

Washington State Auditor's Office
Report on Financial Statements and Federal Single Audit

Housing Authority of the City of Everett
Snohomish County

Audit Period
July 1, 2003 through June 30, 2004

Report No. 68059

Issue Date
February 25, 2005



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State Auditor
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February 25, 2005

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

Report on Financial Statements and Federal Single Audit

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

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

In addition to this work, we look at other areas of our audit clients' operations for compliance with state laws and regulations. The results of that review will be included in our regular audit report, which will be issued separately.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR



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Federal Summary

Housing Authority of the City of Everett Snohomish County July 1, 2003 through June 30, 2004

The results of our audit of the Housing Authority of the City of Everett are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

- We issued an unqualified opinion on the Housing Authority's financial statements.
- We noted no instances of noncompliance that were material to the financial statements of the Housing Authority.
- We issued an unqualified opinion on the Housing Authority's compliance with requirements applicable to its major federal program.
- We reported no findings, which are required to be disclosed under OMB Circular A-133.
- We noted in our Independent Auditor's Report on Financial Statements that the Schedule of Expenditures of Federal Awards was fairly presented.
- The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$673,856.
- The Housing Authority qualified as a low-risk auditee under OMB Circular A-133.
- The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
14.871	Housing Choice Vouchers

Independent Auditor's Report on Compliance and Internal Control over Financial Reporting in Accordance with Government Auditing Standards

Housing Authority of the City of Everett Snohomish County July 1, 2003 through June 30, 2004

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

We have audited the basic financial statements of the Housing Authority of the City of Everett as of and for the year ended June 30, 2004, and have issued our report thereon dated January 26, 2005. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the reports of the other auditors. We conducted our audit in accordance with governmental auditing standards generally accepted in the United States of America, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free of material misstatements, we performed tests of the Housing Authority's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Commissioners, and federal awarding agencies and pass-through entities. 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, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and the last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

January 26, 2005

Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Housing Authority of the City of Everett Snohomish County July 1, 2003 through June 30, 2004

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

COMPLIANCE

We have audited the compliance of the Housing Authority of the City of Everett, Snohomish County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The Housing Authority's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on the Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with governmental auditing standards generally accepted in the United States of America, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on the Housing Authority's compliance with those requirements.

In our opinion, the Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

INTERNAL CONTROL OVER COMPLIANCE

The management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Commissioners, and federal awarding agencies and pass-through entities. 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.

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BRIAN SONNTAG, CGFM
STATE AUDITOR

January 26, 2005

Independent Auditor's Report on Financial Statements

Housing Authority of the City of Everett Snohomish County July 1, 2003 through June 30, 2004

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

We have audited the accompanying basic financial statements of the Housing Authority of the City of Everett and its discretely presented component units as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Housing Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report 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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the City of Everett and of its discretely presented component unit as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* in the United States of America, we will issue our report on our consideration of the Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis information on pages 9 through 14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed 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 U.S.

Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Financial Data Schedule and HUD Forms are supplemental information required by HUD. These supplemental schedules are not a required part of the basic financial statements. Such supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

The Supplementary Segment Information and Notes to the Supplemental Segment Information are not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

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BRIAN SONNTAG, CGFM
STATE AUDITOR

January 26, 2005

Basic Financial Statements and Schedules

Housing Authority of the City of Everett Snohomish County July 1, 2003 through June 30, 2004

REQUIRED SUPPLEMENTAL INFORMATION

Management's Discussion and Analysis – 2004

BASIC FINANCIAL STATEMENTS

Statement of Net Assets – 2004
Statement of Revenues, Expenses and Changes in Net Assets – 2004
Statement of Cash Flows – 2004
Notes to Financial Statements – 2004

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards – 2004
Notes to Schedule of Expenditures of Federal Awards – 2004
Financial Data Schedule – 2004
Actual Comprehensive Grant Cost Certificate – WA19P006501-2001
Supplemental Segment Information – 2004
Notes to the Supplemental Segment Information – 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004

The Housing Authority of the City of Everett ("EHA" or the "Authority") owns and manages property and administers rent subsidy programs to provide eligible low-income persons good, safe and affordable housing. EHA is a municipal corporation of the State of Washington (RCW 35.82) and provides services to citizens in the City of Everett primarily through two federally assisted programs administered by the U.S. Department of Housing and Urban Development ("HUD"): Conventional Low Income Public Housing and Housing Choice Voucher programs.

New Accounting Standard

In June 1999, the Governmental Accounting Standards Board (the "GASB") issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which establishes new reporting formats for annual financial statements of governmental units. The provisions of this statement were implemented by the Authority during the year ended June 30, 2003.

The following discussion and analysis provides an overview of the Authority's financial activities and should be read in conjunction with the Authority's financial statements that follow the Management's Discussion and Analysis section. For comparative purposes, the prior year financial information has been included in this section.

Overview of the Financial Statements

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America, including GASB Statement No. 34 (as amended by GASB Statement No. 37). The Authority follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provide a comprehensive authority wide look at the Authority's financial activities. The statements are:

- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows

The statements are prepared on the accrual basis and present all assets and liabilities of the Authority, both financial and capital, and short and long term. They also present all revenues and expenses of the Authority during the year, regardless of when cash was received or paid. Collectively, the statements provide information regarding the Authority's financial condition as of June 30, 2004 and the results of its operations and cash flows for the year then ended.

Financial Highlights

- The Authority's net assets decreased by \$1,181,540 (or 4.1%) during the past year. Depreciation expense, a non-cash item, of \$1,730,355 was the primary reason for the net change. Net assets were \$27,424,031 and \$28,605,571 at June 30, 2004 and 2003, respectively.
- Total operating and non-operating revenues increased by \$1,001,252 (or 4.1%) during the past year, and were \$25,657,082 for 2004 and \$24,655,830 for 2003.
- The total expenses of the Authority's programs increased by \$2,117,880 (or 8.6%). Total expenses were \$26,838,622 and \$24,720,742 for 2004 and 2003, respectively.

- The Authority's unrestricted net assets at June 30, 2004 and 2003 were \$3,028,203 and 3,633,359 respectively, for a decrease of 16.7%.

The Authorities Funds

The Authority's financial statements include all programs that are considered to be within its administrative control. The Authority generally maintains separate accounting records for each grant program or annual contributions contract, as required by HUD. A list of the more significant programs is as follows:

Conventional Low Income Public Housing - Under the Conventional Low Income Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Low Income Public Housing Program is operated under an Annual Contributions Contract with HUD, and HUD provides operating subsidy and capital grant funding to enable EHA to provide the housing at a rent that is based on 30% of household income. The Conventional Low Income Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's public housing properties.

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Other Programs - In addition to the major programs discussed above, the Authority also maintains the following non-major programs which have assets, liabilities, revenues, or expenses of at least 5% or more of the Authority's total assets, liabilities, revenues or expenses:

Broadway Plaza East – A 102 unit apartment building that serves seniors and disabled persons. Operating and debt service costs are funded from rents collected from residents and a Section 8 New Construction Housing Assistance Payment Contract with HUD.

Broadway Plaza West – A 89 unit apartment building serving seniors. Operating costs are funded through tenant rents. No operating subsidy is received for this facility.

Affordable Housing Properties – Includes four separate non-subsidized apartment complexes all located within the City of Everett. These four properties have a combined total of 63 apartments. The majority of tenants served have an income level of less than 50% of median income, and all are under 80% of median income. Operating costs are funded through tenant rents. No operating subsidy is received for these properties.

AUTHORITY-WIDE FINANCIAL STATEMENT

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities of the Authority using the accrual basis of accounting which is similar to the accounting used by most private-sector institutions. The following table reflects the condensed information from the Authority's Statement of Net Assets compared to the prior year.

CONDENSED STATEMENT OF NET ASSETS

	<u>Year Ended June 30</u>	
	<u>2004</u>	<u>2003</u>
Assets		
Current assets	\$ 6,444,570	\$ 9,122,560
Capital assets	<u>25,997,570</u>	<u>24,219,234</u>
Total Assets	<u>32,442,140</u>	<u>33,341,794</u>
Liabilities		
Accounts payable and other current liabilities	1,576,432	2,937,679
Long-term liabilities	<u>3,441,677</u>	<u>1,798,544</u>
Total liabilities	<u>5,018,109</u>	<u>4,736,223</u>
Net Assets:		
Invested in capital assets - net of related debt	22,218,808	22,271,885
Restricted	2,177,020	2,700,327
Unrestricted	<u>3,028,203</u>	<u>3,633,359</u>
Total Net Assets	<u>\$ 27,424,031</u>	<u>\$ 28,605,571</u>

Major Factors Affecting the Statement of Net Assets

Current assets decreased by \$2,677,990 and current liabilities decreased by \$1,361,247. The Authority's current ratio increased from 3.11 in 2003 to 4.09 in 2004. This increase in the current ratio is principally do to the sale of the Pine Village Condominium property and repayment of related short-term debt. Units unsold at June 30, 2004 are classified as "Assets held for sale". There are sufficient current assets (primarily cash, investments and receivables from HUD) to extinguish current liabilities.

The increase in capital assets of \$1,778,336 represents the net difference between capital assets acquired during the year (\$3,513,791), depreciation expense (\$1,730,355) and book value of assets disposed of (\$5,100).

The following presents details on the change in unrestricted net assets:

CHANGE IN UNRESTRICTED NET ASSETS

Unrestricted net assets - June 30, 2003	<u>\$ 3,633,359</u>
Total change in net assets	(1,181,540)
Adjustments:	
Depreciation (1)	<u>1,730,355</u>
Adjusted change in net assets	4,178,333
Proceeds from long term borrowings	2,230,000
Payments on long term debt	(398,587)
Capital expenditures	(3,513,791)
Other changes	5,100
Increase in restricted assets	<u>523,307</u>
Unrestricted net assets - June 30, 2004	<u>\$ 3,028,203</u>

- (1) Depreciation is treated as an expense and reduces the net assets invested in capital assets, net of related debt, but does not have an impact on unrestricted net assets.

While operating results are a significant measure of the Authority's activities, the analysis of the changes in unrestricted net assets provides a clearer picture of the change in financial well-being.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of the Authority, as well as the non-operating revenues and expenses. HUD subsidies and grants, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles. Condensed information from the Authority's statements of revenue, expenses and changes in net assets follows:

**CONDENSED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS**

	June 30,	
	2004	2003
Operating revenues		
Tenant revenue - rents and other	\$2,687,171	\$2,514,751
Other revenues	<u>321,317</u>	<u>268,455</u>
Total operating revenue	<u>3,008,488</u>	<u>2,783,206</u>
Operating expenses		
Housing assistance payments	18,359,517	17,133,010
Administrative	3,134,524	2,822,115
Maintenance & operations	2,310,914	2,107,190
Depreciation	1,730,355	1,622,262
Utilities	476,678	433,525
Tenant services	357,098	210,978
General	<u>341,218</u>	<u>311,764</u>
Total operating expenses	<u>26,710,304</u>	<u>24,640,844</u>
Operating loss	<u>(23,701,816)</u>	<u>(21,857,638)</u>
Nonoperating revenue (expense)		
Subsidies and grants	22,576,283	21,767,294
Interest income	72,311	105,330
Interest expense	<u>(128,318)</u>	<u>(79,898)</u>
Total nonoperating revenue (expense)	<u>22,520,276</u>	<u>21,792,726</u>
Change in Net Assets	(1,181,540)	(64,912)
Net Assets - Beginning of Year	<u>28,605,571</u>	<u>28,670,483</u>
Net assets - End of year	<u>\$27,424,031</u>	<u>\$28,605,571</u>

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

Tenant revenues show an increase due to a combination of higher average rents received along with the addition of 49 affordable rental property units acquired during the past year.

HUD subsidies and grants received increased over that of the prior year due primarily to an increase in the housing assistance payments provided through the Section-8 Housing Choice Voucher program. The total increase in subsidies and grants received was \$808,989, or 3.7%

Total operating expenses increased by \$2,069,463 (8.4%) primarily due to the following: Housing assistance payments increased \$1,226,507, and administrative expenses increased \$312,409. Most of the increase in administrative expenses is due to additional payroll and related benefits to administer the additional housing choice vouchers received by the Authority during the prior fiscal year and also the cost associated with the management of the additional rental units acquired.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2004, the Authority had \$25,997,570 invested in variety of capital assets (as summarized below), which represents a net increase of \$1,778,336 from June 30, 2003.

**CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	<u>June 30,</u>	
	<u>2004</u>	<u>2003</u>
Land and site improvements	\$3,045,350	\$2,673,580
Structures	42,707,231	39,760,320
Equipment	2,374,655	2,175,304
Construction in progress	<u>721,168</u>	<u>751,813</u>
Total	48,848,404	45,361,017
Accumulated depreciation	<u>(22,850,834)</u>	<u>(21,141,783)</u>
Capital assets – net	<u>\$25,997,570</u>	<u>\$24,219,234</u>

The following reconciliation summarizes the change in capital assets from June 30, 2003 to June 30, 2004, which is presented in more detail in Note 3 of the notes to the financial statements.

CHANGES IN CAPITAL ASSETS

Balance at June 30, 2003	\$24,219,234
Additions	3,513,791
Reductions – net	(5,100)
Depreciation expense	<u>(1,730,355)</u>
Balance at June 30, 2004	<u>\$25,997,570</u>

This year's major additions to capital assets resulted primarily from the Authority's public housing capital improvement programs and also non-subsidized housing property additions. Modernization has been in process for several years to renovate the Grandview Homes property, a 148-unit public housing property. It is anticipated that the Grandview Homes renovation work will be completed by the end of 2009. In addition, the Authority purchased three new rental properties during the year. Dwelling and non-dwelling equipment additions for the year totaled \$225,755.

OUTSTANDING DEBT, AT YEAR-END

	June 30,	
	2004	2003
Revenue Bonds Payable:		
Broadway Plaza East apartments	\$ 410,000	\$ 695,000
Douglas Grove apartments	461,750	488,502
Greenhouse property	122,240	138,847
Rainier Park apartments	598,235	625,000
Rucker Street apartments	458,677	-
Oakes Street apartments	413,605	-
Bridge Creek apartments	734,255	-
	3,198,762	1,947,349
Less: Current portion	(569,818)	(355,608)
Total revenue bonds	\$ 2,628,944	\$ 1,591,741
Notes Payable:		
Bridge Creek apartments	\$ 580,000	\$ -
Pine Village Condominium	-	1,418,514
	580,000	1,418,514
Less: Current portion	(14,837)	(1,418,514)
Total notes payable	\$ 565,163	\$ -

Please refer to Note 4 of the notes to financial statements for additional information on the Authority's outstanding long-term debt.

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding is at the discretion of the U.S. Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates of the Authority
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, supplies and other costs, which affects the cost of the programs.

HOUSING AUTHORITY OF THE CITY OF EVERETT

Statement of Net Assets

June 30, 2004

	<u>Primary Government Total</u>	<u>Component Unit</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents - unrestricted	\$ 36,773	\$ 20,613
Cash and cash equivalents - restricted	271,536	58,493
Investments - unrestricted	2,667,461	59,667
Investments - restricted	2,363,435	176,877
Accounts receivable (net)		
Tenants	11,749	110
HUD	407,124	8,415
Other	75,344	-
Inventories	46,309	-
Prepaid and other current assets	233,539	11,679
Assets held for sale	331,300	-
	<u>6,444,570</u>	<u>335,854</u>
NON-CURRENT ASSETS:		
Capital assets		
Land	2,880,454	708,000
Property and equipment, net	<u>23,117,116</u>	<u>3,913,273</u>
	25,997,570	4,621,273
Other assets	<u>-</u>	<u>124,550</u>
	25,997,570	4,745,823
	<u>32,442,140</u>	<u>5,081,677</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable - vendors	163,172	18,413
Accounts payable - HUD	143,314	-
Accrued expenses	175,645	58,316
Deferred revenue	51,695	9,625
Security deposits	181,244	17,655
FSS escrow	276,707	-
Current portion of long-term debt	<u>584,655</u>	<u>67,147</u>
	1,576,432	171,156
NON-CURRENT LIABILITIES:		
Bonds and notes payable	3,194,107	3,632,124
Accrued compensated absences	247,570	-
Deferred interest - HOME loan	<u>-</u>	<u>127,525</u>
	3,441,677	3,759,649
	<u>5,018,109</u>	<u>3,930,805</u>
NET ASSETS		
Investment in capital assets, net of related debt	22,218,808	922,002
Restricted	2,177,020	217,715
Unrestricted	<u>3,028,203</u>	<u>11,155</u>
	<u>\$ 27,424,031</u>	<u>\$ 1,150,872</u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF EVERETT
Statement of Revenues, Expenses and Changes in Net Assets
Year ended June 30, 2004

	Primary Government Total	Component Unit
Operating Revenues		
Tenant rents	\$ 2,440,471	\$ 225,861
Other tenant charges	246,700	9,203
Other revenue	321,317	400
Total operating revenue	3,008,488	235,464
Operating Expenses		
Administration	3,134,524	120,923
Tenant services	357,098	132
Utilities	476,678	33,423
Maintenance & operations	2,310,914	88,803
General	341,218	27,731
Housing assistance payments	18,359,517	-
Depreciation	1,730,355	128,772
Total operating expenses	26,710,304	399,784
Operating income (loss)	(23,701,816)	(164,320)
Nonoperating income (expense)		
Intergovernmental		
HUD operating grants and subsidies	21,479,954	309,809
HUD capital grants	672,088	-
Other grants	424,241	-
Interest income	72,311	2,068
Interest expense	(128,318)	(186,592)
Total nonoperating income (expense)	22,520,276	125,285
Change in Net Assets	(1,181,540)	(39,035)
Net Assets - Beginning of Year	28,605,571	1,189,907
Net Assets - End of Year	\$ 27,424,031	\$ 1,150,872

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF EVERETT
Statement of Cash Flows
Year Ended June 30, 2004

	<u>Primary Government Total</u>	<u>Component Unit</u>
Cash flow from operating activities:		
Cash received from tenant rents	\$ 2,454,304	\$ 239,743
Cash payments to suppliers for goods and services	(2,773,178)	(178,856)
Cash paid for salaries and benefits	(3,944,378)	(105,407)
Housing assistance payments	(18,369,916)	-
Other receipts	534,710	-
	<u>(22,098,458)</u>	<u>(44,520)</u>
Cash flow from noncapital financing:		
HUD operating subsidies and grants	21,048,049	301,772
Other grants	406,484	-
	<u>21,454,533</u>	<u>301,772</u>
Cash flows from capital and related financing activities:		
Capital contributions	-	-
HUD capital grants	590,231	-
Property and equipment additions	(3,513,791)	-
Proceeds from short-term borrowings	48,486	-
Repayment of short-term debt obligations	(1,467,000)	(14,519)
Proceeds from long-term borrowings	2,230,000	-
Repayment of long-term debt obligations	(398,587)	(66,210)
Interest paid on debt obligations	(148,031)	(159,157)
Principal payments on tax credit notes payable	-	-
Reduction in assets held for sale	1,823,603	-
Additions to assets held for sale	(390,898)	-
	<u>(1,225,987)</u>	<u>(239,886)</u>
Cash flows from investing activities:		
Net (additions) reductions to unrestricted investments	1,198,429	-
Net (additions) reductions to restricted investments	576,496	(20,317)
Interest income	65,470	2,068
	<u>1,840,395</u>	<u>(18,249)</u>
Increase in cash and cash equivalents	(29,517)	(883)
Cash and cash equivalents at beginning of year	<u>337,826</u>	<u>79,989</u>
Cash and cash equivalents at end of year	<u>\$ 308,309</u>	<u>\$ 79,106</u>

The accompanying notes are an integral part of these financial statements.

Continued

HOUSING AUTHORITY OF THE CITY OF EVERETT
Statement of Cash Flows
Year Ended June 30, 2004

	Primary Government Total	Component Unit
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:		
Operating loss	\$ (23,701,816)	(164,320)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,730,355	123,888
Amortization of bond issue costs	-	4,884
Loss on disposition of equipment	5,100	-
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable tenants	(6,637)	630
Accounts receivable - other	(25,891)	-
Inventory	(6,173)	-
Prepaid expenses and other assets	(208,852)	(701)
Increase (decrease) in liabilities:		
Accounts payable	67,189	(12,550)
Accrued expenses	4,845	-
Deferred revenue	(7,221)	4,705
FSS escrow	(10,399)	-
Security deposits	20,275	(1,056)
Accrued compensated absences	40,767	-
Net cash used in operating activities	\$ (22,098,458)	\$ (44,520)

The accompanying notes are an integral part of these financial statements.

Concluded

HOUSING AUTHORITY OF THE CITY OF EVERETT
Notes to Financial Statements
June 30, 2004

The following notes are an integral part of the accompanying financial statements.

1 – Summary of Significant Accounting Policies

The Housing Authority of the City of Everett, Washington (Authority) was created in 1942 as a municipal corporation which derives its power from state law, Chapter 35.82, RCW. The Authority is responsible for operating certain low-rent housing programs in the City of Everett under programs administered by the U.S. Department of Housing and Urban Development (HUD). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended. The Authority has no taxing powers.

The Mayor of the City of Everett appoints the six member Board of Commissioners for five-year terms. The terms are staggered so that generally one term expires each year on October 4, the Authority's anniversary. The Board sets policy of the Authority and hires the Executive Director who directs the daily operations of the Authority.

The Authority is not considered to be a component unit of the City of Everett. However, the Authority cooperates closely with the City in carrying out housing programs within the Everett area. An important element of the Authority's relationship with the City is a cooperation agreement, which calls for the City to provide support services (police, fire, etc.) to specified developments. In exchange, the Authority makes voluntary payments in lieu of taxes (PILOT) to the City of Everett for those developments.

a. Financial Reporting Model

The Housing Authority has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America. Effective July 1, 2002, the Authority implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34*, and Statement No. 38, *Certain Financial Statement Disclosures*. These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. The Authority now follows the business-type activities reporting requirements of GASB Statement No. 34. In accordance with GASB Statement No. 34, the accompanying basic financial statements are reported on an Authority-wide basis.

Statement No. 34 requires the following, which collectively make up the Authority's basic financial statements:

- Management's Discussion and Analysis
- Basic financial statements:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
- Notes to the financial statements

No cumulative effect adjustments to net assets as of July 1, 2002 were required in connection with the implementation of the GASB statements described above.

HOUSING AUTHORITY OF THE CITY OF EVERETT
Notes to Financial Statements
June 30, 2004

1 – Summary of Significant Accounting Policies - Continued

b. Reporting Entity

As required by GAAP, the accompanying financial statements present the financial data of the Authority (the primary government) and its discretely presented component unit. The financial data of the discretely presented component unit is included in the Authority's financial statements because

of the significance of its operational or financial relationships with the Authority. The Authority and its component unit are together referred to as the reporting entity.

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity is governed by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. These criteria state that the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on these criteria, the following entity has been identified as a component unit:

Discretely Presented Component Unit

The Authority has significant influence as the general partner in the limited partnership, EHA-Twelve Pines Limited Partnership. In addition, the Authority also has a significant financial relationship with the limited partnership. Third parties unrelated to the Authority hold the limited partnership interests. The Authority has certain rights and responsibilities which enable it to impose its will on the limited partnership due to its significant influence as the general partner and also its financial relationships with the partnership.

The limited partnership was formed in August 1999 for the purpose of acquiring and renovating an 80 unit apartment complex located in Everett, Washington. The partnership agreement provides for termination of the partnership in 2097.

The responsibility for the management of the affairs of the limited partnership is vested with the Everett Housing Authority as the general partner. The limited partnership's December 31, 2003 year-end financial statements are included within the Authority's basic financial statements. Complete financial statements of the limited partnership can be obtained from the Executive Director of the Everett Housing Authority, 3107 Colby Avenue, Everett, WA 98201.

c. Basis of Presentation

All of the Authority's programs are accounted for as one business-type activity for reporting purposes. This financial statement presentation provides for an indication of the financial performance of the Authority as a whole. Enterprise designations are used to account for activities (a) which are financed with debt that is solely secured by a pledge of the net revenues from fees and charges of the activity; (b) which are governed by laws or regulations that require that the activity's costs of providing services be recovered with fees and charges, rather than taxes or similar revenues; or (c) that the pricing policies of the activity establish fees and charges designated to recover its costs. The Authority has elected not to follow Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989. The Authority follows all applicable GASB pronouncements and FASB pronouncements issued prior to November 30, 1989, unless they conflict with GASB pronouncements.

HOUSING AUTHORITY OF THE CITY OF EVERETT
Notes to Financial Statements
June 30, 2004

1 – Summary of Significant Accounting Policies - Continued

d. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting whereby all revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Depreciation of capital assets is recognized and all assets and liabilities associated with the operation of the Authority are included in the statement of net of assets.

The principal operating revenues of the Authority are rental revenues received from residents. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Operating expenses for the Authority include the costs of operating housing units, administrative expenses, housing assistance payments to landlords and depreciation on capital assets. Intergovernmental revenues (operating subsidies) and housing assistance payments from HUD are received by the Authority for each unit rented to qualified tenants in the public housing and Section 8 programs. As these payments represent grant receipts in a proprietary type fund, the amounts are classified as non-operating revenues when earned. All other revenue and expenses not meeting the definition of operating revenues and expenses are reported as non-operating revenues and expenses, primarily interest income and interest expense.

e. Cash and Cash Equivalents – Unrestricted and Restricted

Cash and cash equivalents, including cash and cash equivalents - restricted, are considered to be cash on hand and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents - restricted consist of restricted deposits required to be maintained to comply with HUD regulations and to comply with mortgage note debt agreements. When an expense is incurred for which both restricted and unrestricted net assets are available, restricted assets are applied first. Cash and cash equivalents are stated at fair value.

f. Investments – Unrestricted and Restricted

Investments are stated a fair value.

g. Inventories and Prepaid Items

Inventories are stated at cost and consist of expendable materials and supplies. Inventory items are expended using the first-in, first-out method. Prepaid items are for payments made by the Authority in the current year to provide services occurring in a subsequent fiscal year.

h. Capital Assets and Depreciation

All land, structures and equipment are recorded on a historical cost basis. All capital assets with a value of \$2,000 or more and a life expectancy of three years are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, which are as follows:

Buildings and improvements	15 to 35 years
Furnishings and equipment	10 to 12 years
Computer equipment	5 years
Vehicles	7 years

HOUSING AUTHORITY OF THE CITY OF EVERETT
Notes to Financial Statements
June 30, 2004

1 – Summary of Significant Accounting Policies - Continued

i. Revenue Recognition

Subsidies and grants received from HUD and other grantors are generally recognized during the periods to which the grants relate. Tenant rental revenues are recognized during the period of occupancy. Receipts from the Public Housing Capital Grant Program and other reimbursement based grants are recognized when the related expenses are incurred. Expenses are recognized when incurred.

j. Compensated Absences

All fulltime employees earn annual vacations at the rate of 13 days per year. Additional vacation time is earned by employees based on their years of service. A maximum of 22 days per year can be earned after ten years of service. Employees are allowed to accumulate a maximum of 30 days of unused vacation time. Employees are paid for all accumulated vacation pay upon termination.

The Authority recognizes and compensates employees for 10 traditional holidays and one floating holiday. Holiday pay is recorded as an expense when paid.

Fulltime employees earn sick leave at a rate of 13 days per year. Sick leave is allowed to accumulate to a maximum of 120 days. Employees are compensated for accumulated unused sick leave at the rate of 25% upon termination.

k. Income Taxes

The Everett Housing Authority is exempt from federal income tax under 501(c)(4) of the Internal Revenue Code. Accordingly, no provision for income tax is reflected in the financial statements.

l. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses, at and during the reporting period. Actual results could differ from those estimates.

m. Public Support Funding

The Housing Authority receives a substantial amount of its funding from HUD. In the event that HUD would discontinue its support because of budget cuts, the Housing Authority could experience a significant loss of support.

n. Budgetary Accounting and Control

The Authority's annual budget is prepared on the accrual basis of accounting and approved by the Board of Commissioners. The budget includes anticipated amounts for current year revenues and expenses as well as new capital projects.

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.

HOUSING AUTHORITY OF THE CITY OF EVERETT
Notes to Financial Statements
June 30, 2004

2 – Deposits and Investments

a. *Deposits*

Cash and cash equivalents consisted of demand deposits and time deposits and are fully insured or collateralized by the Federal Deposit Insurance Corporation (FDIC) and the Washington Public Deposit Protection Commission. The Public Deposit Protection Act, as created in 1969 and subsequently amended, requires all participating banks in the State of Washington to collectively assure that no loss of funds will be suffered by any public treasurer or custodian of public funds, within certain guidelines as stipulated by amendments to the original Act. The Act therefore allows all custodians of public funds in the State of Washington to maintain deposits in excess of the financial institution's FDIC limit.

At year-end, the carrying amount of the Authority's deposits was \$308,309 (primary government) and \$79,106 (component unit). The bank balances at year-end were \$500,045 and \$79,989 respectively. The difference represents deposits in transit, outstanding checks and other in-transit items. The custodial risk of the Authority's deposits are classified as Category 1, insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

b. *Investments*

The Authority is authorized by HUD and its Board to invest in time deposits, certificates of deposit and obligations of the U.S. Government or its agencies, and with the State of Washington through its Local Government Investment Pool.

The Authority invests a portion of its funds with the Washington State Local Government Investment Pool (LGIP) managed by the State Treasurer's office. The investments in this pool are comprised of repurchase agreements, government securities, interest bearing bank deposits and certificates of deposit. The LGIP operates in a manner consistent with the Security and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. As such, the LGIP uses amortized cost to report net assets and share prices since that amount approximates fair value.

The Authority and the Component Unit assumes levels of custodial credit risk for its deposits with financial institutions, bank investment agreements and investments. Investment risks are categorized as (1) insured or registered, or securities held by the Authority or its agent in the Authority's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name or (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Authority's name.

HOUSING AUTHORITY OF THE CITY OF EVERETT
Notes to Financial Statements
June 30, 2004

2 – Deposits and Investments – continued

At year-end the investment risks for the Authority's and the Component Unit's investments are summarized as follows:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
<u>Primary Government Investments</u>				
Certificates of deposit	\$ 1,685,181	\$ -	\$ -	\$ 1,685,181
Berkshire Hathaway Investment Funds	-	-	512,489	512,489
Money-market savings accounts	446,641	-	-	446,641
	<u>\$ 2,131,822</u>	<u>\$ -</u>	<u>\$ 512,489</u>	2,644,311
Washington State Local Government Investment Pool				2,301,414
First American Treasury Obligations Fund				85,171
				<u>\$ 5,030,896</u>
<u>Component Unit Investments</u>				
Washington State Local Government Investment Pool				\$ 72,626
First American Treasury Obligations Fund				176,877
				<u>\$ 249,503</u>

The Washington State Local Government Investment Pool and the First American Treasury Obligations Fund investments are not categorized because the investments are not evidenced by securities that exist in physical or book entry form.

The carrying amount of restricted and unrestricted investments at year-end is shown below for the Primary Government and the Component Unit:

	<u>Primary Government</u>	<u>Component Unit</u>
Restricted investments		
Washington State Local Government		
Investment Pool	\$ 276,707	\$ -
Certificates of deposit	1,127,598	-
Money-market savings accounts	446,641	-
Berkshire Hathaway Investment Funds	512,489	-
First American Treasury Obligations Fund	-	176,877
	<u>2,363,435</u>	<u>176,877</u>
Unrestricted	<u>2,667,461</u>	<u>72,626</u>
Total carrying value of investments	<u>\$ 5,030,896</u>	<u>\$ 249,503</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT
Notes to Financial Statements
June 30, 2004

3 – Capital Assets

The following is a summary of the changes (at cost) in capital assets (land, structures and equipment) used by the Authority in its enterprise fund operations:

	Balance July 1, <u>2003</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30, <u>2004</u>
Capital assets, not being depreciated:				
Land	\$ 2,508,684	\$ 371,770	\$ -	\$ 2,880,454
Construction in progress	<u>751,813</u>	<u>649,921</u>	<u>680,566</u>	<u>721,168</u>
Total capital assets, not being depreciated	<u>3,260,497</u>	<u>1,021,691</u>	<u>680,566</u>	<u>3,601,622</u>
Capital assets, being depreciated:				
Site improvements	164,896	-	-	164,896
Dwelling and dwelling improvements	39,760,320	2,946,911	-	42,707,231
Furniture, equipment and machinery	<u>2,175,304</u>	<u>225,755</u>	<u>26,404</u>	<u>2,374,655</u>
Total capital assets, being depreciated	<u>42,100,520</u>	<u>3,172,666</u>	<u>26,404</u>	<u>45,246,782</u>
Less accumulated depreciation for:				
Site improvements	85,326	4,827	-	90,153
Dwelling and dwelling improvements	19,598,816	1,567,045	-	21,165,861
Furniture, equipment and machinery	<u>1,457,641</u>	<u>158,483</u>	<u>21,304</u>	<u>1,594,820</u>
Total accumulated depreciation	<u>21,141,783</u>	<u>1,730,355</u>	<u>21,304</u>	<u>22,850,834</u>
Total capital assets being depreciated, net	<u>20,958,737</u>	<u>1,442,311</u>	<u>5,100</u>	<u>22,395,948</u>
Total capital assets, net	<u>\$ 24,219,234</u>	<u>\$ 2,464,002</u>	<u>\$ 685,666</u>	<u>\$ 25,997,570</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT
Notes to Financial Statements
June 30, 2004

3 – Capital Assets – Continued

The following is a summary of the changes (at cost) in capital assets (land, structures and equipment) held by the Component Unit at December 31, 2003:

	Balance January 1, <u>2003</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2003</u>
Capital assets, not being depreciated:				
Land	\$ 708,000	\$ -	\$ -	\$ 708,000
Total capital assets, not being depreciated	<u>708,000</u>	<u>-</u>	<u>-</u>	<u>708,000</u>
Capital assets, being depreciated:				
Site improvements	3,359	-	-	3,359
Dwelling and dwelling improvements	4,357,156	-	-	4,357,156
Furniture, equipment and machinery	8,705	-	-	8,705
Total capital assets, being depreciated	<u>4,369,220</u>	<u>-</u>	<u>-</u>	<u>4,369,220</u>
Less accumulated depreciation for:				
Site improvements	70	168	-	238
Dwelling and dwelling improvements	329,080	122,879	-	451,959
Furniture, equipment and machinery	2,909	841	-	3,750
Total accumulated depreciation	<u>332,059</u>	<u>123,888</u>	<u>-</u>	<u>455,947</u>
Total capital assets being depreciated, net	<u>4,037,161</u>	<u>(123,888)</u>	<u>-</u>	<u>3,913,273</u>
Total capital assets, net	<u>\$ 4,745,161</u>	<u>\$ (123,888)</u>	<u>\$ -</u>	<u>\$ 4,621,273</u>

4 – Non-Current Liabilities

Primary Government:

Changes in long-term debt obligations for the Primary Government during the year ended June 30, 2004 is summarized below:

Balance outstanding, July 1, 2003	\$ 1,947,349
Additions	2,230,000
Reductions	<u>(398,587)</u>
Balance outstanding, June 30, 2004	<u>\$ 3,778,762</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT
Notes to Financial Statements
June 30, 2004

4 – Non-Current Liabilities - Continued

The following schedule lists the outstanding bonds of the Primary Government as of June 30, 2004:

<u>Revenue Bonds - Name of Issue</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Effective Interest Rate</u>	<u>Bond Issuance</u>	<u>Bonds Outstanding June 30</u>
Mortgage Revenue Refunding Bonds Series 1993, Broadway Plaza East	10/12/1993	7/1/2005	3.00 - 5.35%	\$ 2,735,000	\$ 410,000
Revenue Bond 2001 Douglas Grove Apartments	5/1/2001	5/1/2016	5.20%	540,000	461,750
Refunding Revenue Bond 2003, Greenhouse Project	5/30/2003	6/1/2010	3.75%	140,000	122,240
Revenue Bond 2003 Rainier Park Apartments Project	6/10/2003	6/10/2018	4.10%	625,000	598,235
Revenue Bond 2003 Rucker Apartments Project	7/2/2003	7/2/2018	4.13%	480,000	458,677
Revenue Bond 2003 Oakes Street Apartments Project	8/1/2003	8/1/2018	4.90%	430,000	413,605
Revenue Bond 2004 Bridge Creek Apartments Project	3/31/2004	3/31/2019	4.31%	740,000	<u>734,255</u>
Total bonds outstanding					<u>\$ 3,198,762</u>

Outstanding notes of the Primary Government as of June 30, 2004 are summarized as follows:

<u>Description of Note</u>	<u>Loan Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Notes Outstanding June 30</u>
Promissory Note, Bridge Creek I Bridge Creek Apartments Project	3/15/2004	3/31/2044	1.00%	\$ 580,000	<u>\$ 580,000</u>
Total notes outstanding					<u>\$ 580,000</u>

Component Unit:

Changes in long-term debt obligations for the Component Unit during the year ended December 31, 2003 is summarized below:

Balance outstanding, December 31, 2002	\$ 3,765,481
Additions	-
Reductions	<u>(66,210)</u>
Balance outstanding, December 31, 2003	<u>\$ 3,699,271</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT
Notes to Financial Statements
June 30, 2004

4 – Non-Current Liabilities - Continued

The following schedule lists the outstanding bonds of the Component Unit as of December 31, 2003:

<u>Revenue Bonds - Name of Issue</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Effective Interest Rate</u>	<u>Bond Issuance</u>	<u>Bonds Outstanding December 31</u>
Housing Revenue Bonds 1999 Twelve Pines Apartment Project	8/1/1999	8/1/2029	4.70 - 6.50%	\$ 2,300,000	<u>\$ 2,200,000</u>
Total bonds outstanding					<u><u>\$ 2,200,000</u></u>

Outstanding notes of the Component Unit as of December 31, 2003 are summarized as follows:

<u>Description of Note</u>	<u>Loan Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Notes Outstanding December 31</u>
Promissory Note, City of Everett HOME Loan	8/1/1999	8/1/2024	3.00%	\$ 950,000	\$ 950,000
Promissory Note, EHA Developer fee	8/30/2002	3/15/2018	3.00%	580,481	<u>549,271</u>
Total notes outstanding					<u><u>\$ 1,499,271</u></u>

The annual debt service requirements of the Primary Government and the Component Unit long-term debt obligations are as follows:

Primary Government:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$584,655	\$147,659	\$732,314
2006	179,116	120,775	299,891
2007	186,868	113,023	299,891
2008	194,703	105,188	299,891
2009	203,438	96,453	299,891
2010-2014	1,013,196	338,537	1,351,733
2015-2019	1,031,097	118,850	1,149,947
2020-2024	70,427	17,626	88,053
2025-2029	74,033	14,020	88,053
2030-2034	77,824	10,229	88,053
2035-2039	81,809	6,244	88,053
2040-2044	81,596	2,055	83,651
	<u><u>\$3,778,762</u></u>	<u><u>\$1,090,659</u></u>	<u><u>\$4,869,421</u></u>

HOUSING AUTHORITY OF THE CITY OF EVERETT
Notes to Financial Statements
June 30, 2004

4 – Non-Current Liabilities - Continued

Component Unit:

Year Ended December 31	Principal	Interest	Total
2004	\$67,147	\$156,436	\$223,583
2005	73,111	153,634	226,745
2006	74,105	150,480	224,585
2007	80,128	147,257	227,385
2008	81,182	143,683	224,865
2009-2013	462,855	658,044	1,120,899
2014-2018	555,743	528,881	1,084,624
2019-2023	505,000	378,535	883,535
2024-2028	1,635,000	876,635	2,511,635
2029-2033	165,000	10,725	175,725
	<u>\$3,699,271</u>	<u>\$3,204,310</u>	<u>\$6,903,581</u>

5 – Conduit Debt

The Authority has issued special revenue low income housing bonds to provide financial assistance to not-for-profit agencies to acquire, construct and rehabilitate low-income housing. The bonds are limited obligations of the Authority and are payable solely from each not-for-profit agency’s project revenue. These obligations are considered to be “Conduit Debt” and the Authority is not obligated in any manner, accordingly the bonds have not been recorded as a liability in the accompanying financial statements.

As of June 30, 2004, there were 4 separate series of these special revenue bonds outstanding with an aggregate original principal amount payable of \$16,104,000. The estimated unpaid principal balance of these obligations at June 30, 2004 is \$12,670,340.

6 – Participation in Housing Authorities Risk Retention Pool

The Authority is a member of the Housing Authorities Risk Retention Pool (HARRP). Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. HARRP was created in March 1987 for the purposes of providing insurance and risk management services for housing authorities in the states of Washington, Oregon and California. HARRP currently has a total of ninety-three members, of which thirty-seven are Washington housing authorities.

The Housing Authority has obtained the following coverages from HARRP:

- General liability and automobile liability coverages are written on an occurrence form basis, without any deductible.
- Errors and omissions coverage, including employment practices liability, is written on a claims made basis. The Authority is responsible for 10% of any incurred loss.

HOUSING AUTHORITY OF THE CITY OF EVERETT
Notes to Financial Statements
June 30, 2004

6 – Participation in Housing Authorities Risk Retention Pool - Continued

- Property loss coverage is on a replacement cost basis with a deductible of \$1,000 per occurrence.
- Fidelity coverage with a limit of \$100,000 for employee dishonesty and forgery or alteration and \$20,000 for theft, with a deductible of \$1,000 per occurrence.

Coverage limits for general liability, errors & omissions and property are \$3,000,000 per occurrence with a \$3,000,000 annual aggregate. Additional property coverage is provided for the Bakerview, Broadway Plaza East and Broadway Plaza West properties. Limits for automobile liability are \$2,000,000 per occurrence with a \$2,000,000 annual aggregate. HARRP self-insures \$300,000 per claim, purchases reinsurance for the remaining casualty limits and for \$1,700,000 of the property limits. Property limits above \$2,000,000 are purchased from Saint Paul Travelers Insurance Company. The HARRP Board of Directors determines the limits and coverage terms, in its sole discretion.

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

HARRP is fully funded by member assessments that are adjusted annually by the HARRP Board on the basis of independent actuarial studies. These assessments cover loss, loss adjustment, 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.

7 – Pension Plan

Substantially all of the Authority's full-time and qualifying part-time employees participate in the Washington State Public Employees Retirement system (PERS), a defined benefit cost-sharing multiple-employer public employee retirement system.

PERS is comprised of three separate benefit plans. Plans 1 and 2 are both defined benefit plans. Plan 3 is a defined benefit plan with a defined contribution component. Participants who joined the system prior to October 1, 1977, are enrolled as Plan 1 members, while those joining thereafter are enrolled in Plan 2. Participants joining after August 31, 2002 may elect to participate in either Plan 2 or Plan 3. Eligible Plan 2 members may choose to transfer to Plan 3 annually during the month of January. Once elected, the decision to transfer from Plan 2 to Plan 3 is irrevocable. Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits in both Plan 1 and Plan 2 are vested after completion of 5 years of eligible service. Plan 3 members are vested after 10 years for new employees and 5 years for employees transferring from Plan 2 to Plan 3.

The State Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of state legislative committees; community and technical colleges, colleges and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments. Approximately 50 percent of PERS salaries are accounted for by state employment. Retirement benefit provisions are established in state statute and may be amended only by the State Legislature. Retirement benefits are vested after an employee completes five years of eligible service.

Plan 1 members are eligible for retirement, after 30 years of service, or at the age of 60 with 5 years of service, or at the age of 55 with 25 years of service. The annual retirement benefit is 2 percent of the average final compensation (AFC) per year of membership service (AFC is based on the greatest compensation during any 24 eligible consecutive compensation months), capped at 60 percent.

HOUSING AUTHORITY OF THE CITY OF EVERETT
Notes to Financial Statements
June 30, 2004

7 – Pension Plan – Continued

Plan 2 members may retire at the age of 65 with 5 years of service, or at age 55 with 20 years of service, with an allowance of 2 percent of the AFC per year of membership service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies, otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted, capped at 3 percent annually.

Plan 3 members may retire at the age of 65 with at least 10 years of service, or 5 years of service including one year of service after reaching age 55, or with 5 years of service under Plan 2. The annual retirement benefit is 1% of the final average salary per year of service. Final average salary is based on the 60 consecutive highest-paid creditable months. Plan 3 retirements prior to age 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at 3% annually. There is also a defined contribution component of this plan and the amount varies between 5% and 15% depending on the option chosen by the employee.

The Housing Authority's covered payroll for year ended June 30, 2004 was \$3,204,876. Total gross payroll for the Authority was \$3,513,000.

Each biennium the legislature establishes Plan 1 and Plan 2 employer contribution rates and Plan 2 employer and employee contribution rates. Employee contribution rates for Plan 1 are established by legislative statute and do not vary from year to year. Employer rates for Plan 1 are not necessarily adequate to fully fund the system. The employer and employee contribution rates for Plan 2 and for Plan 3 are developed by the Office of State Actuary to fully fund the system. The methods used to determine the contribution requirements were established under state statute. All employers are required to contribute at the level established by the State Legislature and the Office of the State Actuary.

The Housing Authority's contribution rates expressed as a percentage of covered payroll, effective with the rate change on July 1, 2003 were:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
	<u>Required</u>	<u>Required</u>	<u>Required</u>
Employer	1.40%	1.40%	1.40%
Employee	6.00%	1.18%	varies
	<hr/>	<hr/>	<hr/>
	7.40%	2.58%	varies
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The employer and employee required contributions during the year ended June 30, 2004 were:

	PERS Plan 1	PERS Plan 2	PERS Plan 3	Total
	<u>Required</u>	<u>Required</u>	<u>Required</u>	<u>Required</u>
Employer	\$1,783	\$38,911	\$4,173	\$44,867
Employee	<hr/> 7,646	<hr/> 32,797	<hr/> 16,060	<hr/> 56,503
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$9,429	\$71,708	\$20,233	\$101,370

HOUSING AUTHORITY OF THE CITY OF EVERETT
Notes to Financial Statements
June 30, 2004

7 – Pension Plan – Continued

The following is a three-year summary of the Authority's employee and employer contributions for payroll covered under PERS:

	Total Covered Payroll	Required Employee Contributions	Required Employer Contributions
2004	\$ 3,204,876	\$ 56,503	\$ 44,867
2003	2,859,970	32,015	37,752
2002	3,040,335	28,761	44,457

PERS is administered by the Washington State Department of Retirement Systems (DRS), a department of the primary government of the State of Washington. DRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statement and required supplementary information for each plan of the DRS. The DRS CAFR may be obtained by writing to: Department of Retirement Systems., Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380.

8 – Contingencies

The Authority is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

9 – Subsequent Event

On July 23, 2004 the Authority entered into an agreement to purchase, clean up and, if applicable, the rehabilitation and preparation for redevelopment, a parcel of real estate in northeast Everett, Washington commonly known as the Everett (Asarco) Smelter Site. Financing for the project was provided for through a \$5,700,000 non-revolving line of credit from Bank of America. All funds advanced under the line of credit agreement are fully and unconditionally guaranteed by the City of Everett pursuant to a July 22, 2004 Contingent Funding Agreement between the City and the Authority.

On July 30, 2004, the Authority purchased a 30-unit apartment complex located in Everett, Washington for \$2,250,000. Financing for the purchase of the complex was made available through the combination of a 15 year \$1,770,000 loan from Bank of America and a \$150,000 grant from the Bill & Melinda Gates Foundation. In addition, the Authority contributed \$350,500 in funds available in the McKinney Act Savings Account.

On January 21, 2005, the Authority purchased a 60 unit apartment complex located in Everett, Washington for \$3,550,000. Financing for the purchase of the complex was made available through a non-revolving line of credit loan from Bank of America. The property, originally constructed in 1980 as a condominium project, has been operated as an apartment complex for the past twenty-five years. The Authority purchased the property with the intent to renovate and sell the individual condominium units to low income families.

HOUSING AUTHORITY OF THE CITY OF EVERETT
Supplemental Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

Federal Grantor/Program Title	<u>Federal CFDA #</u>	<u>Current Year Expenditures</u>
U. S. Department of Housing & Urban Development - Direct Programs		
Lower Income Housing Assistance Program - Section 8 New Construction/Substantial Rehabilitation		
Broadway Plaza East Apartments	14.182	\$ 59,031
Douglas Grove Apartments	14.182	<u>65,075</u>
Subtotal CFDA # 14.182		<u>124,106</u>
Section 8 Housing Assistance Payments Program		
Twelve Pines Apartments	14.195	309,809
Low Income Housing	14.850	878,911
Public Housing Capital Fund	14.872	859,303
Section 8 Housing Choice Vouchers	14.871	20,000,461
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	142,956
Resident Opportunity and Supportive Services	14.870	<u>146,305</u>
Total Expenditures of Federal Awards		<u><u>\$ 22,461,851</u></u>

EVERETT HOUSING AUTHORITY
Notes to the Supplemental Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying Supplemental Schedule of Expenditures of Federal Awards (The "Schedule") presents the activity of all federal financial assistance programs of the Everett Housing Authority (the "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 to other governmental agencies is required to be included on the Schedule.

The information presented in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Catalog of Federal Domestic Assistance ("CFDA") Numbers are presented for each federal grant.

Revenue and expenses are presented on an accrual basis of accounting with the exception of fixed assets and depreciation. For purposes of the Schedule, depreciation expense is not recorded and the cost of fixed asset additions is included as an expenditure.

The amounts shown on the Schedule are for current year expenditures and represent only the federal portion of the actual program costs. Actual program costs, including the Authority's portion, may be more than shown.

Housing Authority of the City of Everett
 Supplemental Financial Data Schedule
 Year Ended June 30, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Section 8 Housing Assistance Payments Program - Special Allocations	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation WA006MR0003
111	Cash - Unrestricted	\$ 15,845	\$ 10,845	\$ -	\$ 6,232	\$ -	\$ -
115	Cash - Restricted for Payment of Current Liabilities	-	7,030	-	-	-	-
113	Cash - Other Restricted	83,263	-	-	-	-	-
114	Cash - Tenant Security Deposits	25,677	21,612	-	113,013	-	-
100	Total Cash	124,785	39,487	-	119,245	-	-
122	Accounts Receivable - HUD Other Projects	-	-	-	-	-	7,756
125	Accounts Receivable - Miscellaneous	22,590	630	-	2,060	-	-
126	Accounts Receivable - Tenants - Dwelling Rents	6,822	547	-	11,230	-	-
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(2,750)	(350)	-	(3,750)	-	-
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-
129	Accrued Interest Receivable	-	6,332	-	4,134	-	-
120	Total Receivables, net of allowances for doubtful accounts	26,662	7,159	-	13,674	-	7,756
131	Investments - Unrestricted	866,504	85,171	-	1,737,574	-	-
135	Investments - Restricted for Payment of Current Liabilities	-	410,000	-	5,700	-	-
132	Investments Restricted	-	1,676,729	-	-	-	-
142	Prepaid Expenses and Other Assets	221,440	12,098	-	-	-	-
143	Inventories	1,728	10,908	-	25,838	-	99
143.1	Allowance for Obsolete Inventories	-	-	-	-	-	-
144	Interprogram Due From	158,563	256,203	-	112,672	-	29,309
145	Assets Held for Sale	331,300	-	-	-	-	-
150	Total Current Assets	1,730,982	2,497,755	-	2,014,703	-	37,164
161	Land	945,611	869,511	-	1,194,228	-	-
162	Buildings	10,144,379	5,090,812	-	27,259,681	-	-
163	Furniture, Equipment & Machinery - Dwellings	102,986	62,768	-	348,512	-	-
164	Furniture, Equipment & Machinery - Administration	78,830	253,188	-	1,175,824	-	-
165	Leasehold Improvements	-	-	-	-	-	-
166	Accumulated Depreciation	(2,240,148)	(3,042,364)	-	(17,298,842)	-	-
167	Construction In Progress	-	67,371	-	-	-	-
160	Total Fixed Assets, Net of Accumulated Depreciation	9,031,658	3,301,286	-	12,679,403	-	-
174	Other Assets	-	-	-	-	-	-
180	Total Non-Current Assets	9,031,658	3,301,286	-	12,679,403	-	-
190	Total Assets	\$ 10,762,640	\$ 5,799,041	\$ -	\$ 14,694,106	\$ -	\$ 37,164

Housing Authority of the City of Everett
 Supplemental Financial Data Schedule
 Year Ended June 30, 2004

Line Item No.	Account Description	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total Primary Government	Component Unit
111	Cash - Unrestricted	\$ -	\$ 3,006	\$ -	\$ 35,928	\$ 6,480
115	Cash - Restricted for Payment of Current Liabilities	-	-	-	7,030	-
113	Cash - Other Restricted	-	-	-	83,263	-
114	Cash - Tenant Security Deposits	-	-	-	160,302	18,829
100	Total Cash	-	3,006	-	286,523	25,309
122	Accounts Receivable - HUD Other Projects	12,465	245,084	141,819	407,124	8,415
125	Accounts Receivable - Miscellaneous	-	39,596	-	64,876	-
126	Accounts Receivable - Tenants - Dwelling Rents	-	-	-	18,599	110
126.1	Allowance for Doubtful Accounts - Dwelling Rents	-	-	-	(6,850)	-
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-
129	Accrued Interest Receivable	-	-	-	10,466	-
120	Total Receivables, net of allowances for doubtful accounts	12,465	284,680	141,819	494,215	8,525
131	Investments - Unrestricted	-	-	-	2,689,249	72,626
135	Investments - Restricted for Payment of Current Liabilities	-	271,007	-	686,707	-
132	Investments Restricted	-	-	-	1,676,729	217,715
142	Prepaid Expenses and Other Assets	-	-	-	233,638	11,679
143	Inventories	-	7,736	-	46,309	-
143.1	Allowance for Obsolete Inventories	-	-	-	-	-
144	Interprogram Due From	-	158,066	-	714,813	-
145	Assets Held for Sale	-	-	-	331,300	-
150	Total Current Assets	12,465	724,495	141,819	7,159,383	335,854
161	Land	-	36,000	-	3,045,350	708,000
162	Buildings	-	212,359	-	42,707,231	4,152,027
163	Furniture, Equipment & Machinery - Dwellings	-	-	-	514,266	208,488
164	Furniture, Equipment & Machinery - Administration	23,913	328,630	-	1,860,385	8,705
165	Leasehold Improvements	-	-	-	-	-
166	Accumulated Depreciation	(6,136)	(263,342)	-	(22,850,832)	(455,947)
167	Construction In Progress	-	-	653,798	721,169	-
160	Total Fixed Assets, Net of Accumulated Depreciation	17,777	313,647	653,798	25,997,569	4,621,273
174	Other Assets	-	-	-	-	124,550
180	Total Non-Current Assets	17,777	313,647	653,798	25,997,569	4,745,823
190	Total Assets	\$ 30,242	\$ 1,038,142	\$ 795,617	\$ 33,156,952	\$ 5,081,677

Housing Authority of the City of Everett
 Supplemental Financial Data Schedule
 Year Ended June 30, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Section 8 Housing Assistance Payments Program -Special Allocations	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program -Section 8 Moderate Rehabilitate WA006MR0003
312	Accounts Payable <= 90 Days	\$ 38,192	\$ 33,355	\$ -	\$ 33,124	\$ -	\$ 973
322	Accrued Compensated Absences - Current Portion	3,630	2,126	-	11,185	-	39
325	Accrued Interest Payable	11,781	10,931	-	-	-	-
331	Accounts Payable - HUD PHA Programs	-	-	-	-	-	782
341	Tenant Security Deposits	46,478	21,612	-	113,154	-	-
342	Deferred Revenues	13,202	4,038	-	34,455	-	-
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	174,655	410,000	-	-	-	-
348	Loan Liability - Current	-	-	-	-	-	-
345	Other Current Liabilities	-	15,355	-	115,770	-	-
347	Interprogram Due To	508,961	13,365	-	-	-	-
310	Total Current Liabilities	796,899	510,782	-	307,688	-	1,794
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	3,194,107	-	-	-	-	-
354	Accrued Compensated Absences - Non Current	32,674	19,134	-	100,665	-	358
355	Loan Liability - Non Current	-	-	-	-	-	-
353	Noncurrent Liabilities - Other	-	-	-	-	-	-
350	Total Non-current Liabilities	3,226,781	19,134	-	100,665	-	358
300	Total Liabilities	4,023,680	529,916	-	408,353	-	2,152
508	Total Contributed Capital	-	-	-	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	5,662,896	2,891,286	-	12,679,403	-	-
511	Total Reserved Fund Balance	-	-	-	-	-	-
511.1	Restricted Net Assets	83,262	2,083,759	-	-	-	-
512.1	Unrestricted Net Assets	992,802	284,080	-	1,606,350	-	35,012
513	Total Equity/Net Assets	6,738,960	5,269,125	-	14,285,753	-	35,012
600	Total Liabilities and Equity/Net Assets	\$ 10,762,640	\$ 5,799,041	\$ -	\$ 14,694,106	\$ -	\$ 37,164

Housing Authority of the City of Everett
 Supplemental Financial Data Schedule
 Year Ended June 30, 2004

Line Item No.	Account Description	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total Primary Government	Component Unit
312	Accounts Payable <= 90 Days	\$ 159	\$ 22,420	\$ 34,950	\$ 163,173	\$ 18,413
322	Accrued Compensated Absences - Current Portion	650	9,876	-	27,506	-
325	Accrued Interest Payable	-	-	-	22,712	58,316
331	Accounts Payable - HUD PHA Programs	-	142,532	-	143,314	-
341	Tenant Security Deposits	-	-	-	181,244	17,655
342	Deferred Revenues	-	-	-	51,695	9,625
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	-	-	-	584,655	35,000
348	Loan Liability - Current	-	-	-	-	32,147
345	Other Current Liabilities	-	271,007	-	402,132	-
347	Interprogram Due To	5,803	79,815	106,869	714,813	-
310	Total Current Liabilities	6,612	525,650	141,819	2,291,244	171,156
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	-	-	-	3,194,107	3,115,000
354	Accrued Compensated Absences - Non Current	5,853	88,886	-	247,570	-
355	Loan Liability - Non Current	-	-	-	-	517,124
353	Noncurrent Liabilities - Other	-	-	-	-	127,525
350	Total Non-current Liabilities	5,853	88,886	-	3,441,677	3,759,649
300	Total Liabilities	12,465	614,536	141,819	5,732,921	3,930,805
508	Total Contributed Capital	-	-	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	17,777	313,647	653,798	22,218,807	922,002
511	Total Reserved Fund Balance	-	-	-	-	-
511.1	Restricted Net Assets	-	-	-	2,177,021	217,715
512.1	Unrestricted Net Assets	-	109,959	-	3,028,203	11,155
513	Total Equity/Net Assets	17,777	423,606	653,798	27,424,031	1,150,872
600	Total Liabilities and Equity/Net Assets	\$ 30,242	\$ 1,038,142	\$ 795,617	\$ 33,156,952	\$ 5,081,677

Housing Authority of the City of Everett
 Supplemental Financial Data Schedule
 Year Ended June 30, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Section 8 Housing Assistance Payments Program - Special Allocations	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitate WA006MR0003
Revenue:							
703	Net Tenant Rental Revenue	\$ 814,254	\$ 200,470	\$ -	\$ 1,425,747	\$ -	\$ -
704	Tenant Revenue - Other	16,620	203,257	-	26,823	-	-
705	Total Tenant Revenue	830,874	403,727	-	1,452,570	-	-
706	HUD PHA Operating Grants	-	124,106	309,809	878,911	-	142,956
706.1	Capital Grants	-	-	-	-	-	-
708	Other Government Grants	404,436	-	-	-	-	-
711	Investment Income - Unrestricted	12,473	943	-	19,240	-	-
713	Proceeds from Disposition of Assets Held for Sale	1,817,973	-	-	-	-	-
713.1	Cost of Sale of Assets	(1,823,603)	-	-	-	-	-
715	Other Revenue	201,213	43,933	-	70,155	-	-
716	Gain/Loss on Sale of Fixed Assets	(5,100)	-	-	-	-	-
720	Investment Income - Restricted	82	29,362	-	-	-	-
700	Total Revenue	1,438,348	602,071	309,809	2,420,876	-	142,956
Expenses:							
911	Administrative Salaries	\$ 228,667	\$ 146,901	\$ -	\$ 459,450	\$ -	\$ 1,770
912	Auditing Fees	1,655	950	-	5,822	-	276
913	Outside Management Fees	-	-	-	-	-	-
915	Employee Benefit Contributions - Administrative	61,925	27,977	-	122,246	-	474
916	Other Operating - Administrative	84,477	37,943	-	139,553	-	13,825
921	Tenant Services - Salaries	-	-	-	-	-	-
923	Employee Benefit Contributions - Tenant Services	-	-	-	-	-	-
924	Tenant Services - Other	5,582	2,727	-	41,666	-	-
931	Water	23,840	22,695	-	253,752	-	15
932	Electricity	32,513	39,426	-	49,690	-	185
933	Gas	7,915	8,596	-	17,761	-	58
941	Ordinary Maintenance and Operations - Labor	135,720	288,513	-	577,121	-	290

Housing Authority of the City of Everett
 Supplemental Financial Data Schedule
 Year Ended June 30, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Section 8 Housing Assistance Payments Program - Special Allocations	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation WA006MR0003
942	Ordinary Maintenance and Operations - Materials and Other	34,123	257,068	-	145,832	-	84
943	Ordinary Maintenance and Operations - Contract Costs	78,235	58,636	-	210,393	-	574
945	Employee Benefit Contributions - Ordinary Maintenance	36,754	65,613	-	153,554	-	78
961	Insurance Premiums	37,089	54,940	-	68,641	-	208
963	Payments in Lieu of Taxes	-	15,355	-	110,070	-	-
964	Bad Debt - Tenant Rents	7,309	1,663	-	12,587	-	-
967	Interest Expense	102,613	25,705	-	-	-	-
969	Total Operating Expenses	878,417	1,064,708	-	2,368,138	-	17,837
970	Excess Operating Revenue over Operating Expenses	559,931	(462,637)	309,809	52,738	-	125,119
971	Extraordinary Maintenance	106,527	37,797	-	26,206	-	4
972	Casualty Losses - Non-Capitalized	172	-	-	10,090	-	11
973	Housing Assistance Payments	-	-	-	-	-	122,103
974	Depreciation Expense	221,986	167,531	-	1,298,302	-	-
900	Total Expenses	1,207,102	1,270,036	-	3,702,736	-	139,955
1001	Operating Transfers In	372,167	309,033	-	-	-	-
1002	Operating Transfers Out	(341,181)	(340,019)	(309,809)	(54,777)	-	-
1010	Total Other Financing Sources (Uses)	30,986	(30,986)	(309,809)	(54,777)	-	-
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$ 262,232	\$ (698,951)	\$ -	\$ (1,336,637)	\$ -	\$ 3,001

Housing Authority of the City of Everett
 Supplemental Financial Data Schedule
 Year Ended June 30, 2004

Line Item No.	Account Description	Resident Opportunity and Supportive Services			Housing Choice Vouchers	Public Housing Capital Fund Program	Total Primary Government	Component Unit
Revenue:								
703	Net Tenant Rental Revenue	\$	-	\$	-	\$	2,440,471	\$ 225,861
704	Tenant Revenue - Other	-	-	-	-	-	246,700	9,203
705	Total Tenant Revenue	-	-	-	-	-	2,687,171	235,064
706	HUD PHA Operating Grants	143,188		20,000,461	190,332		21,789,763	-
706.1	Capital Grants	3,117		-	668,971		672,088	-
708	Other Government Grants	-		19,805	-		424,241	-
711	Investment Income - Unrestricted	-		10,211	-		42,867	830
713	Proceeds from Disposition of Assets Held for Sale	-		-	-		1,817,973	-
713.1	Cost of Sale of Assets	-		-	-		(1,823,603)	-
715	Other Revenue	-		16,746	-		332,047	400
716	Gain/Loss on Sale of Fixed Assets	-		-	-		(5,100)	-
720	Investment Income - Restricted	-		-	-		29,444	1,238
700	Total Revenue	146,305		20,047,223	859,303		25,966,891	237,532
Expenses:								
911	Administrative Salaries	\$	-	\$	942,446	\$	1,918,773	\$ 39,053
912	Auditing Fees	-		21,940	-		30,643	7,850
913	Outside Management Fees	-		-	-		-	49,555
915	Employee Benefit Contributions - Administrative	-		242,033	29,997		484,652	15,621
916	Other Operating - Administrative	-		406,299	18,359		700,456	8,844
921	Tenant Services - Salaries	145,452		81,003	-		226,455	-
923	Employee Benefit Contributions - Tenant Services	43,307		20,517	-		63,824	-
924	Tenant Services - Other	9,205		7,639	-		66,819	132
931	Water	-		1,199	-		301,501	23,389
932	Electricity	-		14,492	-		136,306	10,034
933	Gas	-		4,541	-		38,871	-
941	Ordinary Maintenance and Operations - Labor	-		22,601	-		1,034,245	36,238

Housing Authority of the City of Everett
 Supplemental Financial Data Schedule
 Year Ended June 30, 2004

Line Item No.	Account Description	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total Primary Government	Component Unit
942	Ordinary Maintenance and Operations - Materials and Other	-	7,095	2,167	446,369	3,008
943	Ordinary Maintenance and Operations - Contract Costs	-	49,649	270	397,757	31,142
945	Employee Benefit Contributions - Ordinary Maintenance	-	5,725	-	261,724	14,495
961	Insurance Premiums	-	22,217	-	183,095	26,292
963	Payments in Lieu of Taxes	-	-	-	125,425	-
964	Bad Debt - Tenant Rents	-	-	-	21,559	1,439
967	Interest Expense	-	-	-	128,318	186,592
969	Total Operating Expenses	197,964	1,849,396	190,332	6,566,792	453,684
970	Excess Operating Revenue over Operating Expenses	(51,659)	18,197,827	668,971	19,400,099	(216,152)
971	Extraordinary Maintenance	-	285	-	170,819	3,920
972	Casualty Losses - Non-Capitalized	-	866	-	11,139	-
973	Housing Assistance Payments	-	18,237,414	-	18,359,517	-
974	Depreciation Expense	4,041	38,495	-	1,730,355	128,772
900	Total Expenses	202,005	20,126,456	190,332	26,838,622	586,376
1001	Operating Transfers In	54,777	-	-	735,977	309,809
1002	Operating Transfers Out	-	-	-	(1,045,786)	-
1010	Total Other Financing Sources (Uses)	54,777	-	-	(309,809)	309,809
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$ (923)	\$ (79,233)	\$ 668,971	\$ (1,181,540)	\$ (39,035)

Housing Authority of the City of Everett
 Supplemental Financial Data Schedule
 Year Ended June 30, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Section 8 Housing Assistance Payments Program -Special Allocations	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program -Section 8 Moderate Rehabilitate WA006MFR0003
1102	Debt Principal Payments - Enterprise Funds	\$ 1,532,101	\$ 145,000	\$ -	\$ -	\$ -	\$ -
1103	Beginning Equity	6,476,728	5,968,076	-	14,880,889	4,796	32,011
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	741,501	(4,796)	-
1113	Maximum Annual Contributions Commitment (Per ACC)	-	-	-	-	-	68,064
1114	Pro rata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	-	-	-	-	-	-
1115	Contingency Reserve, ACC Program Reserve	-	-	-	-	-	320,373
1116	Total Annual Contributions Available	-	-	-	-	-	388,437
1120	Unit Months Available	1,733	1,224	-	7,397	-	348
1121	Number of Unit Months Leased	1,595	1,180	-	7,351	-	336

Housing Authority of the City of Everett

Supplemental Financial Data Schedule
Year Ended June 30, 2004

Line Item No.	Account Description	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total Primary Government	Component Unit
1102	Debt Principal Payments - Enterprise Funds	\$ -	\$ -	\$ -	\$ 1,677,101	\$ 66,210
1103	Beginning Equity	13,904	502,839	726,328	28,605,571	1,189,907
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	4,796	-	(741,501)	-	-
1113	Maximum Annual Contributions Commitment (Per ACC)	-	20,850,462	-	20,918,526	-
1114	Pro rata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	-	-	-	-	-
1115	Contingency Reserve, ACC Program Reserve	-	1,230,601	-	1,550,974	-
1116	Total Annual Contributions Available	-	22,081,063	-	22,469,500	-
1120	Unit Months Available	-	28,356	-	39,058	960
1121	Number of Unit Months Leased	-	28,261	-	38,723	949

**Actual Modernization
Cost Certificate**

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

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



OMB Approval No. 2577-0044 Exp. 04/30/2004
OMB Approval No. 2577-0157 (Exp. 12/31/99)

Public Reporting Burden for this collection of information is estimated to average 2.0 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.

Do not send this completed form to either of these addresses.

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

HA Name HOUSING AUTHORITY OF THE CITY OF EVERETT	Modernization Project Number WA19P006501-2001
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The HA hereby certifies to the Department of Housing and Urban Development as follows:

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

A. Original Funds Approved	\$1,080,608.00
B. Funds Disbursed	\$1,080,608.00
C. Funds Expended (Actual Modernization Cost)	\$1,080,608.00
D. Amount to be Recaptured (A-C)	.00
E. Excess of Funds Advanced (B-C)	.00

- That all modernization work in connection with the Modernization Grant has been completed;
- That the entire Actual Modernization Cost of Liabilities therefor incurred by the HA have been fully paid;
- That there are no un-discharged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work; and
- That the time in which such liens could be filed has expired.

Signature of Executive Director 	Date 5/6/2004
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For HUD Use Only
The cost certificate is approved for audit.

Approved for Audit (Director, Public Housing Division) 	Date 05/20/2004
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The audited costs agree with the costs shown above.

Verified (Director, Public Housing Division)	Date
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Approved (Field Office Manager or, in co-located office, Regional Administrator)	Date
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HOUSING AUTHORITY OF THE CITY OF EVERETT
Supplemental Segment Information - Unaudited
As of and for the Year Ended June 30, 2004

CONDENSED STATEMENT OF NET ASSETS

	Affordable Housing Properties	Broadway Plaza West	Douglas Grove	Greenhouse	Pine Village	Property Management	Local	Property Development	Total (memorandum only)
Assets									
Cash & investments - unrestricted	\$ 67,888	\$ 214,889	\$ 30,526	\$ 21,642	\$ 1,727	\$ 457,551	\$ 65,327	\$ -	\$ 859,550
Cash & investments - restricted	97,195	21,648	10,896	-	-	-	-	-	129,739
Due from other programs	-	-	-	-	-	13,365	145,198	-	158,563
Other current assets	4,079	3,903	2	-	-	5,143	-	-	13,127
Capital assets	3,430,762	4,481,903	522,578	310,397	-	-	281,741	-	9,027,381
Other assets	-	-	-	-	331,300	-	-	221,441	552,741
Total Assets	3,599,924	4,722,343	564,002	332,039	333,027	476,059	492,266	221,441	10,741,101
Liabilities									
Current liabilities	32,390	19,037	2,192	382	1,991	1,982	-	558	58,532
Due to other programs	-	-	-	18,491	285,164	-	-	215,731	500,895
Current portion of long-term debt	127,896	-	28,268	-	-	-	-	-	174,655
Current liabilities payable from restricted assets	23,193	21,648	1,844	-	-	-	-	-	46,685
Bonds and notes payable - non-current	2,656,876	-	433,482	103,749	-	-	-	-	3,194,107
Other non-current liabilities	6,316	8,527	901	-	-	12,468	-	3,333	31,545
Total Liabilities	2,846,671	49,212	466,687	122,622	287,155	14,450	-	219,622	4,006,419
Net Assets									
Invested in capital assets, net of related debt	645,990	4,481,903	60,828	188,157	-	-	281,741	-	5,658,619
Restricted	74,208	-	9,054	-	-	-	-	-	83,262
Unrestricted	33,055	191,228	27,433	21,260	45,872	461,609	210,525	1,819	992,801
Total Net Assets	\$ 753,253	\$ 4,673,131	\$ 97,315	\$ 209,417	\$ 45,872	\$ 461,609	\$ 492,266	\$ 1,819	\$ 6,734,682

CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

	Affordable Housing Properties	Broadway Plaza West	Douglas Grove	Greenhouse	Pine Village	Property Management	Local	Property Development	Total (memorandum only)
Operating Revenue (Expenses)									
Operating revenue	\$ 262,792	\$ 545,921	\$ 19,160	\$ 29,400	\$ 1,817,973	\$ 103,228	\$ 1,968	\$ -	\$ 2,780,442
Operating expenses	(273,294)	(388,387)	(23,786)	(687)	(1,823,603)	(135,929)	(496)	-	(2,646,182)
Operating transfers in	244,388	-	-	-	-	62,704	-	-	307,092
Operating transfers out	-	(330,393)	(3,400)	-	-	-	(7,388)	-	(341,181)
Depreciation expense	(60,757)	(141,865)	(9,407)	(9,643)	-	-	-	-	(221,672)
Operating income (loss)	173,129	(314,724)	(17,433)	19,070	(5,630)	30,003	(5,916)	-	(121,501)
Nonoperating Revenue (Expense)									
Intergovernmental	403,941	495	65,075	-	-	-	-	-	469,511
Interest income	1,600	3,650	344	147	-	4,708	2,106	-	12,555
Interest expense	(74,031)	-	(25,070)	(3,512)	-	-	-	-	(102,613)
Nonoperating income (expense)	331,510	4,145	40,349	(3,365)	-	4,708	2,106	-	379,453
Increase (decrease) in net assets	504,639	(310,579)	22,916	15,705	(5,630)	34,711	(3,810)	-	257,952
Net Assets, Beginning of Year	248,614	4,983,710	74,399	193,712	51,502	426,898	496,076	1,819	6,476,730
Net Assets, End of Year	\$ 753,253	\$ 4,673,131	\$ 97,315	\$ 209,417	\$ 45,872	\$ 461,609	\$ 492,266	\$ 1,819	\$ 6,734,682

See notes to supplemental segment information

HOUSING AUTHORITY OF THE CITY OF EVERETT
Notes to the Unaudited Supplemental Segment Information

The Housing Authority issues separate revenue bonds and other debt to finance the acquisition, rehabilitation, and construction of housing and community development projects. The financial activities for these projects are reported with other Business-Type Activities in the Primary Government Financial Statements. However, investors in the revenue bonds and lenders rely solely on the revenue generated by the individual activities of these projects for repayment. Therefore, a summary of the financial information for activities that meet this criteria is presented on the previous page.