

MOVING KING COUNTY RESIDENTS FORWARD

Meeting of the Board of Directors

Monday, December 17, 2018

10:15 AM or immediately following the KCHA Board meeting

King County Housing Authority
Snoqualmie Conference Room
700 Andover Park West
Tukwila, WA 98188

*** AMENDED ***

Agenda

- I. Call to Order
- II. Roll Call
- III. Public Comment
- IV. Approval of Minutes - September 24, 2018 Board Meeting Minutes (Postponed) 1
- V. Resolutions for Discussion and Possible Action
 - A. **Resolution No. 29** - Acceptance of the Washington State Auditor's Office Accountability Report for the Period January 1, 2015 through December 31, 2017 2
 - B. **Resolution No. 30** - Adoption of the Calendar Year 2019 Operating and Capital Budgets 3
- VI. Briefings and Reports
 - A. Third Quarter 2018 Financial Reports for Moving King County Residents Forward (MKCRF) and MKCRF-Owned Properties 4
- VII. Board of Directors Comments
- VIII. Adjourn

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MOVING KING COUNTY RESIDENTS FORWARD

TO: Board of Directors

FROM: Craig Violante

DATE: November 30, 2018

RE: Resolution No. 29: Acceptance of the Washington State Auditor's Office Accountability Report for the Period January 1, 2015 through December 31, 2017

The Washington State Auditor's Office issued Accountability Audit Report No.1022555 for Moving King County Residents Forward (MKCRF) on November 1, 2018. The audit covers the period from January 1, 2015 through December 31, 2017. A separate financial statement audit is not required as MKCRF is deemed low risk due to its inclusion as a blended component unit in KCHA's annual financial statements.

In the Accountability Audit Report, the auditors found that MKCRF had complied with all state laws and regulations and its own policies and procedures. It also found that internal controls were adequate to safeguard public assets.

There were no negative findings in the report.

When the Board formally accepts the SAO report via resolution, this signifies the Board's review and approval of the information contained within the report.



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report
Moving King County Residents
Forward

For the period January 1, 2015 through December 31, 2017

Published November 1, 2018

Report No. 1022555





Office of the Washington State Auditor
Pat McCarthy

November 1, 2018

Board of Directors
Moving King County Residents Forward
Tukwila, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Agency operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our independent audit report on the Agency's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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AUDIT RESULTS

This report describes the overall results and conclusions for the areas we examined. In those selected areas, Agency operations complied with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

About the audit

This report contains the results of our independent accountability audit of the Moving King County Residents Forward from January 1, 2015 through December 31, 2017.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. Our audit involved performing procedures to obtain evidence about the Agency's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, based on our risk assessment for the years ended December 31, 2017, 2016 and 2015, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Open Public Meetings Act compliance
- Financial condition and fiscal sustainability
- Debt Covenants – compliance with loan agreement provisions for payments to King County Housing Authority (KCHA), debt service coverage and loan-to-value ratio requirements
- Interlocal agreements – compliance with KCHA agreements for lease payments, revenue transfers, and property operations and use

INFORMATION ABOUT THE AGENCY

Moving King County Residents Forward (MKCRF) is an affiliate and supporting organization of the King County Housing Authority (KCHA). It provides human services and capital and owns and operates low-income housing in order to support KCHA residents and Section 8 voucher-holders. King County Housing Authority commissioners serve as MKCRF directors. They are not paid for their service.

MKCRF operates in conformance with U.S. Department of Housing and Urban Development and KCHA use agreements, either directly or through contracts. It was formed in 2009 and currently owns 22 subsidized residential housing developments operated under contract by KCHA.

Contact information related to this report	
Address:	Moving King County Residents Forward 600 Andover Park W. Tukwila, WA 98188
Contact:	Craig Violante, Director of Finance
Telephone:	(206) 574-1274
Website:	www.mkcrf.org

Information current as of report publish date.

Audit history

You can find current and past audit reports for the Moving King County Residents Forward at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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

MOVING KING COUNTY RESIDENTS FORWARD

RESOLUTION NO. 29

**ACKNOWLEDGING RECEIPT OF AUDIT EXAMINATION FOR THE PERIOD
JANUARY 1, 2015 THROUGH DECEMBER 31, 2017**

WHEREAS, the State of Washington, Office of the State Auditor, Division of Audit Services, has conducted an accountability audit of Moving King County Residents Forward for the period of January 1, 2015 through December 31, 2017; and

WHEREAS, a formal acceptance of the Audit is required by the Board of Directors;

**NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS
OF MOVING KING COUNTY RESIDENTS FORWARD:**

Receipt of the official examination of the Moving King County Residents Forward Accountability Audit Report No. 1022555 for the period January 1, 2015 through December 31, 2017, prepared and transmitted for filing by the State Auditor's Division of Municipal Corporation pursuant to RCW 43.09.260 is hereby acknowledged and formally accepted by the Board of Directors of Moving King County Residents Forward.

**ADOPTED AT A MEETING OF THE BOARD OF DIRECTORS OF MOVING
KING COUNTY RESIDENTS FORWARD THIS 17th DAY OF DECEMBER, 2018**

**MOVING KING COUNTY RESIDENTS
FORWARD**

Stephen J Norman

DOUGLAS J BARNES

Secretary

President, Board of Directors

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MOVING KING COUNTY RESIDENTS FORWARD

TO: Board of Directors

FROM: Craig Violante

DATE: December 7, 2018

RE: Resolution 29: 2019 Budget for MKCRF and MKCRF-Owned Properties

EXECUTIVE SUMMARY

The MKCRF-owned Properties (the “Properties”) will continue to generate positive cash flow in 2019. After debt service payments and additions to replacement reserves, the Properties will generate \$2.9 million of cash flow. Out of this cash flow, \$755,000 will be spent on unit upgrades and special maintenance projects, leaving a *net cash flow* balance of \$2.1 million. Current cash projections through the end of 2018 predict a negative cash balance of approximately \$918,000 due to capital project expenditures. The 2018 budget originally assumed a transfer from MTW to fund these project costs. However, the decision was made to let the 2019 operating surplus largely eliminate the deficit over the course in 2019 in lieu of the MTW transfer. Ending 2019 cash is projected to be a *deficit* of approximately \$197,000.

MKCRF-Owned Properties

The 509 units of multifamily housing that were sold to MKCRF continue to be operated by KCHA. According to the terms of the Operating Agreement between KCHA and MKCRF, the revenue generated by the Properties is KCHA’s revenue, and the Authority is responsible for operating costs. This construct allows the properties to continue to be exempt from sales tax. The budget discussion in this section applies solely to the operations of the Properties, and do not include the operations of the non-profit Moving King County Residents Forward. The budget discussion for MKCRF itself is found on page 3.

Operations Budget

Below is a high-level summary of the 2019 budget for the Properties with a comparison to the 2018 budget. It is in a different format from the formal budget on page 4, and is intended to present the budget in a more user-friendly, operations-oriented layout.

(in \$1,000s)

	2019 Proposed Budget	2018 Adopted Budget
Projected Unrestricted Cash, 1/1/2019	(\$917,975)	
2019 Revenue		
Tenant Revenue	\$8,845,197	\$7,713,505
Investment Income	11,815	3,355 (1)
Miscellaneous Revenue	1,426	9,612
Total Revenue	8,858,438	7,726,472
2019 Uses		
Operating Expenses	(4,319,824)	(4,292,251)
Debt Service	(1,547,979)	(1,547,491)
Additions to Replacement Reserves	(127,250)	(127,250)
Total Uses	(5,995,053)	(5,966,992)
2019 Operating Margin	2,863,385	1,759,480
2019 Capital Projects		
Capital Projects	(1,387,420)	(3,575,529)
Unit Upgrades	(605,917)	(497,573)
Special Maintenance Projects	(148,700)	(296,000)
Total Capital Projects	(2,142,037)	(4,369,102)
Transfer from MTW for Capital Projects	0	3,575,520
2019 Change in Unrestricted Cash	\$721,348	\$965,898
Total Projected Available Resources, 12/31/2019	(\$196,627)	

1) 2018 budget was calculated incorrectly

Tenant rents, consisting of subsidy payments from the Housing Choice Voucher program and rental payments from tenants, are forecast at \$8.8 million, up from \$7.7 million in 2018, a bump of over 14%. The increase is due to requested increases in contact rents.

The 2019 debt service budget represents 12 monthly payments of \$128,998 to KCHA as conduit for the FHLB loan, and the replacement reserve is fully funded at \$250 per unit per year.

Capital Budget

Housing Management's Central Maintenance Crew is budgeted to complete 19 unit upgrades at an average cost of \$31,890 for a total of \$605,917. The average cost of unit upgrades for the Properties is higher than for the program as a whole as 92% of the properties owned by MKCRF consist of larger, family units. The ability to complete 19 units will depend upon unit availability. Through September 2018, 352 of the 509 units in this portfolio have been upgraded since inception of the program, leaving only 157 or 30.1% left to modernize. To reach the budgeted unit count, 12% of the non-modernized units will need to become available at some point in 2019.

\$148,700 of additional projects, such as repaving parking lots, repairing patios and fixing storm drain systems repairs have been budgeted.

The full budget for the MKCRF-Owned Properties is in Exhibit A, found on page 4.

MKCRF Entity

Moving King County Residents Forward is a 501(c)(3) non-profit that owns 509 units of multifamily housing. MKCRF entered into an Operating Agreement with KCHA whereby the Authority would operate the properties, own the revenue, and be responsible for operating costs. Accordingly, none of the operations of the properties appear on the books of MKCRF. The balance sheet of MKCRF consists of the properties themselves, and the debt it owes to KCHA.

A total of \$1.4 million of capital work will be managed by KCHA's Capital Construction department on behalf of MKCRF:

Juanita Trace Building Envelope Completion	\$500,000	
Young's Lake Water/Waste Line Repair	656,442	(1)
King's Court Water/Waste Line Repair	230,978	
	<u>\$1,387,420</u>	

- 1) Includes \$140k for tenant temporary relocation

The full budget for the MKCRF entity is on Exhibit B, found on page 5.

MOVING KING COUNTY RESIDENTS FORWARD
2019 Budget-Properties
(In \$1,000s)
EXHIBIT A

	Operations	Capital	2019 Proposed Combined
<i>Beginning Balance, Unrestricted Cash</i>	<i>(\$607,485)</i>	<i>(\$310,491)</i>	<i>(\$917,975)</i>
<i>Revenues</i>			
Tenant Revenue	8,845,197	0	8,845,197
Other Operating Revenue	1,425	0	1,425
Total Operating Revenues	8,846,622	0	8,846,622
<i>Expenses</i>			
Salaries & Benefits	(1,759,513)	0	(1,759,513)
Routine Maintenance, Utilities, Taxes & Insurance	(1,633,673)	0	(1,633,673)
Other Social Service Support Expenses & HAP	(815)	0	(815)
Administrative Support Expenses	(925,823)	0	(925,823)
Total Operating Expenses	(4,319,824)	0	(4,319,824)
Operating Net Income	4,526,798	0	4,526,798
Non-operating Revenue	31,399	0	31,399
Non-operating Expenses	(1,547,979) (1)	(1,387,419) (1)	(2,935,397)
Net Income	3,010,218	(1,387,419)	7,493,594
<i>Other Sources/(Uses) of Cash</i>			
Capital Projects and Acquisitions	(148,700)	(605,917)	(754,617)
Changes in Designated Cash	(146,834) (2)	0	(146,832)
Total Other Sources/(Uses) of Cash	(295,534)	(605,917)	(901,451)
Transfer of Operating Funds for Unit Upgrades	(605,917)	605,917	0
Transfer of Operating Funds for Capital Construction	(1,387,419)	1,387,419	0
Total Use of Operating Funds for Capital Purposes	(1,993,336)	1,993,336	0
Net Change in Unrestricted Cash	721,348	0	721,348
<i>Ending Balance, Unrestricted Cash</i>	<i>113,864</i>	<i>(310,491)</i>	<i>(196,627)</i>
<i>Beginning Balance, Designated Cash</i>			
<i>Beginning Balance, Designated Cash</i>	<i>\$764,016</i>	<i>\$0</i>	<i>\$764,016</i>
Changes in Designated Cash	146,834 (2)	0	146,836
<i>Ending Balance, Designated Cash</i>	<i>\$910,850</i>	<i>\$0</i>	<i>\$910,850</i>

- 1) The Properties pay debt service (\$1,547,979) on the loan from KCHA and the cost of capital projects (\$1,387,419) on behalf of MKCRF, and these expenditures are reflected on the books of the Properties as Non-operating Expenses. MKCRF records a like amount on its books as Other Revenue. The \$1,000 difference relates to miscellaneous MKCRF expenses such as tax return preparation fees.
- 2) Increase in Designated Cash reflects transfers of operating revenues to replacement reserves (\$127,250), plus earned interest.

MOVING KING COUNTY RESIDENTS FORWARD
2019 Budget (Cash Basis)
(In \$1,000s)
EXHIBIT B

<i>Beginning Balance, Unrestricted Cash</i>	<i>(\$2,751)</i>
<i>Revenues</i>	
Other Revenue	2,935,398
Total Revenues	2,935,398
<i>Expenses</i>	
Interest Expense	(889,791)
Administrative Support Expenses	(1,000)
Total Expenses	(890,791)
Net Income	2,044,607
<i>Other Sources/(Uses) of Cash</i>	
Capital Projects	(1,387,419)
Changes in Debt	(658,188)
Total Other Sources/(Uses) of Cash	(2,045,607)
Net Change in Unrestricted Cash	(1,000)
<i>Ending Balance, Unrestricted Cash</i>	<i>(\$3,751)</i>

MOVING KING COUNTY RESIDENTS FORWARD

RESOLUTION NO. 30

ADOPTION OF THE CALENDAR YEAR 2019 OPERATING AND CAPITAL BUDGETS

WHEREAS, the King County Housing Authority, as Operator of the Moving King County Residents Forward (MKCRF) Properties (the Properties), has submitted Operating and Capital Budgets for the Properties and for MKCRF for the Calendar Year beginning January 1, 2019 (Calendar Year 2019); and,

WHEREAS, the Board of Directors has determined that the proposed expenditures are necessary for the efficient and economical operation of the Properties and of MKCRF; and,

WHEREAS, the Budgets of the Properties and MKCRF indicates sources of funding adequate to cover all proposed expenditures;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF MOVING KING COUNTY RESIDENTS FORWARD:

The Calendar Year 2019 Operating and Capital Budgets are hereby adopted. The Budgets are attached hereto as Exhibits A and B and are made a part thereof.

ADOPTED AT A MEETING OF THE BOARD OF DIRECTORS OF MOVING KING COUNTY RESIDENTS FORWARD THIS 17th DAY OF DECEMBER, 2018

**MOVING KING COUNTY RESIDENTS
FORWARD**

Stephen J Norman
Secretary

DOUGLAS J BARNES
President, Board of Directors

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MOVING KING COUNTY RESIDENTS FORWARD

TO: Board of Directors

FROM: Craig Violante

DATE: November 30, 2018

RE: Calendar Year 2018 Financial Reports for Moving King County Residents Forward (MKCRF) and MKCRF-Owned Properties

EXECUTIVE SUMMARY

Throughout the first three quarters of 2018, the MKCRF-owned Properties (the Properties) generated cash flow sufficient to make all required debt service payments, fully fund replacement reserves, and complete the interior upgrade of nine units using KCHA's internal unit upgrade crews.

THIRD QUARTER 2018 FINANCIAL REPORTS

Attached are financial reports for the third quarter of 2018:

- Statements of Financial Position for the Properties as reflected on the books of KCHA as operator of the properties, and for MKCRF itself. MKCRF information is on the far right.
- Cash Reconciliation reports for the Properties as reflected on the books of KCHA as operator, and for MKCRF itself. MKCRF information is on the far right.

KCHA Operations of the Properties

Year-to-date Tenant Revenue is nearly on-target as the Properties received 99.6% of budgeted projections. Excluding garbage expenses at Wellswood that were inadvertently over-budgeted, year-to-date operating expenses were at 92.7% of target, and will likely end the year below budget.

Throughout the period, the Properties generated net operating cash flow of \$1.5 million after required debt service payments and additions to replacement reserves:

Operating Revenues	\$5,764,268
Operating Expenses	(3,035,960)
Debt Service	(1,160,985)
Transfers to Replacement Reserves	(105,484)
Net Cash Flow	<u><u>\$1,461,840</u></u>

This cash flow was partially used to fund the interior upgrades of nine out of the 16 units that were included in the 2018 budget. The full target of 16 units is expected to be completed by year end. Since acquiring the Properties in 2012, 149 units have been upgraded by KCHA's in-house unit upgrade crew. A total of 352 units (69.2%) have been upgraded since inception of the program in 2006.

Operations of Moving King County Residents Forward

MKCRF had minimal operating activity during the first three quarters of 2018, but will have expenditures for audit fees and tax preparation services in the fourth quarter. All required monthly debt service payments to KCHA were made.

Moving King County Residents Forward
Statements of Financial Position
As of September 30, 2018

	MKCRF Properties Managed by KCHA			MKCRF
	Operations	Capital	Combined	
Assets				
Cash-Unrestricted	\$844,533	\$55,852	\$900,385	(\$788)
Cash-Designated	751,911	0	751,911	0
Cash-Restricted	77,525	0	77,525	0
Accounts Receivable	44,886	0	44,886	0
Other Short-term Assets	38,544	0	38,544	0
Long-term Receivables	0	0	0	0
Capital Assets	85,502	1,951	87,452	69,589,956
Other Assets	0	0	0	0
Total Assets	\$1,842,900	\$57,802	\$1,900,702	\$69,589,168
Liabilities and Equity				
Short-term Liabilities	\$209,547	\$20,781	\$230,329	\$0
Current Portion of Long-term Debt	0	0	0	619,952
Long-term Debt	0	0	0	14,666,824
Other Long-term Liabilities	0	0	0	0
Total Liabilities	209,547	20,781	230,329	15,286,776
Equity	1,633,353	37,021	1,670,374	54,302,393
Total Liabilities and Equity	\$1,842,900	\$57,802	\$1,900,702	\$69,589,168

Moving King County Residents Forward
Cash Reconciliation Report
Properties and MKCRF
Through September 30, 2018

	MKCRF Properties, Managed by KCHA				MKCRF			
	Actual	Budget	Favorable (Unfavorable) \$ Variance	Favorable (Unfavorable) % Variance	Actual	Budget	Favorable (Unfavorable) \$ Variance	Favorable (Unfavorable) % Variance
BEGINNING UNRESTRICTED/PROGRAM CASH	(\$174,668)				(\$778)			
<i>Rental Revenue and Subsidy</i>								
Tenant Revenue	\$5,764,268	\$5,785,129	(\$20,861)	-0.4%	\$0	\$0	\$0	n/a
Total Rental Revenue and Federal Support	5,764,268	5,785,129	(20,861)	-0.4%	0	0	0	n/a
<i>Other Operating Revenue</i>								
Other Revenue	20,634	10,518	10,116	96.2%	1,876,169	4,697,528	(2,821,359)	-60.1%
Total Other Operating Revenue	20,634	10,518	10,116	96.2%	1,876,169	4,697,528	(2,821,359)	-60.1%
Total Operating Revenue	5,784,902	5,795,647	(10,745)	-0.2%	1,876,169	4,697,528	(2,821,359)	-60.1%
<i>Operating Expenses</i>								
Salaries and Benefits	(1,339,333)	(1,356,807)	17,474	1.3%	0	0	0	n/a
Administrative Expenses	(98,247)	(118,852)	20,605	17.3%	(10)	(1,000)	990	99.0%
Maintenance Expenses, Utilities, Taxes	(1,164,278)	(1,456,239)	291,961	20.0%	0	0	0	n/a
Management Fees Charged to Properties and Programs	(432,176)	(432,259)	83	0.0%	0	0	0	n/a
Other Programmatic Expenses	(1,926)	(629)	(1,297)	-206.2%	0	0	0	n/a
Other Expenses	(1,784,268)	(4,697,528)	2,913,260	62.0%	0	0	0	n/a
Transfers Out for Capital Purposes	(411,060)	(373,181)	(37,879)	-10.2%	0	0	0	n/a
Total Operating Expenses	(5,231,288)	(8,435,495)	3,204,207	38.0%	(10)	(1,000)	990	99.0%
Net Operating Income	553,614	(2,639,848)	3,193,462	121.0%	1,876,159	4,696,528	(2,820,369)	-60.1%
<i>Non Operating Income/(Expense)</i>								
Interest Expense	0	0	0	n/a	(699,517)	(696,022)	(3,495)	-0.5%
Total Non Operating Income/(Expense)	0	0	0	n/a	(699,517)	(696,022)	(3,495)	-0.5%
<i>Capital Activity</i>								
Capital Project Funding, Excluding Debt Issuance	1,126,244	3,910,091	(2,783,847)	-71.2%	0	0	0	n/a
Capital Project Expenditures	(411,060)	(373,181)	(37,879)	-10.2%	(715,184)	(3,536,910)	2,821,726	79.8%
Total Change in Capital Assets, net of Direct Funding and Debt	715,184	3,536,910	(2,821,726)	-79.8%	(715,184)	(3,536,910)	2,821,726	79.8%
<i>Change in Other Assets/Liabilities</i>								
Change in Designated/Restricted Cash	(106,084)	(99,099)	(6,985)	-7.0%	0	0	0	n/a
Change in Short-term Assets	111,329	0	111,329	n/a	0	0	0	n/a
Change in Short-term Liabilities	(198,991)	0	(198,991)	n/a	0	0	0	n/a
Change in Long-term Debt	0	0	0	n/a	(461,467)	(493,641)	32,174	6.5%
Change in Other Assets/Liabilities	(193,745)	(99,099)	(94,646)	-95.5%	(461,467)	(493,641)	32,174	6.5%
Change in Unrestricted/Program Cash	\$1,075,053	\$797,963	\$277,090	34.7%	(\$10)	(\$30,045)	\$30,035	100.0%
ENDING UNRESTRICTED/PROGRAM CASH	\$900,385				(\$788)			
BEGINNING DESIGNATED/RESTRICTED CASH	\$723,352				\$0			
Change in Replacement Reserves	105,484	99,099	6,385	6.4%	0	0	0	n/a
Change in Debt Service Reserves	0	0	0	n/a	0	0	0	n/a
Change in Other Reserves	600	0	600	n/a	0	0	0	n/a
Change in Designated/Restricted Cash	106,084	99,099	6,985	7.0%	0	0	0	n/a
ENDING DESIGNATED/RESTRICTED CASH	\$829,436				\$0			

- Due to rising interest rates, higher than anticipated interest income was earned on invested cash.
- Professional Services -Auditing was budgeted in the third quarter but most of the audit fees are expected to be paid in the 4th quarter. Also, Professional Services-Hearing Officers is below target.
- The electrical material expenses budget at Juanita Trace, Juanita Court and Wells Wood included both inspections and replacement of meter packs. After the inspections of the sites was done, it was decided that the meter packs did not need to be replaced. Yard/Garden materials budgeted in preparation for REAC inspection were under target as the actual need was not as much as forecasted in the budget. Also, due to a budgeting error related to Wellswood garbage expense.
- Due to technical accounting reasons, capital expenditures are reflected as Other Expenses on the books of the Properties, and as Capital Project Expenditures on the books of MKCRF. Year-to-date capital expenditures are less than budgeted as the Juanita Trace building envelope and Green Leaf Envelope and Desk projects didn't start until late in the 3rd quarter and will not complete until the 1st quarter of 2019.
- 15 unit upgrades were budgeted evenly through out the year. As of September, thirteen unit upgrades were completed. Upgrades depend on unit availability.
- Decrease in short term assets primarily due to amortization prepaid insurance.
- Decrease in short term liabilities due to technical entries to reverse the 2017 year-end accounts payable accruals and prepaid rents entries.