,222	7,229,045	(2,271,528)	4,957,517
(1,192)	83,876	239,060	604,336	(11,803)	2,767,371	-	633,810	8,681,036	-	8,681,036
(2,314,777)	100,000	-	-	(85,381)	5,421,473	-	99,512	-	-	-
-	-	-	-	-	-	-	56,931	56,931	(56,931)	-
-	-	-	-	-	-	-	67,153	67,153	-	67,153
(2,314,777)	100,000	-	-	(85,381)	5,421,473	-	223,596	124,084	(56,931)	67,153
-	-	-	-	100,000	-	-	-	335,025	-	335,025
(21,612)	(113,230)	(61,445)	(119,738)	-	-	-	(69,859)	(1,319,332)	-	(1,319,332)
3,975,000	-	-	264	-	2,972,487	-	-	12,121,092	-	12,121,092
-	7,430	-	-	-	-	-	350	417,292	-	417,292
(2,038,106)	(39,872)	(52,300)	(95,126)	-	-	-	(149,274)	(5,233,795)	56,931	(5,176,864)
-	-	70,792	128,758	-	-	-	-	199,550	-	199,550
(84,030)	(32,444)	(217,491)	(395,578)	-	(2,661)	-	(29,630)	(1,642,516)	1,177	(1,641,339)
1,831,252	(178,116)	(260,444)	(481,420)	100,000	2,969,826	-	(248,413)	4,877,316	58,108	4,935,424
-	-	-	-	-	(10,143,588)	-	-	(10,143,588)	-	(10,143,588)
-	-	-	-	-	-	-	(200)	(200)	-	(200)
28	121	2,021	5,241	-	324	-	9,948	35,914	(1,177)	34,737
28	121	2,021	5,241	-	(10,143,264)	-	9,748	(10,107,874)	(1,177)	(10,109,051)
(484,689)	5,881	(19,363)	128,157	2,816	1,015,406	-	618,741	3,574,562	-	3,574,562
484,689	117,461	263,731	654,593	401	7,338	-	1,290,309	5,880,151	-	5,880,151
\$ -	\$ 123,342	\$ 244,368	\$ 782,750	\$ 3,217	\$ 1,022,744	\$ -	\$ 1,909,050	\$ 9,454,713	\$ -	\$ 9,454,713
\$ -	\$ 115,887	\$ 225,885	\$ 745,837	\$ 3,217	\$ 29,908	\$ -	\$ 1,772,290	\$ 5,277,330	\$ -	\$ 5,277,330
-	-	-	-	-	992,836	-	136,760	4,006,141	-	4,006,141
-	7,455	18,483	36,913	-	-	-	-	171,242	-	171,242
\$ -	\$ 123,342	\$ 244,368	\$ 782,750	\$ 3,217	\$ 1,022,744	\$ -	\$ 1,909,050	\$ 9,454,713	\$ -	\$ 9,454,713

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



**Spokane Housing Authority, Spokane County, Washington**  
**Combining Statement of Cash Flows (Continued)**  
**For the Eighteen-Month Period Ended December 31, 2016**

	Section 8	Public Housing - Parsons Apts	Public Housing - Scattered Sites	Court View Apts	Sharon Lord Apts	Newark Apts	Woodhaven Apts	Valley 206 Apts
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</b>								
<b>PROVIDED (USED) BY OPERATING ACTIVITIES:</b>								
Operating Income (Loss)	\$ 354,161	\$ (20,104)	\$ (356,808)	\$ (12,184)	\$ (10,146)	\$ (1,186)	\$ (36,943)	\$ 511,020
Adjustments to Reconcile Operating Income (Loss) to Net Cash								
Provided (Used) by Operating Activities:								
Depreciation and Amortization Expense	916	29,220	458,352	21,034	17,957	804	23,617	990,630
Changes in Operating Assets and Liabilities:								
(Increase) Decrease in Assets:								
Receivables (Net)	216,606	809	(20,331)	-	108	-	26,564	11,059
Inventories	-	-	-	-	-	-	-	-
Prepays and Other Assets	13,760	11,643	16,733	2,039	1,199	854	17,138	(612)
Other Noncurrent Assets	-	-	-	-	-	-	-	-
Increase (Decrease) in Liabilities:								
Accounts Payable - Operations	(55,406)	(21,816)	(53,379)	(3,253)	(1,204)	(3,516)	(71,579)	(29,068)
Accounts Payable - Intergovernment	11,244	-	-	-	-	-	-	-
Tenant Security Deposits	-	(10,156)	424	(5,195)	(1,200)	-	(19,405)	7,737
Accrued Wages and Taxes Payable	-	-	-	-	-	-	-	-
Accrued Compensated Absences	2,819	(4,083)	9,178	-	-	-	-	-
Unearned Revenue	274,919	(875)	3,460	-	-	-	(804)	4,928
Other Liabilities	-	524	347	(12)	(229)	(21)	(4,204)	975
Net Pension Liability	460,441	(56,546)	33,081	-	-	-	-	-
Changes in Deferred Outflows and Inflows:								
(Increase) in Deferred Outflows of Resources	(107,273)	7,054	(8,873)	-	-	-	-	-
Increase in Deferred Inflows of Resources	1,797,489	(27,472)	(31,382)	-	-	-	-	-
Total Reconciling Adjustments	2,615,515	(71,698)	407,610	14,613	16,631	(1,879)	(28,673)	985,649
<b>NET CASH PROVIDED (USED) BY</b>								
<b>OPERATING ACTIVITIES</b>	<b>\$ 2,969,676</b>	<b>\$ (91,802)</b>	<b>\$ 50,802</b>	<b>\$ 2,429</b>	<b>\$ 6,485</b>	<b>\$ (3,065)</b>	<b>\$ (65,616)</b>	<b>\$ 1,496,669</b>

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

- 1) The State of Washington Department of Commerce note of \$152,000 for Newark Apartments was assigned from the Housing Authority and assumed by the purchaser of Newark Apartments in July 2015.
- 2) The State of Washington Department of Commerce note of \$528,478 for Cedar West Apartments was transferred from Cedar West to Development in March 2016. Security for the note was amended, whereby the Deed of Trust for Cedar West held by the State of Washington Department of Commerce was removed and replaced with a General Revenue Pledge from the Housing Authority.
- 3) Parson's Fixed Assets book value of \$679,180 was transferred to Development upon closing of the Parsons Rental Assistance Demonstration (RAD) conversion from Public Housing on January 29, 2016.

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**Spokane Housing Authority, Spokane County, Washington**  
**Combining Statement of Cash Flows (Continued)**  
**For the Eighteen-Month Period Ended December 31, 2016**

Cedar West Apts	Hifumi En Apts	Heritage Heights	Westfall Village	Grants	Development	Other Business Activities	Central Office Cost Center	Subtotal	Eliminating Entries	Total
\$ (7,766)	\$ 4,656	\$ 35,776	\$ 241,677	\$ 1,210	\$ 2,713,880	\$ -	\$ 493,280	\$ 3,910,523	\$ -	\$ 3,910,523
39,187	107,946	209,722	364,481	-	-	-	129,615	2,393,481	-	2,393,481
2,828	(1,867)	(2,066)	(4,182)	(17,199)	-	187	255,655	468,171	-	468,171
-	-	-	-	-	-	-	2	2	-	2
17,077	3,588	(1,067)	(207)	-	125	-	9,986	92,256	-	92,256
-	-	-	-	-	(30,000)	-	(62,500)	(92,500)	-	(92,500)
(20,306)	(42,861)	(4,400)	(4,025)	4,186	(8)	(187)	93,672	(213,150)	-	(213,150)
-	-	-	-	-	-	-	-	11,244	-	11,244
(29,671)	164	2,287	6,648	-	-	-	-	(48,367)	-	(48,367)
-	-	-	-	-	-	-	(38,992)	(38,992)	-	(38,992)
-	-	-	-	-	11,790	-	(20,956)	(1,252)	-	(1,252)
(2,153)	1,953	(1,158)	(27)	-	-	-	-	280,243	-	280,243
(388)	10,297	(34)	(29)	-	-	-	19,445	26,671	-	26,671
-	-	-	-	-	81,357	-	308,687	827,020	-	827,020
-	-	-	-	-	(13,708)	-	(99,020)	(221,820)	-	(221,820)
-	-	-	-	-	3,935	-	(455,064)	1,287,506	-	1,287,506
6,574	79,220	203,284	362,659	(13,013)	53,491	-	140,530	4,770,513	-	4,770,513
\$ (1,192)	\$ 83,876	\$ 239,060	\$ 604,336	\$ (11,803)	\$ 2,767,371	\$ -	\$ 633,810	\$ 8,681,036	\$ -	\$ 8,681,036

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

**Spokane Housing Authority, Spokane Count, Washington**  
**Combining Statement of Net Position – Component Units**  
**December 31, 2016**

	Cornerstone II - Building LP (Cornerstone Courtyard)	Cornerstone II - Apartments LP (Pearl on Adams)	Martindale Apartments LP (Agnes Kehoe Place)	Parsons LLLP (Parsons Apts)	Cedar Haven LLLP (Cedar West Apt & Woodhaven Apts)	Total
<b>ASSETS</b>						
<i>Current Assets:</i>						
Cash and Cash Equivalents	\$ 7,058	\$ 129,586	\$ 94,142	\$ 48,516	\$ 204,649	\$ 483,951
Receivables (Net)	8,649	1,031	1,381	689	7,395	19,145
Inventories	-	-	-	-	-	-
Prepays and Other Assets	1,153	4,249	6,649	10,010	19,487	41,548
<i>Restricted Assets:</i>						
Cash and Cash Equivalents	183,496	498,376	533,892	14,894	68,854	1,299,512
Tenant Security Deposits	17,857	10,713	19,393	12,174	61,322	121,459
Total Current Assets	218,213	643,955	655,457	86,283	361,707	1,965,615
<i>Noncurrent Assets:</i>						
<i>Capital Assets:</i>						
Land	285,532	225,835	115,574	-	-	626,941
Buildings	10,442,344	6,702,274	10,919,833	6,205,444	17,905,554	52,175,449
Equipment - Dwellings	137,155	88,784	137,612	267,472	590,780	1,221,803
Equipment - Administration	70,271	11,543	48,727	-	-	130,541
Leasehold Improvements	127,270	109,210	5,228	49,756	753,547	1,045,011
Accumulated Depreciation	(3,586,789)	(1,881,250)	(2,134,060)	(67,031)	(263,229)	(7,932,359)
Total Capital Assets (Net)	7,475,783	5,256,396	9,092,914	6,455,641	18,986,652	47,267,386
Other Noncurrent Assets	17,773	16,903	62,911	35,476	82,988	216,051
Total Noncurrent Assets	7,493,556	5,273,299	9,155,825	6,491,117	19,069,640	47,483,437
TOTAL ASSETS	\$ 7,711,769	\$ 5,917,254	\$ 9,811,282	\$ 6,577,400	\$ 19,431,347	\$ 49,449,052

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

**Spokane Housing Authority, Spokane County, Washington**  
**Combining Statement of Net Position – Component Units (Continued)**  
**December 31, 2016**

	Cornerstone II - Building LP (Cornerstone Courtyard)	Cornerstone II - Apartments LP (Pearl on Adams)	Martindale Apartments LP (Agnes Kehoe Place)	Parsons LLLP (Parsons Apts)	Cedar Haven LLLP (Cedar West Apt & Woodhaven Apts)	Total
<b>LIABILITIES</b>						
<i>Current Liabilities:</i>						
Accounts Payable	\$ 20,173	\$ 17,098	\$ 21,339	\$ 294,154	\$ 75,950	\$ 428,714
Tenant Security Deposits	17,857	10,713	19,393	12,174	61,322	121,459
Accrued Interest Payable	1,024	-	-	6,096	25,964	33,084
Unearned Revenue	2,774	805	1,298	1,080	6,402	12,359
Other Current Liabilities	2,672	2,005	2,128	95,844	305,440	408,089
Current Portion of Long-Term Debt	39,387	15,000	-	-	11,102,870	11,157,257
Payable to Housing Authority	63,387	3,746	7,943	5,046	87,076	167,198
<b>Total Current Liabilities</b>	<b>147,274</b>	<b>49,367</b>	<b>52,101</b>	<b>414,394</b>	<b>11,665,024</b>	<b>12,328,160</b>
<i>Noncurrent Liabilities:</i>						
Long-Term Debt, Net of Current	1,501,345	926,418	3,371,426	5,874,182	7,021,349	18,694,720
Accrued Interest Payable, Net of Current	33,595	-	120,717	104,399	165,594	424,305
Other Noncurrent Liabilities	135,000	7,500	25,000	10,000	20,000	197,500
<b>Total Noncurrent Liabilities</b>	<b>1,669,940</b>	<b>933,918</b>	<b>3,517,143</b>	<b>5,988,581</b>	<b>7,206,943</b>	<b>19,316,525</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 1,817,214</b>	<b>\$ 983,285</b>	<b>\$ 3,569,244</b>	<b>\$ 6,402,975</b>	<b>\$ 18,871,967</b>	<b>\$ 31,644,685</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	\$ 5,935,051	\$ 4,314,978	\$ 5,721,488	\$ 581,459	\$ 862,433	\$ 17,415,409
Restricted For:						
Capital Replacement Reserves	49,185	138,217	156,994	14,894	68,854	428,144
Operating and Other Reserves	134,311	360,159	376,898	-	-	871,368
Unrestricted	(223,992)	120,615	(13,342)	(421,928)	(371,907)	(910,554)
<b>TOTAL NET POSITION</b>	<b>\$ 5,894,555</b>	<b>\$ 4,933,969</b>	<b>\$ 6,242,038</b>	<b>\$ 174,425</b>	<b>\$ 559,380</b>	<b>\$ 17,804,367</b>

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

**Spokane Housing Authority, Spokane County, Washington**  
**Combining Statement of Revenues, Expenses and Changes in Net Position—Component Units**  
**For the Two Year Period Ended December 31, 2016**

	Cornerstone II - Building LP (Cornerstone Courtyard)	Cornerstone II - Apartments LP (Pearl on Adams)	Martindale Apartments LP (Agnes Kehoe Place)	Parsons LLLP (Parsons Apts)	Cedar Haven LLLP (Cedar West Apt & Woodhaven Apts)	Total
<b>OPERATING REVENUES:</b>						
Tenant Rental Revenue	\$ 652,777	\$ 397,057	\$ 641,533	\$ 263,877	\$ 1,201,406	\$ 3,156,650
Other Government Grants	-	-	-	30,000	-	30,000
Other Tenant Revenue	24,137	17,468	34,149	7,625	60,288	143,667
Other Revenue	127	-	233	15,155	11,365	26,880
<b>TOTAL OPERATING REVENUES</b>	<b>677,041</b>	<b>414,525</b>	<b>675,915</b>	<b>316,657</b>	<b>1,273,059</b>	<b>3,357,197</b>
<b>OPERATING EXPENSES:</b>						
<i>Administrative:</i>						
Administrative Wages	54,328	29,188	53,336	23,622	110,632	271,106
Auditing Fees	17,300	17,000	17,000	7,650	15,400	74,350
Employee Benefit Contributions	22,519	12,089	17,945	9,705	45,450	107,708
Management & Bookkeeping Fees	53,795	27,113	49,607	18,875	62,897	212,287
Other Operating Expenses	44,644	28,251	49,026	17,193	63,511	202,625
Tenant Services	78	6	17,648	696	631	19,059
	192,664	113,647	204,562	77,741	298,521	887,135
<i>Utilities:</i>						
Electricity	44,596	15,913	61,968	18,322	43,984	184,783
Natural Gas	25,144	6,093	20,648	4,788	15,016	71,689
Water	7,368	3,357	6,506	2,900	26,759	46,890
Sewer	69,256	48,550	69,254	31,240	96,516	314,816
Other Utilities Expenses	1,985	1,568	1,761	659	978	6,951
	148,349	75,481	160,137	57,909	183,253	625,129
<i>Ordinary Maintenance and Operations:</i>						
Contract Costs	96,020	44,278	66,291	47,475	100,347	354,411
Maintenance and Operations Wages	46,960	30,856	68,523	16,661	100,058	263,058
Employee Benefit Contributions	24,242	15,889	37,307	8,869	51,401	137,708
Materials and Other	27,401	10,637	20,209	9,255	25,288	92,790
	194,623	101,660	192,330	82,260	277,094	847,967
<i>General Expenses:</i>						
Housing Assistance Payments	-	-	-	-	-	-
Insurance Premiums	22,511	11,890	16,173	186	10,547	61,307
Other General Expenses	46,276	34,710	64,527	17,531	50,825	213,869
Depreciation and Amortization	784,649	502,316	869,370	67,031	263,229	2,486,595
	853,436	548,916	950,070	84,748	324,601	2,761,771
<b>TOTAL OPERATING EXPENSES</b>	<b>1,389,072</b>	<b>839,704</b>	<b>1,507,099</b>	<b>302,658</b>	<b>1,083,469</b>	<b>5,122,002</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (712,031)</b>	<b>\$ (425,179)</b>	<b>\$ (831,184)</b>	<b>\$ 13,999</b>	<b>\$ 189,590</b>	<b>\$ (1,764,805)</b>

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

**Spokane Housing Authority, Spokane County, Washington**  
**Combining Statement of Revenues, Expenses and Changes in Net Position—Component Units**  
**(Continued)**  
**For the Two Year Period Ended December 31, 2016**

	Cornerstone II - Building LP (Cornerstone Courtyard)	Cornerstone II - Apartments LP (Pearl on Adams)	Martindale Apartments LP (Agnes Kehoe Place)	Parsons LLLP (Parsons Apts)	Cedar Haven LLLP (Cedar West Apt & Woodhaven Apts)	Total
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Gain (Loss) on Capital Asset Disposition	(186)	-	-	-	-	(186)
Interest Expense and Related Charges	(34,419)	(1,943)	(51,810)	(78,274)	(191,030)	(357,476)
Bond Issuance Costs and Amortization	(30,454)	(13,701)	(13,274)	-	-	(57,429)
Interest and Investment Income	1,765	980	4,440	-	-	7,185
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(63,294)</b>	<b>(14,664)</b>	<b>(60,644)</b>	<b>(78,274)</b>	<b>(191,030)</b>	<b>(407,906)</b>
<i>Income (Loss) Before Contributions</i>						
	(775,325)	(439,843)	(891,828)	(64,275)	(1,440)	(2,172,711)
<b>CAPITAL CONTRIBUTIONS - PARTNERSHIP</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>238,700</b>	<b>560,820</b>	<b>799,520</b>
<b>CHANGE IN NET POSITION</b>	<b>(775,325)</b>	<b>(439,843)</b>	<b>(891,828)</b>	<b>174,425</b>	<b>559,380</b>	<b>(1,373,191)</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>6,669,880</b>	<b>5,373,812</b>	<b>7,133,866</b>	<b>-</b>	<b>-</b>	<b>19,177,558</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 5,894,555</b>	<b>\$ 4,933,969</b>	<b>\$ 6,242,038</b>	<b>\$ 174,425</b>	<b>\$ 559,380</b>	<b>\$ 17,804,367</b>

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

# Spokane Housing Authority

## Combining Statement of Cash Flows – Component Units

### For the Two Year Period Ended December 31, 2016

	Cornerstone II - Building LP (Cornerstone Courtyard)	Cornerstone II - Apartments LP (Pearl on Adams)	Martindale Apartments LP (Agnes Kehoe Place)	Parsons LLLP (Parsons Apts)	Cedar Haven LLLP (Cedar West Apt & Woodhaven Apts)	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from Tenants and Others	\$ 668,865	\$ 401,334	\$ 666,219	\$ 281,994	\$ 1,307,050	\$ 3,325,462
Receipts from Government Operating Grants	-	-	-	30,000	-	30,000
Payments to Employees and on behalf of Employees	(148,049)	(88,022)	(177,111)	(58,857)	(307,541)	(779,580)
Payments to Suppliers for Goods and Services	(376,187)	(236,307)	(423,412)	(94,028)	(337,132)	(1,467,066)
Other Receipts	127	-	233	15,155	11,365	26,880
<b>NET CASH PROVIDED (USED) BY OPERATING ACITVITIES</b>	<b>144,756</b>	<b>77,005</b>	<b>65,929</b>	<b>174,264</b>	<b>673,742</b>	<b>1,135,696</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Capital Contributions	-	-	-	238,700	560,820	799,520
Purchase and Construction of Capital Assets	(71,712)	(14,642)	(1,429)	(6,173,057)	(18,751,794)	(25,012,634)
Proceeds from Issuance of Capital Debt	-	-	-	5,874,182	18,124,219	23,998,401
Principal Paid on Capital Debt	(78,098)	(30,000)	-	-	-	(108,098)
Interest Paid on Capital Debt	(25,432)	-	-	(38,505)	(272,162)	(336,099)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACITVITIES</b>	<b>(175,242)</b>	<b>(44,642)</b>	<b>(1,429)</b>	<b>(98,680)</b>	<b>(338,917)</b>	<b>(658,910)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Interest Received	1,771	971	4,443	-	-	7,185
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>1,771</b>	<b>971</b>	<b>4,443</b>	<b>-</b>	<b>-</b>	<b>7,185</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(28,715)</b>	<b>33,334</b>	<b>68,943</b>	<b>75,584</b>	<b>334,825</b>	<b>483,971</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>237,126</b>	<b>605,341</b>	<b>578,484</b>	<b>-</b>	<b>-</b>	<b>1,420,951</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 208,411</b>	<b>\$ 638,675</b>	<b>\$ 647,427</b>	<b>\$ 75,584</b>	<b>\$ 334,825</b>	<b>\$ 1,904,922</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:</b>						
Cash and Cash Equivalents - Unrestricted	\$ 7,058	\$ 129,586	\$ 94,142	\$ 48,516	\$ 204,649	\$ 483,951
Cash and Cash Equivalents - Restricted	183,496	498,376	533,892	14,894	68,854	1,299,512
Tenant Security Deposits	17,857	10,713	19,393	12,174	61,322	121,459
	<b>\$ 208,411</b>	<b>\$ 638,675</b>	<b>\$ 647,427</b>	<b>\$ 75,584</b>	<b>\$ 334,825</b>	<b>\$ 1,904,922</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>						
Operating Income (Loss)	\$ (712,031)	\$ (425,179)	\$ (831,184)	\$ 13,999	\$ 189,590	\$ (1,764,805)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:						
Depreciation and Amortization Expense	784,649	502,316	869,370	67,031	263,229	2,486,595
Change in Operating Assets and Liabilities:						
(Increase) Decrease in Assets:						
Receivables (Net)	(8,041)	(577)	4,703	(689)	(7,395)	(11,999)
Prepaid and Other Assets	157	(241)	(336)	(10,010)	(19,487)	(29,917)
(Increase) Decrease in Liabilities:						
Accounts Payable - Operations	48,971	8,097	3,925	80,679	159,834	301,506
Tenant Security Deposits	1,137	(265)	4,236	12,174	61,322	78,604
Unearned Revenue	(108)	361	525	1,080	6,402	8,260
Other Liabilities	30,022	(7,507)	14,690	10,000	20,247	67,452
Total Reconciling Adjustments	856,787	502,184	897,113	160,265	484,152	2,900,501
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 144,756</b>	<b>\$ 77,005</b>	<b>\$ 65,929</b>	<b>\$ 174,264</b>	<b>\$ 673,742</b>	<b>\$ 1,135,696</b>

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

## ABOUT THE STATE AUDITOR'S OFFICE

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