

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

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**Housing Authority of the City of Everett**  
**Snohomish County**

Audit Period  
**July 1, 2005 through June 30, 2006**

**Report No. 72115**

Issued **February 9, 2007**  
Reissued **March 2, 2007**



Washington \_\_\_\_\_  
***State Auditor***  
\_\_\_\_\_  
Brian Sonntag



**Washington State Auditor  
Brian Sonntag**

March 2, 2007

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 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 client's operations for compliance with state laws and regulations. The results of that audit will be included in a separately issued accountability report.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

# Table of Contents

## **Housing Authority of the City of Everett Snohomish County July 1, 2005 through June 30, 2006**

|  |   |
|--|---|
| Federal Summary.....   | 1 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance<br>and Other Matters in Accordance with <i>Government Auditing Standards</i> .....   | 2 |
| Independent Auditor's Report on Compliance with Requirements Applicable to each Major<br>Program and Internal Control over Compliance in Accordance with OMB Circular A-133..... | 4 |
| Independent Auditor's Report on Financial Statements .....   | 6 |
| Financial Section.....   | 8 |

# Federal Summary

## **Housing Authority of the City of Everett Snohomish County July 1, 2005 through June 30, 2006**

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.

- An unqualified opinion was issued 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 programs.
- 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 \$595,693.
- The Housing Authority qualified as a low-risk auditee under OMB Circular A-133.
- The following were major programs during the period under audit:

| <u>CFDA No.</u> | <u>Program Title</u>              |
|-----------------|-----------------------------------|
| 14.182/195/856  | Section 8 Project Based Cluster   |
| 14.871          | Section 8 Housing Choice Vouchers |
| 14.850          | Low Income Housing                |

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

Housing Authority of the City of Everett  
Snohomish County  
July 1, 2005 through June 30, 2006

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Housing Authority of the City of Everett, Snohomish County, Washington, as of and for the fiscal year ended June 30, 2006, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated December 28, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## **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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free of material misstatement, we performed tests of the Housing Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, 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 noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information and use of management, the Board of Commissioners, 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

December 28, 2006

# 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, 2005 through June 30, 2006

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 programs for the fiscal year ended June 30, 2006. The Housing Authority's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs 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 auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, 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 programs for the year ended June 30, 2006.

### **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 caused by error or fraud 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, 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", with a stylized, cursive script.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

December 28, 2006



# Independent Auditor's Report on Financial Statements

## **Housing Authority of the City of Everett Snohomish County July 1, 2005 through June 30, 2006**

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Housing Authority of the City of Everett, Snohomish County, Washington, as of and for the fiscal year ended June 30, 2006, which collectively comprise the Housing Authority's basic financial statements as listed on page 8. 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 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 misstatement. 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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Housing Authority of the City of Everett as of June 30, 2006, and the respective changes in financial position and cash flows, 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*, we have also issued our report on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 9 through 16 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 inquiries 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 an opinion 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 the HUD Actual Comprehensive Grant Cost Certificate are supplemental information required by the Department of Housing and Urban Development. These schedules are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Supplemental Segment Information and Notes to 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.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a stylized flourish at the end.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

December 28, 2006

# Financial Section

## Housing Authority of the City of Everett Snohomish County July 1, 2005 through June 30, 2006

### ***REQUIRED SUPPLEMENTAL INFORMATION***

Management's Discussion and Analysis – 2006

### ***BASIC FINANCIAL STATEMENTS***

Statement of Net Assets – 2006  
Statement of Revenues, Expenses and Changes in Net Assets – 2006  
Statement of Cash Flows – 2006  
Notes to Financial Statements – 2006

### ***SUPPLEMENTAL INFORMATION***

Schedule of Expenditures of Federal Awards – 2006  
Notes to the Schedule of Expenditures of Federal Awards – 2006  
Supplemental Segment Information – Unaudited – 2006  
Notes to Supplemental Segment Information – Unaudited – 2006  
Financial Data Schedule – 2006  
Actual Comprehensive Grant Cost Certificate – WA19p006501-02

# **HOUSING AUTHORITY OF THE CITY OF EVERETT**

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

**Year Ended June 30, 2006**

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.

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 Managements Discussion and Analysis 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, 2006 and the results of its operations and cash flows for the year then ended.

### ***Financial Highlights***

- The Authority's net assets increased by \$2,608,201 (or 9.6%) during the past year. Depreciation expense, a non-cash item, of \$1,712,788 and the receipt of Section-8 housing assistance funding in excess of housing assistance payments were the primary reasons for this net increase. Net assets were \$29,728,885 and \$27,120,684 at June 30, 2006 and 2005, respectively.
- Total operating and non-operating revenues increased by \$1,520,161 (or 5.9%) during the past year, and were \$27,314,392 for 2006 and \$25,794,231 for 2005.
- The total expenses of the Authority's programs decreased by \$2,144,034 (or 8.2%). Total expenses were \$23,953,544 and \$26,097,578 for 2006 and 2005, respectively.
- The Authority's unrestricted net assets at June 30, 2006 and 2005 were \$3,746,024 and 2,604,953 respectively, for an increase of 43.8%. This increase resulted primarily from the sale of the ParkRidge Condominium Units.
- All 60 units of the ParkRidge Condominium project were renovate and sold during the year. The total proceeds from disposition of assets held for sale was \$6,553,808. Acquisition and renovation costs totaled \$5,264,041.

# HOUSING AUTHORITY OF THE CITY OF EVERETT

## Management's Discussion and Analysis

Year Ended June 30, 2006

- The Everett Smelter Site contamination clean-up project was completed and sold to a private developer in May 2006. The cost to clean-up the site totaled \$6,926,228. Nine single family homes plus the approximate 7 acre parcel area were sold for \$4,565,114. In addition, the Washington State Department of Ecology, the City of Everett and the Everett Housing Authority contributed additional funds to the project totaling \$2,361,114.

### *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 five separate non-subsidized apartment complexes all located within the City of Everett. These five properties have a combined total of 93 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 method 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.

**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2006**

**CONDENSED STATEMENT OF NET ASSETS**

|   | <b>As of June 30,</b> |                      |
|---|-----------------------|----------------------|
|   | <b>2006</b>           | <b>2005</b>          |
| <b>Assets</b>                                   |                       |                      |
| Current assets                                  | \$ 9,172,818          | \$ 5,604,290         |
| Capital   | 26,434,195            | 27,665,630           |
| Other assets                                    | -                     | 6,789,457            |
| Total Assets                                    | <u>35,607,013</u>     | <u>40,059,377</u>    |
| <b>Liabilities</b>                              |                       |                      |
| Accounts payable and other current liabilities  | 1,303,871             | 1,418,845            |
| Long-term liabilities                           | <u>4,574,257</u>      | <u>11,519,848</u>    |
| Total Liabilities                               | <u>5,878,128</u>      | <u>12,938,693</u>    |
| <b>Net Assets</b>                               |                       |                      |
| Invested in capital assets, net of related debt | 21,806,517            | 22,771,846           |
| Restricted                                      | 4,176,344             | 1,743,885            |
| Unrestricted                                    | <u>3,746,024</u>      | <u>2,604,953</u>     |
| Total Net Assets                                | <u>\$ 29,728,885</u>  | <u>\$ 27,120,684</u> |

***Major Factors Affecting the Statement of Net Assets***

Current assets increased by \$3,568,528 and current liabilities decreased by \$114,974. The Authority's current ratio increased from 3.95 in 2005 to 7.25% in 2006. This increase in the current ratio is a combination of several items: (a) additional Section-8 funding, (b) sale of the ParkRidge Condominium units and (c) the decrease in a deferred credit balance included as a part of the prior year current liabilities. There are sufficient current assets (primarily cash, investments and accounts receivables) to extinguish current liabilities.

The decrease in capital assets of \$1,231,435 represents the net difference between capital assets acquired during the year (\$484,632), depreciation expense (\$1,712,788) and book value of assets disposed of (\$3,279).

Other assets decreased by \$6,789,457 to \$0 at June 30, 2006 upon the completion of the renovation and sale of the ParkRidge Condominium units and also the sale of the Everett Smelter Site property to a private developer.

Decrease in the Authority's long-term debt is principally due to the repayment of financing obtained in connection with the Everett Smelter Site property and the and the ParkRidge Condominium property.

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

**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2006**

**CHANGE IN UNRESTRICTED NET ASSETS**

|  |                     |
|--|---------------------|
| Unrestricted net assets - June 30, 2005                        | \$ 2,604,953        |
| Total change in net assets (including prior period adjustment) | 2,608,201           |
| Adjustments:   |                     |
| Depreciation (1)   | 1,712,788           |
| Adjusted change in net assets                                  | <u>6,925,942</u>    |
| Proceeds from capital asset long-term debt borrowings          | -                   |
| Payments on capital asset long-term debt borrowings            | (266,106)           |
| Capital expenditures   | (484,631)           |
| Other changes  | 3,278               |
| Increase in restricted assets                                  | <u>(2,432,459)</u>  |
| Unrestricted net assets - June 30, 2006                        | <u>\$ 3,746,024</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 operating grants and subsidies are considered to be operating revenues (rather than non-operating revenues) based on guidance received from HUD, the primary user of the financial statements.

# HOUSING AUTHORITY OF THE CITY OF EVERETT

## Management's Discussion and Analysis

Year Ended June 30, 2006

Condensed information from the Authority's statements of revenue, expenses and changes in net assets follows:

|   |                      |                      |
|---|----------------------|----------------------|
| Operating revenue                                 |                      |                      |
| Operating grants and subsidies                    | \$ 21,357,002        | \$ 21,060,841        |
| Tenant revenue - rents and other                  | 3,039,746            | 3,252,007            |
| Other revenue                                     | 251,484              | 318,427              |
| Total operating revenue                           | <u>24,648,232</u>    | <u>24,631,275</u>    |
| Operating expenses                                |                      |                      |
| Housing assistance payments                       | 15,765,231           | 17,683,582           |
| Administrative                                    | 2,937,656            | 2,934,051            |
| Maintenance and operation                         | 2,200,330            | 2,276,728            |
| Depreciation                                      | 1,712,788            | 1,613,241            |
| Utilities   | 531,657              | 556,822              |
| General   | 394,859              | 436,740              |
| Tenant services                                   | 213,403              | 338,628              |
| Total operating expenses                          | <u>23,755,924</u>    | <u>25,839,792</u>    |
| Nonoperating revenue (expense)                    |                      |                      |
| Capital grants                                    | 2,406,809            | 1,059,528            |
| Interest income                                   | 259,351              | 103,428              |
| Interest expense                                  | (197,620)            | (257,786)            |
| Proceeds from disposition of assets held for sale | 11,118,922           | -                    |
| Cost of sale of assets held for sale              | (12,190,269)         | -                    |
| Total nonoperating revenue (expense)              | <u>1,397,193</u>     | <u>905,170</u>       |
| Change in Net Assets                              | 2,289,501            | (303,347)            |
| Net Assets - Beginning of Year                    | 27,120,684           | 27,424,031           |
| Prior period adjustment                           | 318,700              | -                    |
| Net Assets - End of Year                          | <u>\$ 29,728,885</u> | <u>\$ 27,120,684</u> |

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

HUD subsidies and grants received for the Section-8 Housing Choice Voucher program exceeded program expenses by approximately \$2,104,000. In addition, the net profit from the sale of the ParkRidge Condominium units was approximately \$1,024,300. Revenues from tenants and other revenues decreased by \$279,204 from the prior year.

Total operating expenses decreased by \$2,083,868 (8.1%) primarily due to the decrease in Section-8 Housing Assistance Payments by \$1,918,351.



# HOUSING AUTHORITY OF THE CITY OF EVERETT

## Management's Discussion and Analysis

Year Ended June 30, 2006

### Capital Assets and Debt Administration

#### Capital Assets

At June 30, 2006, the Authority had \$26,434,195 invested in variety of capital assets (as summarized below), which represents a net decrease of \$1,231,435 from June 30, 2005.

#### CAPITAL ASSETS AT YEAR-END (Net of Depreciation)

|                            | As of June 30,       |                      |
|----------------------------|----------------------|----------------------|
|                            | 2006                 | 2005                 |
| Land and site improvements | \$ 3,340,550         | \$ 3,340,550         |
| Structures                 | 45,547,563           | 44,710,553           |
| Equipment                  | 2,609,235            | 2,484,775            |
| Construction in progress   | 1,063,093            | 1,559,517            |
| Total                      | 52,560,441           | 52,095,395           |
| Accumulated depreciation   | (26,126,246)         | (24,429,765)         |
| Capital assets - net       | <u>\$ 26,434,195</u> | <u>\$ 27,665,630</u> |

The following reconciliation summarizes the change in capital assets from June 30, 2005 to June 30, 2006, which is presented in more detail in Note 3 of the notes to the financial statements.

#### CHANGE IN CAPITAL ASSETS

|                          |                      |
|--------------------------|----------------------|
| Balance at June 30, 2005 | \$ 27,665,630        |
| Additions                | 484,632              |
| Reductions - net         | (3,279)              |
| Depreciation expense     | <u>(1,712,788)</u>   |
| Balance at June 30, 2006 | <u>\$ 26,434,195</u> |

This year's major additions to capital assets resulted primarily from the Authority's Public Housing Capital Improvement Program and also system upgrades to the Broadway Plaza Apartments property. It is anticipated that the majority of the Grandview Homes renovation work will be completed by the end of 2009. Dwelling and non-dwelling equipment additions for the year totaled \$142,046.

# HOUSING AUTHORITY OF THE CITY OF EVERETT

## Management's Discussion and Analysis

Year Ended June 30, 2006

### OUTSTANDING DEBT, AT YEAR-END

|  | As of June 30,      |                     |
|--|---------------------|---------------------|
|  | 2006                | 2005                |
| Revenue Bonds Payable                    |                     |                     |
| Douglas Grove apartments                 | \$ 401,669          | \$ 431,860          |
| Greenhouse property                      | 84,543              | 103,749             |
| Rainier Park apartments                  | 532,502             | 566,050             |
| Rucker Street apartments                 | 409,170             | 434,441             |
| Oakes Street apartments                  | 371,261             | 392,958             |
| Bridge Creek apartments                  | 660,669             | 698,264             |
| Timber Hill apartments                   | 1,614,705           | 1,701,299           |
|  | <u>4,074,519</u>    | <u>4,328,621</u>    |
| Less: Current portion                    | <u>(265,896)</u>    | <u>(253,847)</u>    |
|  | <u>\$ 3,808,623</u> | <u>\$ 4,074,774</u> |
| Notes Payable                            |                     |                     |
| Bridge Creek apartments                  | \$ 553,159          | \$ 565,163          |
| Less: Current portion                    | <u>(12,124)</u>     | <u>(12,004)</u>     |
|  | <u>\$ 541,035</u>   | <u>\$ 553,159</u>   |
| Non-revolving Line of Credit Obligations |                     |                     |
| Everett Smelter Site Project             | \$ -                | \$ 3,016,275        |
| ParkRidge Condominium Project            | <u>-</u>            | <u>3,638,430</u>    |
|  | <u>-</u>            | <u>6,654,705</u>    |
| Less: Current portion                    | <u>-</u>            | <u>-</u>            |
|  | <u>\$ -</u>         | <u>\$ 6,654,705</u> |

Please refer to Note 5 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**

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

**Year Ended June 30, 2006**

The financial report is designed to provide a general overview of the finances of the Everett Housing Authority for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Everett Housing Authority, P.O. Box 1547, Everett, WA 98206.

**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Statement of Net Assets**  
**June 30, 2006**

|   | Primary<br>Government<br>Total | Component<br>Unit   |
|---|--------------------------------|---------------------|
| <b>ASSETS</b>                                     |                                |                     |
| <b>CURRENT ASSETS:</b>                            |                                |                     |
| Cash and cash equivalents - unrestricted          | \$ 3,490,899                   | \$ 145,832          |
| Cash and cash equivalents - restricted            | 2,906,787                      | 101,651             |
| Investments - unrestricted                        | 585,121                        | -                   |
| Investments - restricted                          | 1,718,683                      | 178,728             |
| Accounts receivable (net)                         |                                |                     |
| Tenants   | 8,563                          | 256                 |
| HUD   | 199,512                        | -                   |
| Other   | 214,089                        | 144                 |
| Inventories                                       | 34,751                         | -                   |
| Prepaid and other current assets                  | 14,413                         | 14,501              |
| <b>Total current assets</b>                       | <b>9,172,818</b>               | <b>441,112</b>      |
| <b>NON-CURRENT ASSETS:</b>                        |                                |                     |
| Capital assets                                    |                                |                     |
| Land  | 3,340,550                      | 711,359             |
| Property and equipment, net                       | 23,093,645                     | 3,667,237           |
|   | 26,434,195                     | 4,378,596           |
| Other assets                                      | -                              | 114,782             |
| <b>Total non-current assets</b>                   | <b>26,434,195</b>              | <b>4,493,378</b>    |
| <b>Total assets</b>                               | <b>35,607,013</b>              | <b>4,934,490</b>    |
| <b>LIABILITIES</b>                                |                                |                     |
| <b>CURRENT LIABILITIES:</b>                       |                                |                     |
| Accounts payable - vendors                        | 230,149                        | 16,143              |
| Accounts payable - HUD                            | -                              | -                   |
| Accrued expenses                                  | 169,372                        | 77,004              |
| Deferred revenue                                  | 68,615                         | 3,944               |
| Security deposits                                 | 195,927                        | 16,988              |
| FSS escrow  | 207,423                        | -                   |
| Other deferred credits                            | 154,365                        | -                   |
| Current portion of long-term debt                 | 278,020                        | 40,000              |
| <b>Total current liabilities</b>                  | <b>1,303,871</b>               | <b>154,079</b>      |
| <b>NON-CURRENT LIABILITIES:</b>                   |                                |                     |
| Bonds and notes payable                           | 4,349,658                      | 3,552,124           |
| Accrued compensated absences                      | 224,599                        | -                   |
| Deferred interest - HOME loan                     | -                              | 185,391             |
| <b>Total non-current liabilities</b>              | <b>4,574,257</b>               | <b>3,737,515</b>    |
| <b>Total liabilities</b>                          | <b>5,878,128</b>               | <b>3,891,594</b>    |
| <b>NET ASSETS</b>                                 |                                |                     |
| Investment in capital assets, net of related debt | 21,806,517                     | 786,472             |
| Restricted  | 4,176,344                      | 263,391             |
| Unrestricted                                      | 3,746,024                      | (6,967)             |
| <b>TOTAL NET ASSETS</b>                           | <b>\$ 29,728,885</b>           | <b>\$ 1,042,896</b> |

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, 2006**

|   | <u>Primary<br/>Government<br/>Total</u> | <u>Component<br/>Unit</u> |
|---|---|---------------------------|
| Operating Revenues                                |   |                           |
| Tenant rents                                      | \$ 2,766,776                            | \$ 218,896                |
| HUD operating grants and subsidies                | 21,237,520                              | 341,822                   |
| Other grants                                      | 119,482                                 | -                         |
| Other tenant charges                              | 272,970                                 | 7,680                     |
| Other revenue                                     | 251,484                                 | 2,624                     |
|   | <u>24,648,232</u>                       | <u>571,022</u>            |
| Total operating revenue                           |   |                           |
| Operating Expenses                                |   |                           |
| Administration                                    | 2,937,656                               | 107,228                   |
| Tenant services                                   | 213,403                                 | 140                       |
| Utilities   | 531,657                                 | 35,352                    |
| Maintenance & operations                          | 2,200,330                               | 114,490                   |
| General   | 394,859                                 | 31,078                    |
| Housing assistance payments                       | 15,765,231                              | -                         |
| Depreciation                                      | 1,712,788                               | 129,511                   |
|   | <u>23,755,924</u>                       | <u>417,799</u>            |
| Total operating expenses                          |   |                           |
| Operating income (loss)                           | <u>892,308</u>                          | <u>153,223</u>            |
| Nonoperating revenue (expense)                    |   |                           |
| HUD capital grants                                | 239,723                                 | -                         |
| Other capital grants                              | 2,167,086                               | -                         |
| Proceeds from disposition of assets held for sale | 11,118,922                              | -                         |
| Cost of sale of assets held for sale              | (12,190,269)                            | -                         |
| Interest income                                   | 259,351                                 | 8,241                     |
| Interest expense                                  | (197,620)                               | (181,296)                 |
|   | <u>1,397,193</u>                        | <u>(173,055)</u>          |
| Total nonoperating revenue (expense)              |   |                           |
| Change in Net Assets                              | 2,289,501                               | (19,832)                  |
| Net Assets - Beginning of Year                    | 27,120,684                              | 1,062,728                 |
| Prior period adjustment                           | 318,700                                 | -                         |
| Net Assets - End of Year                          | <u>\$ 29,728,885</u>                    | <u>\$ 1,042,896</u>       |

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

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, 2006

|   | Primary<br>Government<br>Total | Component<br>Unit        |
|---|--------------------------------|--------------------------|
| Cash flow from operating activities:                                    |                                |                          |
| Cash received from tenant rents   | \$ 2,771,310                   | \$ 229,470               |
| Cash received from HUD operating grants and subsidies                   | 21,243,388                     | 341,678                  |
| Cash received from other operating grants                               | 129,812                        | -                        |
| Cash payments to suppliers for goods and services                       | (2,575,194)                    | (197,850)                |
| Cash paid for salaries and benefits                                     | (3,690,941)                    | (99,639)                 |
| Housing assistance payments   | (15,748,483)                   | -                        |
| Other receipts  | 539,219                        | 2,624                    |
| Net cash provided by operating activities                               | <u>2,669,111</u>               | <u>276,283</u>           |
| Cash flows from noncapital financing activities:                        |                                |                          |
| Bill & Melinda Gates Foundation grant proceeds                          | 75,000                         | -                        |
| Bill & Melinda Gates Foundation grant earnings                          | 776                            | -                        |
| Bill & Melinda Gates Foundation grant distributions                     | (30,000)                       | -                        |
| Proceeds from sale of assets held for sale                              | 10,951,094                     | -                        |
| Net additions to assets held for sale                                   | <u>(4,368,117)</u>             | <u>-</u>                 |
| Net cash provided by noncapital financing activities                    | <u>6,628,753</u>               | <u>-</u>                 |
| Cash flows from capital and related financing activities:               |                                |                          |
| HUD capital grants  | 149,446                        | -                        |
| Other capital grants  | 1,239,130                      | -                        |
| Property and equipment additions  | (505,234)                      | (4,078)                  |
| Proceeds from short-term borrowings                                     | 2,855,910                      | -                        |
| Repayment of short-term debt obligations                                | (9,510,615)                    | -                        |
| Repayment of long-term debt obligations                                 | (266,106)                      | (72,147)                 |
| Interest paid on debt obligations                                       | <u>(198,569)</u>               | <u>(154,598)</u>         |
| Net cash provided by (used in) capital and related financing activities | <u>(6,236,038)</u>             | <u>(230,823)</u>         |
| Cash flows from investing activities:                                   |                                |                          |
| Net (additions) reductions to unrestricted investments                  | (17,242)                       | -                        |
| Net (additions) reductions to restricted investments                    | (241,675)                      | (1,454)                  |
| Interest income   | <u>245,926</u>                 | <u>8,241</u>             |
| Net cash provided by (used in) investing activities                     | <u>(12,991)</u>                | <u>6,787</u>             |
| Increase in cash and cash equivalents                                   | 3,048,835                      | 52,247                   |
| Cash and cash equivalents at beginning of year                          | <u>3,348,851</u>               | <u>195,206</u>           |
| Cash and cash equivalents at end of year                                | <u><u>\$ 6,397,686</u></u>     | <u><u>\$ 247,453</u></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, 2006

|  | Primary<br>Government<br>Total | Component<br>Unit |
|--|--------------------------------|-------------------|
| Reconciliation of Operating Loss to Net Cash Used                                    |                                |                   |
| In Operating Activities:   |                                |                   |
| Operating income   | \$ 892,308                     | \$ 153,223        |
| Adjustments to reconcile operating loss to net cash<br>used in operating activities: |                                |                   |
| Depreciation   | 1,712,788                      | 124,627           |
| Amortization of bond issue costs   | -                              | 4,884             |
| Loss on disposition of equipment   | 3,279                          | -                 |
| Changes in operating assets and liabilities:   |                                |                   |
| (Increase) decrease in assets:   |                                |                   |
| Accounts receivable tenants  | 1,569                          | 2,780             |
| Accounts receivable - HUD  | (9,212)                        | -                 |
| Accounts receivable - other  | 21,815                         | (144)             |
| Inventory  | 6,333                          | -                 |
| Prepaid expenses and other assets  | (2,579)                        | (2,023)           |
| Increase (decrease) in liabilities:  |                                |                   |
| Accounts payable - vendors   | 14,871                         | (7,178)           |
| Accounts payable - HUD   | (10,837)                       | -                 |
| Accrued expenses   | (5,244)                        | -                 |
| Deferred revenue   | 47,047                         | (4)               |
| FSS escrow   | 16,748                         | -                 |
| Security deposits  | (17,016)                       | 118               |
| Accrued compensated absences   | (1,609)                        | -                 |
| Other deferred credits   | (1,150)                        | -                 |
| Net cash used in operating activities  | <u>\$ 2,669,111</u>            | <u>\$ 276,283</u> |

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, 2006**

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 6, 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. The Authority follows the business-type activities reporting requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The Authority has implemented GASB 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. 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

***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



**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Notes to Financial Statements**  
**June 30, 2006**

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, 2005 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.

***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 and operating subsidies and grants received from HUD. Grants, subsidies 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

**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Notes to Financial Statements**  
**June 30, 2006**

landlords and depreciation on capital assets. HUD operating grants and subsidies are received by the Authority for each unit rented to qualified tenants in the public housing and Section 8 programs. Classification of operating grants and subsidies as operating revenues (rather than as non-operating revenues) is based on guidance from HUD, the primary user of the financial statements. The classification of operating grants and subsidies as operating revenues does not affect the presentation of net income or the change in net assets in the statement of revenues, expenses, and changes in net assets, or the presentation of cash and cash equivalents in the statement of cash flows. 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***

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

***f. Investments – Unrestricted and Restricted***

Investments are stated at 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        |

***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 12 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 11 traditional holidays and one floating holiday. Holiday pay is recorded as an expense when paid. Fulltime employees earn sick leave at a

**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Notes to Financial Statements**  
**June 30, 2006**

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 funding.

***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.

**2 – Deposits and Investments**

***a. Deposits***

Cash and cash equivalents of the Authority at year-end are as follows:

|   | <u>Primary<br/>Government</u> | <u>Component<br/>Unit</u> |
|---|-------------------------------|---------------------------|
| Change and petty cash funds                       | \$ 600                        | \$ -                      |
| Demand deposits with Financial Institutions       | 413,249                       | 109,329                   |
| Washington State Local Government Investment Pool | <u>5,983,837</u>              | <u>138,154</u>            |
| Carrying value                                    | <u>\$ 6,397,686</u>           | <u>\$ 247,483</u>         |

Cash and cash equivalents consisted of demand deposits with financial institutions 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

**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Notes to Financial Statements**  
**June 30, 2006**

custodians of public funds in the State of Washington to maintain deposits in excess of the financial institution's FDIC limit.

The bank balances (demand deposits with financial institutions) at year-end were \$536,636 (primary government) and \$109,467 (component unit). 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.

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's investment in the LGIP is not subject to custodial credit risk categorization because it is not evidenced by securities that exist in physical or book entry form. Prior to July 1, 2004 the Authority classified the funds invested in the LGIP as an *investment* rather than as *cash and cash equivalents*.

***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 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.

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

|   | Category 1          | Category 2  | Category 3  | Carrying Value      |
|---|---------------------|-------------|-------------|---------------------|
| <b><u>Primary Government</u></b>        |                     |             |             |                     |
| Certificates of deposit - unrestricted  | \$ 585,121          | \$ -        | \$ -        | \$ 585,121          |
| Certificates of deposit - restricted    | 1,718,683           | -           | -           | 1,718,683           |
|   | <u>\$ 2,303,804</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,303,804</u> |
| <b><u>Component Unit</u></b>            |                     |             |             |                     |
| First American Treasury Obligation Fund |                     |             |             | <u>\$ 178,728</u>   |

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.

**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Notes to Financial Statements**  
**June 30, 2006**

**3 – Capital Assets**

**Primary Government:**

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<br>July 1, 2005 | Additions           | Reductions        | Balance<br>June 30, 2006 |
|---|-------------------------|---------------------|-------------------|--------------------------|
| Capital assets, not being depreciated:      |                         |                     |                   |                          |
| Land  | \$ 3,175,654            | \$ -                | \$ -              | \$ 3,175,654             |
| Construction in progress                    | 1,559,517               | 196,851             | 693,275           | 1,063,093                |
| Total capital assets, not being depreciated | <u>4,735,171</u>        | <u>196,851</u>      | <u>693,275</u>    | <u>4,238,747</u>         |
| Capital assets, being depreciated:          |                         |                     |                   |                          |
| Site improvements                           | 164,896                 | -                   | -                 | 164,896                  |
| Dwelling and dwelling improvements          | 44,710,553              | 837,010             | -                 | 45,547,563               |
| Furniture, equipment and machinery          | 2,484,775               | 144,046             | 19,586            | 2,609,235                |
| Total capital assets, being depreciated     | <u>47,360,224</u>       | <u>981,056</u>      | <u>19,586</u>     | <u>48,321,694</u>        |
| Less accumulated depreciation for:          |                         |                     |                   |                          |
| Site improvements                           | 94,980                  | 4,827               | -                 | 99,807                   |
| Dwelling and dwelling improvements          | 22,621,144              | 1,556,532           | 16,307            | 24,161,369               |
| Furniture, equipment and machinery          | 1,713,641               | 151,429             | -                 | 1,865,070                |
| Total accumulated depreciation              | <u>24,429,765</u>       | <u>1,712,788</u>    | <u>16,307</u>     | <u>26,126,246</u>        |
| Total capital assets being depreciated, net | <u>22,930,459</u>       | <u>(731,732)</u>    | <u>3,279</u>      | <u>22,195,448</u>        |
| Total capital assets, net                   | <u>\$ 27,665,630</u>    | <u>\$ (534,881)</u> | <u>\$ 696,554</u> | <u>\$ 26,434,195</u>     |

**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Notes to Financial Statements**  
**June 30, 2006**

**Component Unit:**

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, 2005:

|   | Balance<br>January 1,<br>2005 | Additions           | Reductions  | Balance<br>December 31,<br>2005 |
|---|-------------------------------|---------------------|-------------|---------------------------------|
| 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          | 4,148,668                     | -                   | -           | 4,148,668                       |
| Furniture, equipment and machinery          | 218,760                       | 4,078               | -           | 222,838                         |
| Total capital assets, being depreciated     | <u>4,370,787</u>              | <u>4,078</u>        | <u>-</u>    | <u>4,374,865</u>                |
| Less accumulated depreciation for:          |                               |                     |             |                                 |
| Site improvements                           | 406                           | 168                 | -           | 574                             |
| Dwelling and dwelling improvements          | 491,814                       | 103,716             | -           | 595,530                         |
| Furniture, equipment and machinery          | 87,422                        | 20,743              | -           | 108,165                         |
| Total accumulated depreciation              | <u>579,642</u>                | <u>124,627</u>      | <u>-</u>    | <u>704,269</u>                  |
| Total capital assets being depreciated, net | <u>3,791,145</u>              | <u>(120,549)</u>    | <u>-</u>    | <u>3,670,596</u>                |
| Total capital assets, net                   | <u>\$ 4,499,145</u>           | <u>\$ (120,549)</u> | <u>\$ -</u> | <u>\$ 4,378,596</u>             |

**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Notes to Financial Statements**  
**June 30, 2006**

**4 – Non-Current Liabilities**

**Primary Government:**

Changes in long-term debt obligations for the Primary Government during the year ended June 30, 2006 are summarized below:

|                            | Beginning<br>Balance<br>July 1 | Additions           | Reductions          | Ending<br>Balance<br>June 30 | Due Within<br>One Year |
|----------------------------|--------------------------------|---------------------|---------------------|------------------------------|------------------------|
| Revenue bonds              | \$ 4,328,621                   | \$ -                | \$ 254,102          | \$ 4,074,519                 | \$ 265,896             |
| Promissory notes           | 565,163                        | -                   | 12,004              | 553,159                      | 12,124                 |
| Line of credit obligations | 6,654,705                      | 2,855,910           | 9,510,615           | -                            | -                      |
|                            | <u>\$11,548,489</u>            | <u>\$ 2,855,910</u> | <u>\$ 9,776,721</u> | <u>\$ 4,627,678</u>          | <u>\$ 278,020</u>      |

The following schedule lists the outstanding bonds of the Primary Government as of June 30, 2006:

| <u>Revenue Bonds - Name of Issue</u> | <u>Issuance Date</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Bond<br/>Issuance</u> | <u>Bonds<br/>Outstanding<br/>June 30</u> |
|--------------------------------------|----------------------|----------------------|----------------------|--------------------------|--|
| Revenue Bond 2001                    |                      |                      |                      |                          |  |
| Douglas Grove Apartments             | 5/1/2001             | 5/1/2016             | 5.20%                | 540,000                  | \$ 401,669                               |
| Refunding Revenue Bond 2003          |                      |                      |                      |                          |  |
| Greenhouse Project                   | 5/30/2003            | 6/1/2010             | 3.75%                | 140,000                  | 84,543                                   |
| Revenue Bond 2003                    |                      |                      |                      |                          |  |
| Rainier Park Apartments Project      | 6/10/2003            | 6/10/2018            | 4.10%                | 625,000                  | 532,502                                  |
| Revenue Bond 2003                    |                      |                      |                      |                          |  |
| Rucker Apartments Project            | 7/2/2003             | 7/2/2018             | 4.13%                | 480,000                  | 409,170                                  |
| Revenue Bond 2003                    |                      |                      |                      |                          |  |
| Oakes Avenue Apartments Project      | 8/1/2003             | 8/1/2018             | 4.90%                | 430,000                  | 371,261                                  |
| Revenue Bond 2004                    |                      |                      |                      |                          |  |
| Bridge Creek Apartments Project      | 3/31/2004            | 3/31/2019            | 4.31%                | 740,000                  | 660,669                                  |
| Revenue Bond 2004                    |                      |                      |                      |                          |  |
| Timber Hill Apartments Project       | 7/30/2004            | 8/1/2019             | 4.64%                | 1,770,000                | <u>1,614,705</u>                         |
| Total bonds outstanding              |                      |                      |                      |                          | <u>\$ 4,074,519</u>                      |

The following is a schedule of outstanding notes as of June 30, 2006:

| <u>Description of Note</u>      | <u>Loan Date</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Original<br/>Amount</u> | <u>Notes<br/>Outstanding<br/>June 30</u> |
|---------------------------------|------------------|----------------------|----------------------|----------------------------|--|
| Promissory Note                 |                  |                      |                      |                            |  |
| Bridge Creek Apartments Project | 3/15/2004        | 3/31/2044            | 1.00%                | \$ 580,000                 | <u>\$ 553,159</u>                        |
| Total notes outstanding         |                  |                      |                      |                            | <u>\$ 553,159</u>                        |

**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Notes to Financial Statements**  
**June 30, 2006**

**Component Unit:**

Changes in long-term debt obligations for the Component Unit during the year ended December 31, 2005 are summarized below:

|                  | Beginning<br>Balance<br>January 1 | Additions   | Reductions       | Ending<br>Balance<br>December 31 | Due Within<br>One Year |
|------------------|-----------------------------------|-------------|------------------|----------------------------------|------------------------|
| Revenue bonds    | \$ 2,165,000                      | \$ -        | \$ 40,000        | \$ 2,125,000                     | \$ 40,000              |
| Promissory notes | 1,499,271                         | -           | 32,147           | \$ 1,467,124                     | -                      |
|                  | <u>\$ 3,664,271</u>               | <u>\$ -</u> | <u>\$ 72,147</u> | <u>\$ 3,592,124</u>              | <u>\$ 40,000</u>       |

The following is a schedule of outstanding bonds of the Component Unit as of December 31, 2005:

| <u>Revenue Bonds - Name of Issue</u>                         | <u>Issuance Date</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Bond Issuance</u> | <u>Bonds Outstanding<br/>December 31</u> |
|--|----------------------|----------------------|----------------------|----------------------|--|
| Housing Revenue Bonds 1999<br>Twelve Pines Apartment Project | 8/1/1999             | 8/1/2029             | 4.70 - 6.50%         | \$ 2,300,000         | <u>\$ 2,125,000</u>                      |
| Total bonds outstanding                                      |                      |                      |                      |                      | <u>\$ 2,125,000</u>                      |

The following is a schedule of outstanding notes as of December 31, 2005:

| <u>Description of Note</u>                    | <u>Loan Date</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Original Amount</u> | <u>Notes Outstanding<br/>December 31</u> |
|---|------------------|----------------------|----------------------|------------------------|--|
| Promissory Note, City of Everett<br>HOME Loan | 8/1/1999         | 8/1/2024             | 3.00%                | \$ 950,000             | \$ 950,000                               |
| Promissory Note, EHA<br>Developer fee         | 8/30/2002        | 3/15/2018            | 3.00%                | 580,481                | <u>517,124</u>                           |
| Total notes outstanding                       |                  |                      |                      |                        | <u>\$ 1,467,124</u>                      |



**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Notes to Financial Statements**  
**June 30, 2006**

| Year Ended<br>June 30 | Revenue Bonds       | Notes             | Interest            | Total               |
|-----------------------|---------------------|-------------------|---------------------|---------------------|
| 2007                  | \$ 265,896          | \$ 12,124         | \$ 186,656          | \$ 464,676          |
| 2008                  | 277,779             | 12,246            | 174,651             | 464,676             |
| 2009                  | 291,140             | 12,369            | 161,167             | 464,676             |
| 2010                  | 304,666             | 12,494            | 147,516             | 464,676             |
| 2011                  | 295,605             | 12,619            | 133,633             | 441,857             |
| 2012-2016             | 1,506,539           | 65,019            | 412,167             | 1,983,725           |
| 2017-2021             | 1,105,590           | 68,348            | 114,913             | 1,288,851           |
| 2022-2026             | 27,304              | 71,848            | 16,366              | 115,518             |
| 2027-2031             | -                   | 75,527            | 12,527              | 88,054              |
| 2032-2036             | -                   | 79,394            | 8,659               | 88,053              |
| 2037-2041             | -                   | 83,460            | 4,594               | 88,054              |
| 2042-2046             | -                   | 47,711            | 719                 | 48,430              |
|                       | <u>\$ 4,074,519</u> | <u>\$ 553,159</u> | <u>\$ 1,373,568</u> | <u>\$ 6,001,246</u> |

**Component Unit**

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

| Year Ended<br>December 31 | Revenue Bonds       | Notes               | Interest            | Total               |
|---------------------------|---------------------|---------------------|---------------------|---------------------|
| 2006                      | \$ 40,000           | \$ 33,111           | \$ 151,474          | \$ 224,585          |
| 2007                      | 45,000              | 34,105              | 148,280             | 227,385             |
| 2008                      | 45,000              | 35,128              | 144,737             | 224,865             |
| 2009                      | 45,000              | 36,182              | 141,118             | 222,300             |
| 2010                      | 50,000              | 37,267              | 137,423             | 224,690             |
| 2011-2015                 | 305,000             | 203,791             | 617,179             | 1,125,970           |
| 2016-2020                 | 425,000             | 137,540             | 473,859             | 1,036,399           |
| 2021-2025                 | 570,000             | 950,000             | 1,033,271           | 2,553,271           |
| 2026-2030                 | 600,000             | -                   | 100,750             | 700,750             |
|                           | <u>\$ 2,125,000</u> | <u>\$ 1,467,124</u> | <u>\$ 2,948,091</u> | <u>\$ 6,540,215</u> |

**5 – Arbitrage**

The Housing Authority periodically monitors for the existence of any rebatable arbitrage interest associated with its tax-exempt debt. Rebatable arbitrage interest is based on the difference between the interest earnings from the investment of bond proceeds as compared to the interest expense associated with the respective bonds. As of June 30, 2006, the Housing Authority estimated that no arbitrage rebate exists in conjunction with its debt reserve funds, and therefore no liability exists.

**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Notes to Financial Statements**  
**June 30, 2006**

**6 – 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. These bonds are payable solely from the revenue of the low-income housing properties owned by the not-for-profit agencies, and do not constitute a debt or pledge of the full faith and credit of the Authority, the State of Washington or any political subdivision thereof. Accordingly, these obligations and related assets are not presented in the financial statements of the Authority.

As of June 30, 2006, 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, 2006 is \$11,399,400. No new debt of this type was issued during the year ended June 30, 2006.

**7 – 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 coverage is 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.
- Property loss coverage is on a replacement cost basis with a deductible of \$1,000 per occurrence.
- Fidelity coverage with a limit of \$200,000 for employee dishonesty and forgery or alteration and \$10,000 for theft, with a deductible of \$1,000 per occurrence.

Coverage limits for general liability, errors & omissions and property are \$2,000,000 per occurrence with a \$2,000,000 annual aggregate. Additional property coverage is provided for the Bakerview, Broadway Plaza East and Broadway Plaza West properties. 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.

**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Notes to Financial Statements**  
**June 30, 2006**

**8 – Pension Plan**

Substantially all Authority's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

**Public Employees' Retirement System (PERS) Plans 1, 2, and 3**

**Plan Description.** PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. 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 legislative committees; community and technical colleges, college and university employees (not in national higher education retirement programs); judges of district and municipal courts; and employees of local governments. PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching the age of 66 a cost-of-living allowance is granted based on years of service credit and is capped at 3 percent annually.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the average final compensation per year of service. The average final compensation 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 (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including twelve months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 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

**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Notes to Financial Statements**  
**June 30, 2006**

reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

There are 1,181 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2005:

|  |                           |
|--|---------------------------|
| Retirees and beneficiaries receiving benefits                      | 68,609                    |
| Terminated plan members entitled to but not yet receiving benefits | 22,567                    |
| Active plan members vested   | 104,574                   |
| Active plan members nonvested                                      | <u>51,004</u>             |
| <br>Total  | <br><u><u>246,754</u></u> |

Funding Policy. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and 7.5 percent for state government elected officers. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. PERS Plan 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of PERS Plan 3 do not contribute to the defined benefit portion of PERS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The Housing Authority's covered payroll for the year ended June 30, 2006 was \$3,151,827. Total gross payroll for the Authority was \$3,545,894.

The required contribution rates expressed as a percentage of current-year covered payroll, as of June 30, 2006, were as follows:

|          | <u>PERS Plan 1<br/>Required</u> | <u>PERS Plan 2<br/>Required</u> | <u>PERS Plan 3<br/>Required</u> |
|----------|---------------------------------|---------------------------------|---------------------------------|
| Employer | 2.44%                           | 2.44%                           | 2.44%                           |
| Employee | <u>6.00%</u>                    | <u>2.25%</u>                    | <u>varies</u>                   |
|          | <u><u>8.44%</u></u>             | <u><u>4.69%</u></u>             | <u><u>varies</u></u>            |

For employees participating in PERS Plan 3, employee contribution rate varies from 5.00% minimum to 15.00% maximum based on rate selected by PERS 3 member.

**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Notes to Financial Statements**  
**June 30, 2006**

The employer and employee required contributions during the year ended June 30, 2006 were:

|          | <u>PERS Plan 1<br/>Required</u> | <u>PERS Plan 2<br/>Required</u> | <u>PERS Plan 3<br/>Required</u> | <u>Total</u>     |
|----------|---------------------------------|---------------------------------|---------------------------------|------------------|
| Employer | \$2,523                         | \$65,446                        | \$8,936                         | \$76,905         |
| Employee | 6,203                           | 60,350                          | 20,474                          | 87,027           |
|          | <u>\$8,726</u>                  | <u>\$125,796</u>                | <u>\$29,410</u>                 | <u>\$163,932</u> |

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

|      | <u>Total Covered<br/>Payroll</u> | <u>Required<br/>Employee<br/>Contributions</u> | <u>Required<br/>Employer<br/>Contributions</u> |
|------|----------------------------------|--|--|
| 2006 | \$3,151,827                      | \$87,027                                       | \$76,905                                       |
| 2005 | \$3,202,399                      | \$56,382                                       | \$44,303                                       |
| 2004 | \$3,204,876                      | \$56,503                                       | \$44,867                                       |

**9 – Deferred Compensation Plan**

The Housing Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The Plan, available to all regular employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The Authority made no contributions to the plan during the year.

All assets of the plan are held in a trust for the exclusive benefit of the participants and their beneficiaries. Investments are managed by the Washington State Department of Retirement Systems. The plan is not included in the Authority's financial statements as the Authority does not hold these assets in a trust capacity.

**10 – Bill & Melinda Gates Foundation Grant**

In July 2005 the Bill & Melinda Gates Foundation provided the Everett Housing Authority with a pass-through \$75,000 grant to be used by the Catholic Community Services (CCS) to provide transitional services to ten families who reside in the Authority's Timber Hill Apartments. Under terms of the grant the Authority holds the funds in trust for the benefit of the CCS. The Authority temporarily invests the funds prior to making annual disbursement of \$15,000 to CCS. In addition to the pass-through grant, the Authority provides Section-8 project based assistance to the ten families residing at the Timber Hill Apartments.

**11 – 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

**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Notes to Financial Statements**  
**June 30, 2006**

ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

Under the terms of Federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Any disallowed costs may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

**12 – Prior Period Adjustment**

During the year ended June 30, 2005, HUD changed the method used to fund the Housing Choice Voucher Program (Section-8). Effective January 1, 2005 the funding cycle was changed from the Authority's fiscal year (July 1 to June 30) to a calendar year. As of June 30, 2005, Section-8 funding (subsidy) received from HUD exceeded the Authority's Section-8 housing assistance payments (HAP) by \$318,700. This excess subsidy was accounted for as a deferred credit in the Authority's June 30, 2005 financial statements.

In January 2006 HUD issued guidance to housing authorities; advising them that a year-end settlement (form HUD-52681) was no longer required and that Section-8 subsidy funding received in excess HAP payments made by a housing authority should be recognized as operating revenue in the year received. As a result of this guidance from HUD, the Authority has recognized in the financial statements a prior period adjustment \$318,700.

**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2006**

| Federal Grantor/Program Title  | Federal<br>CFDA # | Federal Awards<br>Received | Expenditure of<br>Federal Awards |
|--|-------------------|----------------------------|----------------------------------|
| <b>U. S. Department of Housing &amp; Urban Development -<br/>Direct Programs</b> |                   |                            |                                  |
| Lower Income Housing Assistance Program - Section                                |                   |                            |                                  |
| 8 New Construction/Substantial Rehabilitation                                    |                   |                            |                                  |
| Broadway Plaza East Apartments   | 14.182            | \$ 547,809                 | \$ 547,809                       |
| Douglas Grove Apartments   | 14.182            | 70,264                     | 70,264                           |
| Subtotal CFDA # 14.182   |                   | <u>618,073</u>             | <u>618,073</u>                   |
| Section 8 Housing Assistance Payments Program                                    |                   |                            |                                  |
| Twelve Pines Apartments  | 14.195            | 341,822                    | 341,822                          |
| Lower Income Housing Assistance Program -  |                   |                            |                                  |
| Section 8 Moderate Rehabilitation  | 14.856            | 142,888                    | 142,888                          |
| Subtotal Section-8 Project-Based Cluster   |                   | <u>1,102,783</u>           | <u>1,102,783</u>                 |
| Low Income Housing   | 14.850            | 979,015                    | 979,015                          |
| Public Housing Capital Fund  | 14.872            | 419,951                    | 419,951                          |
| Section 8 Housing Choice Vouchers  | 14.871            | 19,243,512                 | 17,255,960                       |
| Resident Opportunity and Supportive Services                                     | 14.870            | <u>98,721</u>              | <u>98,721</u>                    |
| Total Expenditures of Federal Awards   |                   | <u>\$ 21,843,982</u>       | <u>\$ 19,856,430</u>             |

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

**1. 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 Segment Information - Unaudited  
As of and for the Year Ended June 30, 2006

**CONDENSED STATEMENT OF NET ASSETS**

|  | Affordable<br>Housing<br>Properties | Broadway<br>Plaza<br>West | Douglas<br>Grove  | Greenhouse        | ParkRidge<br>Condominiums | Property<br>Management | Local             | Everett<br>Smelter<br>Site | Total<br>(memorandum<br>only) |
|--|-------------------------------------|---------------------------|-------------------|-------------------|---------------------------|------------------------|-------------------|----------------------------|-------------------------------|
| <b>Assets</b>                                      |                                     |                           |                   |                   |                           |                        |                   |                            |                               |
| Cash & investments - unrestricted                  | \$ 37,834                           | \$ 128,591                | \$ 11,909         | \$ 34,604         | \$ 1,153,172              | \$ 455,772             | \$ 148,826        | \$ -                       | \$ 1,970,708                  |
| Cash & investments - restricted                    | 133,535                             | 18,976                    | 16,865            | -                 | -                         | -                      | -                 | -                          | 169,376                       |
| Due from other programs                            | -                                   | -                         | -                 | -                 | -                         | 78,788                 | 79,354            | -                          | 158,142                       |
| Other current assets                               | 4,330                               | 2,595                     | -                 | -                 | -                         | 702                    | -                 | 175,000                    | 182,627                       |
| Capital assets (net of accumulated depreciation)   | 5,412,717                           | 4,228,296                 | 503,881           | 291,111           | -                         | -                      | 281,741           | -                          | 10,717,746                    |
| Other assets                                       | -                                   | -                         | -                 | -                 | -                         | -                      | -                 | -                          | -                             |
| <b>Total Assets</b>                                | <b>\$ 5,588,416</b>                 | <b>\$ 4,378,458</b>       | <b>\$ 532,655</b> | <b>\$ 325,715</b> | <b>\$ 1,153,172</b>       | <b>\$ 535,262</b>      | <b>\$ 509,921</b> | <b>\$ 175,000</b>          | <b>\$ 13,198,599</b>          |
| <b>Liabilities</b>                                 |                                     |                           |                   |                   |                           |                        |                   |                            |                               |
| Current liabilities                                | 24,714                              | 12,347                    | 2,237             | 307               | 125,210                   | 5,405                  | -                 | 91,491                     | 261,711                       |
| Due to other programs                              | -                                   | -                         | -                 | -                 | -                         | -                      | -                 | 83,509                     | 83,509                        |
| Current portion of long-term debt                  | 226,271                             | -                         | 31,800            | 19,949            | -                         | -                      | -                 | -                          | 278,020                       |
| Current liabilities payable from restricted assets | 81,038                              | 18,976                    | 1,687             | -                 | -                         | -                      | -                 | -                          | 101,721                       |
| Bonds and notes payable - non-current              | 3,915,195                           | -                         | 369,869           | 64,594            | -                         | -                      | -                 | -                          | 4,349,658                     |
| Other non-current liabilities                      | 3,527                               | 6,723                     | 563               | -                 | -                         | 16,273                 | -                 | -                          | 27,086                        |
| <b>Total Liabilities</b>                           | <b>\$ 4,250,765</b>                 | <b>\$ 38,046</b>          | <b>\$ 406,156</b> | <b>\$ 84,850</b>  | <b>\$ 125,210</b>         | <b>\$ 21,678</b>       | <b>\$ -</b>       | <b>\$ 175,000</b>          | <b>\$ 5,101,705</b>           |
| <b>Net Assets</b>                                  |                                     |                           |                   |                   |                           |                        |                   |                            |                               |
| Invested in capital assets, net of related debt    | 1,271,251                           | 4,228,296                 | 102,212           | 206,568           | -                         | -                      | 281,741           | -                          | 6,090,068                     |
| Restricted   | 52,477                              | -                         | 15,178            | -                 | -                         | -                      | -                 | -                          | 67,655                        |
| Unrestricted                                       | 13,923                              | 112,116                   | 9,109             | 34,297            | 1,027,962                 | 513,584                | 228,180           | -                          | 1,939,171                     |
| <b>Total Net Assets</b>                            | <b>\$ 1,337,651</b>                 | <b>\$ 4,340,412</b>       | <b>\$ 126,499</b> | <b>\$ 240,865</b> | <b>\$ 1,027,962</b>       | <b>\$ 513,584</b>      | <b>\$ 509,921</b> | <b>\$ -</b>                | <b>\$ 8,096,894</b>           |

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

|                                       | Affordable<br>Housing<br>Properties | Broadway<br>Plaza<br>West | Douglas<br>Grove  | Greenhouse        | ParkRidge<br>Condominiums | Property<br>Management | Local             | Everett<br>Smelter<br>Site | Total<br>(memorandum<br>only) |
|---------------------------------------|-------------------------------------|---------------------------|-------------------|-------------------|---------------------------|------------------------|-------------------|----------------------------|-------------------------------|
| <b>Operating Revenue (Expenses)</b>   |                                     |                           |                   |                   |                           |                        |                   |                            |                               |
| Operating revenue                     | \$ 665,324                          | \$ 588,541                | \$ 84,130         | \$ 29,400         | \$ 6,553,808              | \$ 114,685             | \$ 792            | \$ 4,565,114               | \$ 12,601,794                 |
| Operating expenses                    | (315,325)                           | (351,624)                 | (35,754)          | (919)             | (5,264,042)               | (159,772)              | -                 | (6,926,228)                | (13,053,664)                  |
| Operating transfers in                | 68,845                              | -                         | -                 | -                 | -                         | 46,615                 | -                 | 194,028                    | 309,488                       |
| Operating transfers out               | -                                   | (260,345)                 | (3,400)           | -                 | (265,437)                 | -                      | (11,106)          | -                          | (540,288)                     |
| Depreciation expense                  | (148,107)                           | (142,085)                 | (9,403)           | (9,643)           | -                         | -                      | -                 | -                          | (309,238)                     |
| Operating income (loss)               | 270,737                             | (165,513)                 | 35,573            | 18,838            | 1,024,329                 | 1,528                  | (10,314)          | (2,167,086)                | (991,908)                     |
| <b>Nonoperating Revenue (Expense)</b> |                                     |                           |                   |                   |                           |                        |                   |                            |                               |
| Capital grants                        | -                                   | -                         | -                 | -                 | -                         | -                      | -                 | 2,167,086                  | 2,167,086                     |
| Interest income                       | 103                                 | 8,531                     | 611               | 1,123             | -                         | 20,594                 | 21,713            | -                          | 52,675                        |
| Interest expense                      | (172,450)                           | -                         | (21,617)          | (3,553)           | -                         | -                      | -                 | -                          | (197,620)                     |
| Nonoperating transfers in             | -                                   | -                         | -                 | -                 | -                         | -                      | -                 | -                          | -                             |
| Nonoperating income (expense)         | (172,347)                           | 8,531                     | (21,006)          | (2,430)           | -                         | 20,594                 | 21,713            | 2,167,086                  | 2,022,141                     |
| Increase (decrease) in net assets     | 98,390                              | (156,982)                 | 14,567            | 16,408            | 1,024,329                 | 22,122                 | 11,399            | -                          | 1,030,233                     |
| Net Assets, Beginning of Year         | 1,239,261                           | 4,497,394                 | 111,932           | 224,457           | 3,633                     | 491,462                | 498,522           | -                          | 7,066,661                     |
| <b>Net Assets, End of Year</b>        | <b>\$ 1,337,651</b>                 | <b>\$ 4,340,412</b>       | <b>\$ 126,499</b> | <b>\$ 240,865</b> | <b>\$ 1,027,962</b>       | <b>\$ 513,584</b>      | <b>\$ 509,921</b> | <b>\$ -</b>                | <b>\$ 8,096,894</b>           |

See notes to supplemental segment information

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

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 these criteria is presented on the previous page.

Housing Authority of the City of Everett  
Supplemental Financial Data Schedule  
Year Ended June 30, 2006

| 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 | Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat | Resident Opportunity and Supportive Services |
|---------------|--|---------------------|----------------------------|---|-------------------------|--|--|
| 111           | Cash - Unrestricted  | \$ 1,970,708        | \$ 136,995                 | \$ -  | \$ 1,077,469            | \$ -   | \$ -   |
| 115           | Cash - Restricted for Payment of Current Liabilities       | -                   | -                          | -   | 4,711                   | -  | -  |
| 113           | Cash - Other Restricted                                    | 113,431             | 40,337                     | -   | -                       | -  | -  |
| 114           | Cash - Tenant Security Deposits                            | 55,945              | 20,509                     | -   | 119,473                 | -  | -  |
| 100           | Total Cash   | 2,140,084           | 197,841                    | -   | 1,201,653               | -  | -  |
| 122           | Accounts Receivable - HUD Other Projects                   | -                   | -                          | -   | -                       | 4,183  | 18,844                                       |
| 124           | Accounts Receivable - Other Government                     | 12,522              | -                          | -   | -                       | -  | -  |
| 125           | Accounts Receivable - Miscellaneous                        | 175,000             | 20                         | -   | -                       | -  | -  |
| 126           | Accounts Receivable - Tenants - Dwelling Rents             | 8,285               | 910                        | -   | 3,068                   | -  | -  |
| 126.1         | Allowance for Doubtful Accounts - Dwelling Rents           | (2,450)             | -                          | -   | (1,250)                 | -  | -  |
| 126.2         | Allowance for Doubtful Accounts - Other                    | -                   | -                          | -   | -                       | -  | -  |
| 128.1         | Allowance for Doubtful Accounts - Fraud                    | -                   | -                          | -   | -                       | -  | -  |
| 129           | Accrued Interest Receivable                                | -                   | 17,703                     | -   | 7,294                   | -  | -  |
| 120           | Total Receivables, net of allowances for doubtful accounts | 193,357             | 18,633                     | -   | 9,112                   | 4,183  | 18,844                                       |
| 131           | Investments - Unrestricted                                 | -                   | -                          | -   | 585,121                 | -  | -  |
| 132           | Investments Restricted                                     | -                   | 1,718,683                  | -   | -                       | -  | -  |
| 142           | Prepaid Expenses and Other Assets                          | -                   | 14,413                     | -   | -                       | -  | -  |
| 143           | Inventories  | 1,792               | 7,218                      | -   | 19,897                  | 75   | -  |
| 143.1         | Allowance for Obsolete Inventories                         | -                   | -                          | -   | -                       | -  | -  |
| 144           | Interprogram Due From                                      | 80,263              | -                          | -   | 154,195                 | 38,552   | 477  |
| 150           | Total Current Assets                                       | 2,415,496           | 1,956,788                  | -   | 1,969,978               | 42,810   | 19,321                                       |
| 161           | Land   | 1,240,811           | 869,511                    | -   | 1,194,228               | -  | -  |
| 168           | Infrastructure   | -                   | -                          | -   | -                       | -  | -  |
| 162           | Buildings  | 12,116,477          | 5,210,012                  | -   | 28,007,249              | -  | -  |
| 163           | Furniture, Equipment & Machinery - Dwellings               | 132,599             | 63,546                     | -   | 349,342                 | -  | -  |
| 164           | Furniture, Equipment & Machinery - Administration          | 84,149              | 276,974                    | -   | 1,321,499               | -  | 25,447                                       |
| 165           | Leasehold Improvements                                     | -                   | -                          | -   | -                       | -  | -  |
| 166           | Accumulated Depreciation                                   | (2,850,955)         | (3,416,397)                | -   | (19,514,234)            | -  | (15,493)                                     |
| 167           | Construction in Progress                                   | -                   | 132,574                    | -   | -                       | -  | -  |
| 160           | Total Fixed Assets, Net of Accumulated Depreciation        | 10,723,081          | 3,136,220                  | -   | 11,358,084              | -  | 9,954  |
| 174           | Other Assets   | -                   | -                          | -   | -                       | -  | -  |
| 180           | Total Non-Current Assets                                   | 10,723,081          | 3,136,220                  | -   | 11,358,084              | -  | 9,954  |
| 190           | Total Assets   | \$ 13,138,577       | \$ 5,093,008               | \$ -  | \$ 13,328,062           | \$ 42,810  | \$ 29,275                                    |

Housing Authority of the City of Everett  
Supplemental Financial Data Schedule  
Year Ended June 30, 2006

| Line Item No. | Account Description   | Business Activities | N/C S/R Section 8 Programs | Section 8 Housing Assistance Program_Special Allocations | Low Rent Public Housing | Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat | Resident Opportunity and Supportive Services |
|---------------|---|---------------------|----------------------------|--|-------------------------|--|--|
| 312           | Accounts Payable <= 90 Days   | \$ 127,314          | \$ 22,385                  | \$ -   | \$ 41,833               | \$ 975   | \$ 330                                       |
| 322           | Accrued Compensated Absences - Current Portion                              | 6,614               | 2,050                      | -  | 17,775                  | 50   | 1,100  |
| 325           | Accrued Interest Payable  | 15,341              | -                          | -  | -                       | -  | -  |
| 341           | Tenant Security Deposits  | 55,945              | 20,509                     | -  | 119,473                 | -  | -  |
| 342           | Deferred Revenues   | 12,510              | 5,652                      | -  | 25,536                  | -  | -  |
| 343           | Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds | 278,020             | -                          | -  | -                       | -  | -  |
| 345           | Other Current Liabilities   | 152,437             | 16,238                     | -  | 104,798                 | -  | -  |
| 346           | Accrued Liabilities - Other   | -                   | -                          | -  | -                       | -  | -  |
| 347           | Interprogram Due To   | -                   | 78,788                     | -  | 477                     | -  | -  |
| 310           | Total Current Liabilities   | 648,181             | 145,622                    | -  | 309,892                 | 1,025  | 1,430  |
| 351           | Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds    | 4,349,658           | -                          | -  | -                       | -  | -  |
| 354           | Accrued Compensated Absences - Non Current                                  | 37,482              | 11,619                     | -  | 100,723                 | 285  | 6,235  |
| 353           | Noncurrent Liabilities - Other  | -                   | -                          | -  | -                       | -  | -  |
| 350           | Total Noncurrent Liabilities  | 4,387,140           | 11,619                     | -  | 100,723                 | 285  | 6,235  |
| 300           | Total Liabilities   | 5,035,321           | 157,241                    | -  | 410,615                 | 1,310  | 7,665  |
| 508           | Total Contributed Capital   | -                   | -                          | -  | -                       | -  | -  |
| 508.1         | Invested in Capital Assets, Net of Related Debt                             | 6,095,403           | 3,136,220                  | -  | 11,358,084              | -  | 9,954  |
| 511           | Total Reserved Fund Balance   | -                   | -                          | -  | -                       | -  | -  |
| 511.1         | Restricted Net Assets   | 67,655              | 1,759,020                  | -  | -                       | -  | -  |
| 512.1         | Unrestricted Net Assets   | 1,940,198           | 40,527                     | -  | 1,559,363               | 41,500   | 11,656                                       |
| 513           | Total Equity/Net Assets   | 8,103,256           | 4,935,767                  | -  | 12,917,447              | 41,500   | 21,610                                       |
| 600           | Total Liabilities and Equity/Net Assets                                     | \$ 13,138,577       | \$ 5,093,008               | \$ -   | \$ 13,328,062           | \$ 42,810  | \$ 29,275                                    |

Housing Authority of the City of Everett  
Supplemental Financial Data Schedule  
Year Ended June 30, 2006

| Line Item No. | Account Description  | Housing Choice Vouchers | Public Housing Capital Fund Program | Total Primary Government | Component Unit | Total Primary Government & Component Unit |
|---------------|--|-------------------------|-------------------------------------|--------------------------|----------------|---|
| 111           | Cash - Unrestricted  | \$ 305,727              | \$ -                                | \$ 3,490,899             | \$ 145,882     | \$ 3,636,731                              |
| 115           | Cash - Restricted for Payment of Current Liabilities       | 202,712                 | -                                   | 207,423                  | -              | 207,423                                   |
| 113           | Cash - Other Restricted                                    | 2,349,669               | -                                   | 2,503,437                | 84,663         | 2,588,100                                 |
| 114           | Cash - Tenant Security Deposits                            | -                       | -                                   | 195,927                  | 16,988         | 212,915                                   |
| 100           | Total Cash   | 2,858,108               | -                                   | 6,397,686                | 247,483        | 6,645,169                                 |
| 122           | Accounts Receivable - HUD Other Projects                   | -                       | 176,485                             | 199,512                  | -              | 199,512                                   |
| 124           | Accounts Receivable - Other Government                     | -                       | -                                   | 12,522                   | -              | 12,522                                    |
| 125           | Accounts Receivable - Miscellaneous                        | 1,550                   | -                                   | 176,570                  | 144            | 176,714                                   |
| 126           | Accounts Receivable - Tenants - Dwelling Rents             | -                       | -                                   | 12,263                   | 256            | 12,519                                    |
| 126.1         | Allowance for Doubtful Accounts - Dwelling Rents           | -                       | -                                   | (3,700)                  | -              | (3,700)                                   |
| 126.2         | Allowance for Doubtful Accounts - Other                    | -                       | -                                   | -                        | -              | -   |
| 128.1         | Allowance for Doubtful Accounts - Fraud                    | -                       | -                                   | -                        | -              | -   |
| 129           | Accrued Interest Receivable                                | -                       | -                                   | 24,997                   | -              | 24,997                                    |
| 120           | Total Receivables, net of allowances for doubtful accounts | 1,550                   | 176,485                             | 422,164                  | 400            | 422,564                                   |
| 131           | Investments - Unrestricted                                 | -                       | -                                   | 585,121                  | -              | 585,121                                   |
| 132           | Investments Restricted                                     | -                       | -                                   | 1,718,683                | 178,728        | 1,897,411                                 |
| 142           | Prepaid Expenses and Other Assets                          | -                       | -                                   | 14,413                   | 14,501         | 28,914                                    |
| 143           | Inventories  | 5,769                   | -                                   | 34,751                   | -              | 34,751                                    |
| 143.1         | Allowance for Obsolete Inventories                         | -                       | -                                   | -                        | -              | -   |
| 144           | Interprogram Due From                                      | -                       | -                                   | 273,487                  | -              | 273,487                                   |
| 150           | Total Current Assets                                       | 2,865,427               | 176,485                             | 9,446,305                | 441,112        | 9,887,417                                 |
| 161           | Land   | 36,000                  | -                                   | 3,340,550                | 711,359        | 4,051,909                                 |
| 168           | Infrastructure   | -                       | -                                   | -                        | -              | -   |
| 162           | Buildings  | 213,826                 | -                                   | 45,547,564               | 4,148,668      | 49,696,232                                |
| 163           | Furniture, Equipment & Machinery - Dwellings               | -                       | -                                   | 545,487                  | 209,731        | 755,218                                   |
| 164           | Furniture, Equipment & Machinery - Administration          | 355,676                 | -                                   | 2,063,745                | 13,107         | 2,076,852                                 |
| 165           | Leasehold Improvements                                     | -                       | -                                   | -                        | -              | -   |
| 166           | Accumulated Depreciation                                   | (329,166)               | -                                   | (26,126,245)             | (704,269)      | (26,830,514)                              |
| 167           | Construction in Progress                                   | -                       | 930,520                             | 1,063,094                | -              | 1,063,094                                 |
| 160           | Total Fixed Assets, Net of Accumulated Depreciation        | 276,336                 | 930,520                             | 26,434,195               | 4,378,596      | 30,812,791                                |
| 174           | Other Assets   | -                       | -                                   | -                        | 114,782        | 114,782                                   |
| 180           | Total Non-Current Assets                                   | 276,336                 | 930,520                             | 26,434,195               | 4,493,378      | 30,927,573                                |
| 190           | Total Assets   | \$ 3,141,763            | \$ 1,107,005                        | \$ 35,880,500            | \$ 4,934,490   | \$ 40,814,990                             |

Housing Authority of the City of Everett  
Supplemental Financial Data Schedule  
Year Ended June 30, 2006

| Line Item No. | Account Description   | Housing Choice Vouchers | Public Housing Capital Fund Program | Total Primary Government | Component Unit | Total Primary Government & Component Unit |
|---------------|---|-------------------------|-------------------------------------|--------------------------|----------------|---|
| 312           | Accounts Payable <= 90 Days   | \$ 15,022               | \$ 22,290                           | \$ 230,149               | \$ 3,033       | \$ 233,182                                |
| 322           | Accrued Compensated Absences - Current Portion                              | 12,045                  | -                                   | 39,634                   | -              | 39,634                                    |
| 325           | Accrued Interest Payable  | -                       | -                                   | 15,341                   | 77,004         | 92,345                                    |
| 341           | Tenant Security Deposits  | -                       | -                                   | 195,927                  | 16,988         | 212,915                                   |
| 342           | Deferred Revenues   | 24,917                  | -                                   | 68,615                   | 3,944          | 72,559                                    |
| 343           | Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds | -                       | -                                   | 278,020                  | 40,000         | 318,020                                   |
| 345           | Other Current Liabilities   | 202,712                 | -                                   | 476,185                  | -              | 476,185                                   |
| 346           | Accrued Liabilities - Other   | -                       | -                                   | -                        | 13,110         | 13,110                                    |
| 347           | Interprogram Due To   | 40,027                  | 154,195                             | 273,487                  | -              | 273,487                                   |
| 310           | Total Current Liabilities   | 294,723                 | 176,485                             | 1,577,358                | 154,079        | 1,731,437                                 |
| 351           | Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds    | -                       | -                                   | 4,349,658                | 3,552,124      | 7,901,782                                 |
| 354           | Accrued Compensated Absences - Non Current                                  | 68,255                  | -                                   | 224,599                  | -              | 224,599                                   |
| 353           | Noncurrent Liabilities - Other  | -                       | -                                   | -                        | 185,391        | 185,391                                   |
| 350           | Total Noncurrent Liabilities  | 68,255                  | -                                   | 4,574,257                | 3,737,515      | 8,311,772                                 |
| 300           | Total Liabilities   | 362,978                 | 176,485                             | 6,151,615                | 3,891,594      | 10,043,209                                |
| 508           | Total Contributed Capital   | -                       | -                                   | -                        | -              | -   |
| 508.1         | Invested in Capital Assets, Net of Related Debt                             | 276,336                 | 930,520                             | 21,806,517               | 786,472        | 22,592,989                                |
| 511           | Total Reserved Fund Balance   | -                       | -                                   | -                        | -              | -   |
| 511.1         | Restricted Net Assets   | 2,349,669               | -                                   | 4,176,344                | 263,391        | 4,439,735                                 |
| 512.1         | Unrestricted Net Assets   | 152,780                 | -                                   | 3,746,024                | (6,967)        | 3,739,057                                 |
| 513           | Total Equity/Net Assets   | 2,778,785               | 930,520                             | 29,728,885               | 1,042,896      | 30,771,781                                |
| 600           | Total Liabilities and Equity/Net Assets                                     | \$ 3,141,763            | \$ 1,107,005                        | \$ 35,880,500            | \$ 4,934,490   | \$ 40,814,990                             |

Housing Authority of the City of Everett  
Supplemental Financial Data Schedule  
Year Ended June 30, 2006

| 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 | Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat | Resident Opportunity and Supportive Services |
|-----------------|---|---------------------|----------------------------|---|-------------------------|--|--|
| <b>Revenue</b>  |   |                     |                            |   |                         |  |  |
| 703             | Net Tenant Rental Revenue                         | \$ 1,227,663        | \$ 214,121                 | \$ -  | \$ 1,324,992            | \$ -   | \$ -   |
| 704             | Tenant Revenue - Other                            | 32,634              | 214,399                    | -   | 25,937                  | -  | -  |
| 705             | Total Tenant Revenue                              | 1,260,297           | 428,520                    | -   | 1,350,929               | -  | -  |
| 706             | HUD PHA Operating Grants                          | -                   | 618,073                    | 341,822   | 979,015                 | 142,888  | 98,721                                       |
| 706.1           | Capital Grants                                    | 2,167,086           | -                          | -   | -                       | -  | -  |
| 708             | Other Government Grants                           | 119,482             | -                          | -   | -                       | -  | -  |
| 711             | Investment Income - Unrestricted                  | 52,676              | 4,681                      | -   | 66,086                  | -  | -  |
| 713             | Proceeds from Disposition of Assets Held for Sale | 11,118,922          | -                          | -   | -                       | -  | -  |
| 713.1           | Cost of Sale of Assets                            | (12,190,269)        | -                          | -   | -                       | -  | -  |
| 715             | Other Revenue                                     | 153,949             | 39,922                     | -   | 47,073                  | -  | -  |
| 716             | Gain/Loss on Sale of Fixed Assets                 | (1,642)             | (1,224)                    | -   | (413)                   | -  | -  |
| 720             | Investment Income - Restricted                    | -                   | 60,454                     | -   | -                       | -  | -  |
| 700             | Total Revenue                                     | 2,680,501           | 1,150,426                  | 341,822   | 2,442,690               | 142,888  | 98,721                                       |
| <b>Expenses</b> |   |                     |                            |   |                         |  |  |
| 911             | Administrative Salaries                           | 273,976             | 104,937                    | -   | 479,716                 | 1,654  | -  |
| 912             | Auditing Fees                                     | 1,652               | 788                        | -   | 4,854                   | 203  | -  |
| 913             | Outside Management Fees                           | -                   | -                          | -   | -                       | -  | -  |
| 914             | Compensated Absences                              | (1,522)             | (2,773)                    | -   | (1,080)                 | 22   | 2,972  |
| 915             | Employee Benefit Contributions - Administrative   | 66,887              | 27,755                     | -   | 146,085                 | 468  | -  |
| 916             | Other Operating - Administrative                  | 125,796             | 25,346                     | -   | 101,737                 | 11,812   | -  |
| 921             | Tenant Services - Salaries                        | -                   | -                          | -   | 32,387                  | -  | 102,726                                      |
| 922             | Relocation Costs                                  | -                   | -                          | -   | -                       | -  | -  |
| 923             | Employee Benefit Contributions - Tenant Services  | -                   | -                          | -   | 9,862                   | -  | 27,905                                       |
| 924             | Tenant Services - Other                           | 2,993               | 127                        | -   | 22,137                  | -  | 13,897                                       |
| 931             | Water   | 48,262              | 25,159                     | -   | 265,593                 | 17   | -  |
| 932             | Electricity                                       | 38,021              | 40,092                     | -   | 51,349                  | 162  | -  |
| 933             | Gas   | 4,801               | 11,627                     | -   | 26,460                  | 80   | -  |
| 941             | Ordinary Maintenance and Operations - Labor       | 148,753             | 281,045                    | -   | 536,957                 | 229  | -  |

Housing Authority of the City of Everett  
Supplemental Financial Data Schedule  
Year Ended June 30, 2006

| Line Item No. | Account Description  | Business Activities | N/C S/R Section 8 Programs | Section 8 Housing Assistance Program_Special Allocations | Low Rent Public Housing | Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat | Resident Opportunity and Supportive Services |
|---------------|--|---------------------|----------------------------|--|-------------------------|--|--|
| 942           | Ordinary Maintenance and Operations - Materials and Other      | 36,604              | 242,494                    | -  | 153,646                 | 61   | -  |
| 943           | Ordinary Maintenance and Operations - Contract Costs           | 110,028             | 70,509                     | -  | 201,200                 | 528  | -  |
| 945           | Employee Benefit Contributions - Ordinary Maintenance          | 36,315              | 55,942                     | -  | 153,653                 | 65   | -  |
| 961           | Insurance Premiums   | 55,226              | 61,600                     | -  | 104,583                 | 297  | -  |
| 963           | Payments in Lieu of Taxes                                      | -                   | 16,238                     | -  | 98,159                  | -  | -  |
| 964           | Bad Debt - Tenant Rents  | 18,892              | 3,956                      | -  | 3,068                   | -  | -  |
| 967           | Interest Expense   | 197,620             | -                          | -  | -                       | -  | -  |
| 969           | Total Operating Expenses                                       | 1,164,304           | 964,842                    | -  | 2,390,366               | 15,598   | 147,500                                      |
| 970           | Excess Operating Revenue over Operating Expenses               | 1,516,197           | 185,584                    | 341,822  | 52,324                  | 127,290  | (48,779)                                     |
| 971           | Extraordinary Maintenance                                      | 24,530              | 18,196                     | -  | 32,041                  | -  | -  |
| 972           | Casualty Losses - Non-Capitalized                              | 2,552               | -                          | -  | 6,990                   | -  | -  |
| 973           | Housing Assistance Payments                                    | -                   | -                          | -  | -                       | 123,277  | -  |
| 974           | Depreciation Expense   | 310,851             | 171,741                    | -  | 1,191,760               | -  | 4,797  |
| 900           | Total Expenses   | 1,502,237           | 1,154,779                  | -  | 3,621,157               | 138,875  | 152,297                                      |
| 1001          | Operating Transfers In   | 113,480             | 260,345                    | -  | -                       | -  | 61,969                                       |
| 1002          | Operating Transfers Out  | (260,345)           | (113,480)                  | (341,822)  | (61,969)                | -  | -  |
| 1010          | Total Other Financing Sources (Uses)                           | (146,865)           | 146,865                    | (341,822)  | (61,969)                | -  | 61,969                                       |
| 1000          | Excess (Deficiency) of Operating Revenue Over (Under) Expenses | \$ 1,031,399        | \$ 142,512                 | \$ -   | \$ (1,240,436)          | \$ 4,013   | \$ 8,393                                     |



Housing Authority of the City of Everett  
Supplemental Financial Data Schedule  
Year Ended June 30, 2006

| Line Item No.   | Account Description                               | Housing Choice Vouchers | Public Housing Capital Fund Program | Total Primary Government | Component Unit | Total Primary Government & Component Unit |
|-----------------|---|-------------------------|-------------------------------------|--------------------------|----------------|---|
| <b>Revenue</b>  |   |                         |                                     |                          |                |   |
| 703             | Net Tenant Rental Revenue                         | \$ -                    | \$ -                                | \$ 2,766,776             | \$ 218,896     | \$ 2,985,672                              |
| 704             | Tenant Revenue - Other                            | -                       | -                                   | 272,970                  | 7,680          | 280,650                                   |
| 705             | Total Tenant Revenue                              | -                       | -                                   | 3,039,746                | 226,576        | 3,266,322                                 |
| 706             | HUD PHA Operating Grants                          | 19,218,595              | 180,228                             | 21,579,342               | -              | 21,579,342                                |
| 706.1           | Capital Grants                                    | -                       | 239,723                             | 2,406,809                | -              | 2,406,809                                 |
| 708             | Other Government Grants                           | -                       | -                                   | 119,482                  | -              | 119,482                                   |
| 711             | Investment Income - Unrestricted                  | 75,454                  | -                                   | 198,897                  | 7,828          | 206,725                                   |
| 713             | Proceeds from Disposition of Assets Held for Sale | -                       | -                                   | 11,118,922               | -              | 11,118,922                                |
| 713.1           | Cost of Sale of Assets                            | -                       | -                                   | (12,190,269)             | -              | (12,190,269)                              |
| 715             | Other Revenue                                     | 13,819                  | -                                   | 254,763                  | 2,624          | 257,387                                   |
| 716             | Gain/Loss on Sale of Fixed Assets                 | -                       | -                                   | (3,279)                  | -              | (3,279)                                   |
| 720             | Investment Income - Restricted                    | -                       | -                                   | 60,454                   | 413            | 60,867                                    |
| 700             | Total Revenue                                     | 19,307,868              | 419,951                             | 26,584,867               | 237,441        | 26,822,308                                |
| <b>Expenses</b> |   |                         |                                     |                          |                |   |
| 911             | Administrative Salaries                           | 804,463                 | 134,407                             | 1,799,153                | 29,167         | 1,828,320                                 |
| 912             | Auditing Fees                                     | 17,916                  | -                                   | 25,413                   | 6,600          | 32,013                                    |
| 913             | Outside Management Fees                           | -                       | -                                   | -                        | 52,509         | 52,509                                    |
| 914             | Compensated Absences                              | (9,973)                 | -                                   | (12,354)                 | -              | (12,354)                                  |
| 915             | Employee Benefit Contributions - Administrative   | 227,112                 | 25,731                              | 494,038                  | 7,298          | 501,336                                   |
| 916             | Other Operating - Administrative                  | 359,072                 | 7,643                               | 631,406                  | 11,654         | 643,060                                   |
| 921             | Tenant Services - Salaries                        | -                       | -                                   | 135,113                  | -              | 135,113                                   |
| 922             | Relocation Costs                                  | -                       | 617                                 | 617                      | -              | 617                                       |
| 923             | Employee Benefit Contributions - Tenant Services  | -                       | -                                   | 37,767                   | -              | 37,767                                    |
| 924             | Tenant Services - Other                           | 752                     | -                                   | 39,906                   | 140            | 40,046                                    |
| 931             | Water   | 1,301                   | -                                   | 340,332                  | 25,340         | 365,672                                   |
| 932             | Electricity                                       | 12,506                  | -                                   | 142,130                  | 10,012         | 152,142                                   |
| 933             | Gas   | 6,227                   | -                                   | 49,195                   | -              | 49,195                                    |
| 941             | Ordinary Maintenance and Operations - Labor       | 17,668                  | -                                   | 984,652                  | 50,530         | 1,035,182                                 |

Housing Authority of the City of Everett  
Supplemental Financial Data Schedule  
Year Ended June 30, 2006

| Line Item No. | Account Description  | Housing Choice Vouchers | Public Housing Capital Fund Program | Total Primary Government | Component Unit | Total Primary Government & Component Unit |
|---------------|--|-------------------------|-------------------------------------|--------------------------|----------------|---|
| 942           | Ordinary Maintenance and Operations - Materials and Other      | 5,436                   | 409                                 | 438,650                  | 14,247         | 452,897                                   |
| 943           | Ordinary Maintenance and Operations - Contract Costs           | 48,070                  | 6,332                               | 436,667                  | 32,403         | 469,070                                   |
| 945           | Employee Benefit Contributions - Ordinary Maintenance          | 4,988                   | -                                   | 250,963                  | 12,644         | 263,607                                   |
| 961           | Insurance Premiums   | 32,840                  | -                                   | 254,546                  | 30,441         | 284,987                                   |
| 963           | Payments in Lieu of Taxes                                      | -                       | -                                   | 114,397                  | -              | 114,397                                   |
| 964           | Bad Debt - Tenant Rents  | -                       | -                                   | 25,916                   | 637            | 26,553                                    |
| 967           | Interest Expense   | -                       | -                                   | 197,620                  | 181,296        | 378,916                                   |
| 969           | Total Operating Expenses                                       | 1,528,378               | 175,139                             | 6,386,127                | 464,918        | 6,851,045                                 |
| 970           | Excess Operating Revenue over Operating Expenses               | 17,779,490              | 244,812                             | 20,198,740               | (227,477)      | 19,971,263                                |
| 971           | Extraordinary Maintenance                                      | -                       | 5,089                               | 79,856                   | 4,666          | 84,522                                    |
| 972           | Casualty Losses - Non-Capitalized                              | -                       | -                                   | 9,542                    | -              | 9,542                                     |
| 973           | Housing Assistance Payments                                    | 15,641,954              | -                                   | 15,765,231               | -              | 15,765,231                                |
| 974           | Depreciation Expense   | 33,639                  | -                                   | 1,712,788                | 129,511        | 1,842,299                                 |
| 900           | Total Expenses   | 17,203,971              | 180,228                             | 23,953,544               | 599,095        | 24,552,639                                |
| 1001          | Operating Transfers In   | -                       | -                                   | 435,794                  | 341,822        | 777,616                                   |
| 1002          | Operating Transfers Out  | -                       | -                                   | (777,616)                | -              | (777,616)                                 |
| 1010          | Total Other Financing Sources (Uses)                           | -                       | -                                   | (341,822)                | 341,822        | -   |
| 1000          | Excess (Deficiency) of Operating Revenue Over (Under) Expenses | \$ 2,103,897            | \$ 239,723                          | \$ 2,289,501             | \$ (19,832)    | \$ 2,269,669                              |

Housing Authority of the City of Everett  
Supplemental Financial Data Schedule  
Year Ended June 30, 2006

| 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 |         | Lower Income Housing Assistance Program, Section 8 Moderate Rehabilitation |   | Resident Opportunity and Supportive Services |   |
|---------------|--|---------------------|-----------|----------------------------|---|--|---|-------------------------|---------|--|---|--|---|
|               |  | \$                  | -         | \$                         | - | \$   | - | \$                      | -       | \$   | - | \$   | - |
| 1102          | Debt Principal Payments - Enterprise Funds   |                     |           |                            |   |  |   |                         |         |  |   |  |   |
| 1103          | Beginning Equity   |                     | 7,071,857 | 4,793,255                  |   |  |   | 13,394,879              |         | 37,487   |   | 13,217                                       |   |
| 1104          | Prior Period Adjustments, Equity Transfers and Correction of Errors                    |                     | -         | -                          | - | -  | - | 763,004                 | -       | -  | - | -  | - |
| 1113          | Maximum Annual Contributions Commitment (Per ACC)                                      |                     | -         | -                          | - | -  | - | -                       | 42,986  | -  | - | -  | - |
| 1114          | Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months |                     | -         | -                          | - | -  | - | -                       | -       | -  | - | -  | - |
| 1115          | Contingency Reserve, ACC Program Reserve   |                     | -         | -                          | - | -  | - | -                       | 82,424  | -  | - | -  | - |
| 1116          | Total Annual Contributions Available   |                     | -         | -                          | - | -  | - | -                       | 125,410 | -  | - | -  | - |
| 1120          | Unit Months Available  |                     | 2,292     | 1,224                      |   |  |   | 7,416                   |         | 348  |   | -  |   |
| 1121          | Number of Unit Months Leased   |                     | 2,124     | 1,159                      |   |  |   | 7,360                   |         | 328  |   | -  |   |

Housing Authority of the City of Everett  
Supplemental Financial Data Schedule  
Year Ended June 30, 2006

| Line Item No. | Account Description  | Housing Choice Vouchers | Public Housing Capital Fund Program | Total Primary Government | Component Unit | Total Primary Government & Component Unit |
|---------------|--|-------------------------|-------------------------------------|--------------------------|----------------|---|
| 1102          | Debt Principal Payments - Enterprise Funds   | \$ -                    | \$ -                                | \$ -                     | \$ -           | \$ -                                      |
| 1103          | Beginning Equity   | 356,187                 | 1,453,801                           | 27,120,683               | 1,062,728      | 28,183,411                                |
| 1104          | Prior Period Adjustments, Equity Transfers and Correction of Errors                    | 318,701                 | (763,004)                           | 318,701                  | -              | 318,701                                   |
| 1113          | Maximum Annual Contributions Commitment (Per ACC)                                      | -                       | -                                   | 42,986                   | -              | 42,986                                    |
| 1114          | Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months | -                       | -                                   | -                        | -              | -   |
| 1115          | Contingency Reserve, ACC Program Reserve   | -                       | -                                   | 82,424                   | -              | 82,424                                    |
| 1116          | Total Annual Contributions Available   | -                       | -                                   | 125,410                  | -              | 125,410                                   |
| 1120          | Unit Months Available  | 26,725                  | -                                   | 38,005                   | 960            | 38,965                                    |
| 1121          | Number of Unit Months Leased   | 26,725                  | -                                   | 37,696                   | 950            | 38,646                                    |

|   |   |   |
|---|---|---|
| <b>Actual Comprehensive Grant<br/>Cost Certificate</b><br>Comprehensive Grant Program (CFP) | <b>U. S. Department of Housing<br/>And Urban Development</b><br>Office of Public and Indian Housing | OMB Approval No. 2577-0157<br>(Exp. 09-30-2005) |
|---|---|---|

|  |   |
|--|---|
| <b>PHA/IHA Name</b><br><br><b>Housing Authority of the City of Everett</b> | <b>Comprehensive Grant Number</b><br><b>WA19p006501-02</b><br><b>FFY of Grant Approval</b><br><b>2002</b> |
|--|---|

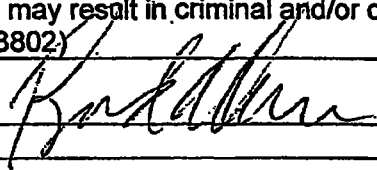
The HA hereby certifies to the Department of Housing and Urban Development as follows:

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                    | \$1,028,345.00 |
| B. Revised funds Approved                     | \$1,028,345.00 |
| C. Funds Advanced                             | \$1,028,345.00 |
| D. Funds Expended (Actual Modernization Cost) | \$1,028,345.00 |
| E. Amount to be Recaptured (A-D)              | .00            |
| F. Excess of Funds Advanced (B-D)             | .00            |

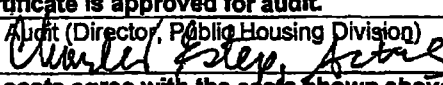
2. That all modernization work in connection with the Modernization Grant has been completed;
3. That the entire Actual Modernization Cost of Liabilities therefor incurred by the HA have been fully paid;
4. That there are no un-discharged mechanics', laborers', contractors', or material-men's liens against 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
5. That the time in which such liens could be filed has expired.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. **Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

|                    |   |      |           |
|--------------------|---|------|-----------|
| Signature          |  | Date | 2/13/2006 |
| Executive Director |   |      |           |

**For HUD Use Only**

☒ The cost certificate is approved for audit.

|   |         |
|---|---------|
| Approved for Audit (Director, Public Housing Division)                              | Date    |
|  | 2/24/06 |

☒ The audited costs agree with the costs shown above.

|  |      |
|--|------|
| Verified (Director, Public Housing Division) | Date |
|  |      |

|  |      |
|--|------|
| Approved (Field Office Manager or, in co-located office, Regional Administrator) | Date |
|  |      |