

**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, 2007 through June 30, 2008**

**Report No. 1001663**

Issue Date  
**June 22, 2009**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

June 22, 2009

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.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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# **Federal Summary**

## **Housing Authority of the City of Everett Snohomish County July 1, 2007 through June 30, 2008**

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.

### ***FINANCIAL STATEMENTS***

An unqualified opinion was issued on the financial statements of the business type activities and the discretely presented component units.

#### **Internal Control Over Financial Reporting:**

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

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

### ***FEDERAL AWARDS***

#### **Internal Control Over Major Programs:**

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

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

We reported no findings that are required to be disclosed under OMB Circular A-133.

**Identification of Major Programs:**

The following was a major program during the period under audit:

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

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$677,625.

The Housing Authority qualified as a low-risk auditee under OMB Circular A-133.

# **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, 2007 through June 30, 2008

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 aggregate discretely presented components of the Housing Authority of the City of Everett, Snohomish County, Washington, as of and for the year ended June 30, 2008, and have issued our report thereon dated June 3, 2009.

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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **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, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

June 3, 2009

# **Independent Auditor's Report on Compliance with Requirements Applicable to its 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, 2007 through June 30, 2008

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

## **COMPLIANCE**

We have audited the compliance of the Housing Authority of the City of Everett, Snohomish County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The Housing Authority's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on the Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 program for the year ended June 30, 2008.



## **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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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", is positioned above the printed name and title.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

June 3, 2009

# **Independent Auditor's Report on Financial Statements**

## **Housing Authority of the City of Everett Snohomish County July 1, 2007 through June 30, 2008**

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 aggregate discretely presented component unit of the Housing Authority of the City of Everett, Snohomish County, Washington, as of and for the year ended June 30, 2008, as listed on page 9. 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 financial position of the Housing Authority of the City of Everett, as of June 30, 2008, and the changes in financial position and, where applicable, 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 10 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 is supplemental information required by HUD. 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 but are supplementary information presented for purposes of additional analysis. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a stylized, flowing script.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

June 3, 2009

# **Financial Section**

## **Housing Authority of the City of Everett Snohomish County July 1, 2007 through June 30, 2008**

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

Management's Discussion and Analysis – 2008

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

Statement of Net Assets – 2008  
Statement of Revenues, Expenses and Changes in Net Assets – 2008  
Statement of Cash Flows – 2008  
Notes to Financial Statements – 2008

### ***SUPPLEMENTAL INFORMATION***

Schedule of Expenditures of Federal Awards – 2008  
Notes to the Schedule of Expenditures of Federal Awards – 2008  
Financial Data Schedule – 2008  
Supplemental Segment Information- Unaudited – 2008  
Notes to Supplemental Segment Information- Unaudited – 2008

**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2008**

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 public corporation (public body corporate and politic) 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"): (a) Conventional Low Income Public Housing program and (b) Housing Choice Voucher program.

***Overview of the Financial Statements***

The following discussion and analysis provides an overview of the Authority's financial activities and should be read in conjunction with the Authority's financial statements that follow the Management's Discussion and Analysis (MD&A) section.

The financial statements are presented in accordance with U.S. generally accepted accounting principles (GAAP). GAAP requires the presentation of three basic financial statements (statement of net assets; statement of revenues, expenses and changes in net assets; and statement of cash flows) and notes to the financial statements. These 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, 2008 and the results of its operations and cash flows for the year then ended.

The basic financial statements and notes to the financial statements are:

- **Statement of Net Assets** – presents the assets, liabilities and net assets of the Authority at the end of the fiscal year. The difference between the total assets and the total liabilities equals the Authority's net assets. Over time, changes in total net assets may reflect changes in the financial position of the Authority.
- **Statement of Revenues, Expenses and Changes in Net Assets** – this statement presents information showing how the Authority's assets changed during the year. All changes in total net assets are reported when the relevant event occurs, regardless of the timing of the cash flow. This means that revenues and expenses are reported in this statement for which the cash flow may occur in a future period. For example, unused paid leave earned by employees during the current year is reported as an expense of this period but will not actually be paid until some future fiscal period
- **Statement of Cash Flows** – reports cash receipts, cash payments and net changes in cash resulting from operating, investing and financing activities. This statement also provides insight into where cash came from, how it was used and what the change in cash balance was during the reporting period.
- **Notes to the Financial Statements** – the notes provide additional information that is essential to a full understanding of the data provided in the Authority's basic financial statements. The notes can be found following the basic financial statements.

***Financial Highlights***

- Assets of the Authority exceeded liabilities at June 30, 2008 by \$30,280,729 (net assets). Of this amount, \$4,257,535 is classified as unrestricted net assets and may be used by the Authority to meet its ongoing obligations.

- Total net assets increased by \$370,697 (or 1.2%) during the past year, after giving effect to a prior period adjustment of \$449,908. Net assets were \$30,280,729 and \$29,910,032 at June 30, 2008 and 2007, respectively.
- Total operating and non-operating revenues increased by \$1,639,994 (or 6.4%) during the past year, and were \$27,354,813 for 2008 and \$25,714,819 for 2007.
- The total expenses of the Authority's programs increased by \$1,832,402 (or 7.2%). Total expenses were \$27,434,024 and \$25,601,622 for 2008 and 2007, respectively.
- The Authority's unrestricted net assets at June 30, 2008 and 2007 were 4,257,535 and \$3,653,495 respectively, an increase of 16.5%.
- A 21 unit apartment complex, Lakeview Terrace Apartments, was acquired in July 2007 at a total cost of \$2,233,195.

### ***The Authority's Programs***

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. Beginning July 1, 2007 the Authority modified its business operations as needed to implement the asset management financial reporting model as required by HUD. As a part of the new reporting model a new fund, the Central Office Cost Center (COCC), was established to account for the management activities of the housing authority that are not a direct activity of a project or program. 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 Annual Contributions Contracts with HUD, and HUD provides operating subsidies and capital grant funding to enable EHA to provide housing at a rent that is based on 30% of household income. Effective July 1, 2007, the Authority separated the Low Income Public Housing program into five asset managements projects (AMPS) as a part of the conversion to Asset Management. 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 contracts with independent landlords that own rental housing property. The Authority subsidizes the tenant 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 normally 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 costs are funded from rents collected from residents and a Section 8 New Construction Housing Assistance Payment Contract with HUD. In July 2008 the Everett Housing Authority notified HUD of its intention to “opt out” of the Section 8 New Construction Housing Assistance Payment Contract with HUD on August 1, 2009. As a result of a competitive process completed in 2007, the Authority has entered into a 15 year contract under which it will replace the Section 8 New Construction Housing Assistance Payment Contract with “Project Based” housing voucher assistance on August 1, 2009.

*Broadway Plaza West* – An 89 unit apartment building serving seniors. Operating costs are funded through a combination of tenant rents and “Project Based” housing vouchers covering 84 of the units. The Project Based contract is for a period of ten years beginning August 1, 2007.

*Affordable Housing Properties* – Includes seven separate non-subsidized apartment complexes all located within the Authority's service area. These seven properties have a combined total of 122 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. At June 30, 2008, fifty of the tenants residing in these apartments complexes were participants in the Authority's Housing Choice Voucher Program.

## **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 purpose of this statement is to provide financial statement readers with a snapshot of the financial condition of the Authority as of a certain point in time. The following table reflects the condensed information from the Authority's Statement of Net Assets compared to the prior year.

### **CONDENSED STATEMENT OF NET ASSETS**

	<b>As of June 30,</b>	
	<b>2008</b>	<b>2007</b>
Assets		
Current assets	\$ 9,355,251	\$ 9,758,242
Capital assets	28,333,380	26,499,846
Other assets	414,780	-
Total Assets	<u>38,103,411</u>	<u>36,258,088</u>
Liabilities		
Accounts payable and other current liabilities	1,525,869	1,358,149
Long-term liabilities	6,296,813	4,989,907
Total Liabilities	<u>7,822,682</u>	<u>6,348,056</u>
Net Assets		
Invested in capital assets, net of related debt	21,977,112	21,458,929
Restricted	4,046,082	4,797,608
Unrestricted	4,257,535	3,653,495
Total Net Assets	<u>\$ 30,280,729</u>	<u>\$ 29,910,032</u>

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

Total assets of the Authority at June 30, 2008 and June 30, 2007 were \$38,103,411 and \$36,258,088, respectively. This represents an increase of \$1,845,323 during the year.

Current assets decreased by \$402,991 and current liabilities increased by \$167,720. The Authority's current ratio decreased from 7.18 in 2007 to 6.13 in 2008. There are sufficient current assets (primarily cash, investments and accounts receivable) to extinguish current liabilities.

The net increase in capital assets of \$1,833,534 represents the difference between capital assets acquired during the year totaling \$3,654,248, depreciation expense of \$1,813,190 and book value of assets disposed of for \$7,524.

Increase in the Authority's long-term debt is principally due to the acquisition of Lakeview Terrace Apartments, a 21 unit apartment complex.

The following table presents details on the changes in unrestricted net assets during the year:

**CHANGES IN UNRESTRICTED NET ASSETS**

Unrestricted net assets - June 30, 2007	\$ 3,653,495
Total change in net assets (including prior period adjustment)	370,697
Adjustments:	
Depreciation (1)	1,813,190
Adjusted change in net assets	5,837,382
Proceeds from capital asset long-term debt borrowings	1,640,036
Payments on capital asset long-term debt borrowings	(324,686)
Capital asset additions	(3,654,248)
Other changes	7,525
Increase in restricted assets	751,526
Unrestricted net assets - June 30, 2008	<u>\$ 4,257,535</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.

As of June 30, 2008 there are no restrictions, commitments or other limitations that would significantly affect the availability of resources for future use.

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 purpose of the Statement of Revenues, Expenses and Changes in Net Assets is to present 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.

Condensed information from the Authority's statements of revenue, expenses and changes in net assets is summarized in the following table. The prior year's revenue and expense amounts have been reclassified to restate certain accounts resulting from the implementation of the asset management financial reporting model. The reclassification/restatement did not increase or decrease the Change in Net Assets.



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

	<b>June 30,</b>	
	<b>2008</b>	<b>2007 (Restated)</b>
Operating and nonoperating revenue		
Operating grants and subsidies	\$ 21,877,644	\$ 20,836,287
Tenant revenue - rents and other	4,226,905	3,411,279
Capital grants	572,043	620,595
Interest income	377,094	461,865
Other revenue	301,127	384,793
Total revenue	<u>27,354,813</u>	<u>25,714,819</u>
Operating and nonoperating expenses		
Housing assistance payments	17,929,385	16,580,644
Administrative	3,106,589	2,975,233
Maintenance and operation	1,922,178	1,946,257
Depreciation	1,813,190	1,753,428
Tenant services	1,115,677	1,002,381
General	657,596	576,098
Utilities	602,514	566,125
Interest expense	286,895	201,456
Total expenses	<u>27,434,024</u>	<u>25,601,622</u>
Change in Net Assets	(79,211)	113,197
Net Assets - Beginning of Year	29,910,032	29,728,885
Prior period adjustment	<u>449,908</u>	<u>67,950</u>
Net Assets - End of Year	<u><u>\$ 30,280,729</u></u>	<u><u>\$ 29,910,032</u></u>

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

Operating subsidies and grants received during the year increased by approximately \$1,041,350. Rents and other tenant revenue increased by approximately \$815,600.

Total expenses increased by \$1,832,402 (7.2%), primarily due to the increase in Section-8 Housing Assistance Payments by \$1,348,741. All other expense categories combined increased by \$483,661 or 5.4%.

***Capital Assets and Debt Administration***

***Capital Assets***

At June 30, 2008, the Authority had \$28,333,380 invested in a variety of capital assets (as summarized below), which represents a net increase of \$1,833,534 from June 30, 2007.

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

	<b>As of June 30,</b>	
	<b>2008</b>	<b>2007</b>
Land and site improvements	\$ 4,030,625	\$ 3,524,625
Building and building improvements	50,111,308	47,124,253
Equipment	2,601,525	2,831,292
Construction in progress	855,608	860,602
Total	<u>57,599,066</u>	<u>54,340,772</u>
Accumulated depreciation	<u>(29,265,686)</u>	<u>(27,840,926)</u>
Capital assets - net	<u><u>\$ 28,333,380</u></u>	<u><u>\$ 26,499,846</u></u>

The following reconciliation summarizes the change in capital assets from June 30, 2007 to June 30, 2008, which is presented in more detail in Note 4 of the Notes to the Financial Statements.

**CHANGE IN CAPITAL ASSETS**

Balance at June 30, 2007	\$ 26,499,846
Additions	3,654,248
Reductions - net	(7,524)
Depreciation expense	<u>(1,813,190)</u>
Balance at June 30, 2008	<u><u>\$ 28,333,380</u></u>

This year's major additions to capital assets resulted primarily from the Authority's Public Housing Capital Improvement Program (Grandview Homes renovation), the purchase of Lakeview Terrace Apartments, and also equipment and system upgrades to the Broadway Plaza East Apartments property. It is anticipated that the majority of the Grandview Homes renovation work will be completed by the end of 2011. Dwelling and non-dwelling equipment additions for the year totaled \$166,187.

***Outstanding Debt***

At June 30, 2008 the Authority had outstanding debt (bonds and notes) totaling \$6,356,268, a net increase of \$1,315,351. This net increase resulted from the issuance of bonds and notes totaling \$1,640,036 in connection with the acquisition of Lakeview Terrace apartments and principal payments on debt of \$324,685. Please refer to Note 6 of the Notes to the Financial Statements for more information.

## OUTSTANDING DEBT AT YEAR-END

	<u>As of June 30,</u>	
	<u>2008</u>	<u>2007</u>
Revenue Bonds Payable		
Douglas Grove apartments	\$ 336,694	\$ 370,137
Greenhouse property	43,878	64,594
Rainier Park apartments	461,135	497,532
Rucker Street apartments	355,389	382,821
Oakes Avenue apartments	324,549	348,462
Bridge Creek apartments	580,447	621,397
Timber Hill apartments	1,429,021	1,523,949
Pacific Square apartments	374,541	392,814
Lakeview Terrace apartments	1,533,613	-
	<u>5,439,267</u>	<u>4,201,706</u>
Less: Current portion	<u>(329,998)</u>	<u>(296,041)</u>
 Total Revenue Bonds Payable	 <u><u>\$ 5,109,269</u></u>	 <u><u>\$ 3,905,665</u></u>
 Notes Payable		
Bridge Creek apartments	\$ 528,788	\$ 541,034
Pacific Square apartments (HOME Loan)	65,633	65,633
Pacific Square apartments (Housing Trust Fund Loan)	232,544	232,544
Lakeview Terrace apartments (Housing Trust Fund Loan)	90,036	-
	<u>917,001</u>	<u>839,211</u>
Less: Current portion	<u>(12,369)</u>	<u>(12,246)</u>
 Total Notes Payable	 <u><u>\$ 904,632</u></u>	 <u><u>\$ 826,965</u></u>

### ***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.

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, 2008

	Primary Government Total	Component Unit
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents - unrestricted	\$ 3,728,624	\$ 115,774
Cash and cash equivalents - restricted	3,935,073	146,926
Investments - unrestricted	642,951	-
Investments - restricted	642,809	179,616
Accounts receivable (net)	212,076	1,539
Inventories	123,816	-
Prepaid and other current assets	69,902	14,104
Total current assets	9,355,251	457,959
<b>NON-CURRENT ASSETS:</b>		
Capital assets		
Land	3,865,729	708,000
Property and equipment, net	23,612,043	3,422,656
Construction in progress	855,608	-
Total capital assets	28,333,380	4,130,656
Note receivable	414,780	-
Other assets	-	105,014
Total non-current assets	28,748,160	4,235,670
Total assets	38,103,411	4,693,629
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	346,526	19,638
Accrued expenses	272,939	58,831
Deferred revenue	29,063	1,152
Security deposits	223,515	15,611
FSS escrow	237,858	-
Other deferred credits	73,601	-
Current portion of long-term debt	342,367	45,000
Total current liabilities	1,525,869	140,232
<b>NON-CURRENT LIABILITIES:</b>		
Bonds and notes payable	6,013,901	3,359,780
Accrued compensated absences	266,367	-
Deferred interest - HOME & Housing Trust Fund loans	16,545	243,178
Total non-current liabilities	6,296,813	3,602,958
Total liabilities	7,822,682	3,743,190
<b>NET ASSETS</b>		
Investment in capital assets, net of related debt	21,977,112	725,876
Restricted	4,046,082	310,926
Unrestricted	4,257,535	(86,363)
TOTAL NET ASSETS	\$ 30,280,729	\$ 950,439

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, 2008**

	<b>Primary Government Total</b>	<b>Component Unit</b>
Operating Revenues		
Tenant rents	\$ 3,748,142	\$ 245,280
HUD operating grants and subsidies	21,683,660	303,727
Other grants	193,984	-
Other tenant charges	478,763	12,607
Other revenue	301,127	-
	<u>26,405,676</u>	<u>561,614</u>
Total operating revenue		
	<u>26,405,676</u>	<u>561,614</u>
Operating Expenses		
Administration	3,106,589	105,800
Tenant services	1,115,677	907
Utilities	602,514	38,707
Maintenance & operations	1,922,178	154,160
General	657,596	58,852
Housing assistance payments	17,929,385	-
Depreciation and amortization	1,813,190	129,966
	<u>27,147,129</u>	<u>488,392</u>
Total operating expenses		
	<u>27,147,129</u>	<u>488,392</u>
Operating income (loss)	<u>(741,453)</u>	<u>73,222</u>
Nonoperating revenue (expense)		
Interest income	377,094	15,018
Interest expense	(286,895)	(174,749)
	<u>90,199</u>	<u>(159,731)</u>
Total nonoperating revenue (expense)		
	<u>90,199</u>	<u>(159,731)</u>
Loss before capital contributions	(651,254)	(86,509)
HUD capital contributions	572,043	-
	<u>(79,211)</u>	<u>(86,509)</u>
Change in net assets		
	<u>(79,211)</u>	<u>(86,509)</u>
Net Assets - Beginning of Year	29,910,032	1,036,948
Prior period adjustment	449,908	-
	<u>449,908</u>	<u>-</u>
Net Assets - End of Year	<u>\$ 30,280,729</u>	<u>\$ 950,439</u>

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, 2008

	<b>Primary Government Total</b>	<b>Component Unit</b>
Cash flow from operating activities:		
Cash received from tenant rents	\$ 3,768,901	\$ 252,958
Cash received from HUD operating grants and subsidies	21,686,263	305,184
Cash received from other operating grants	216,161	-
Cash received from other resources	730,232	4,681
Cash payments to suppliers for goods and services	(3,028,592)	(266,608)
Cash paid for salaries and benefits	(4,232,162)	(109,525)
Cash paid for Housing Assistance Payments	(17,917,627)	-
Net cash provided by operating activities	<u>1,223,176</u>	<u>186,690</u>
Cash flows from noncapital financing activities:		
Bill & Melinda Gates Foundation grant earnings	1,641	-
Bill & Melinda Gates Foundation grant distributions	(15,000)	-
Net cash provided by (used in) noncapital financing activities	<u>(13,359)</u>	<u>-</u>
Cash flows from capital and related financing activities:		
HUD capital grants	585,106	-
Property and equipment additions	(3,655,586)	(1,206)
Proceeds from long-term borrowings	1,640,036	-
Repayment of long-term debt obligations	(324,685)	(80,128)
Interest paid on debt obligations	(268,963)	(147,257)
Net cash provided by (used in) capital and related financing activities	<u>(2,024,092)</u>	<u>(228,591)</u>
Cash flows from investing activities:		
Net (additions) reductions to unrestricted investments	(25,992)	-
Net (additions) reductions to restricted investments	1,188,965	17,669
Payments received - note receivable	35,128	-
Interest income	390,036	15,018
Net cash provided by (used in) investing activities	<u>1,588,137</u>	<u>32,687</u>
Increase in cash and cash equivalents	773,862	(9,214)
Cash and cash equivalents at beginning of year	<u>6,889,835</u>	<u>271,914</u>
Cash and cash equivalents at end of year	<u><u>\$ 7,663,697</u></u>	<u><u>\$ 262,700</u></u>

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, 2008

	<u>Primary Government Total</u>	<u>Component Unit</u>
Reconciliation of Operating Loss to Net Cash Used		
In Operating Activities:		
Operating income (loss)	\$ (741,453)	\$ 73,222
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,813,190	125,081
Amortization of bond issue costs	-	4,885
Loss on disposition of equipment	7,524	-
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable tenants	(8,432)	2,037
Accounts receivable - HUD	4,354	-
Accounts receivable - other	1,399	1,457
Inventory	(17,753)	-
Prepaid expenses and other assets	8,307	1,166
Increase (decrease) in liabilities:		
Accounts payable - vendors	87,760	(18,874)
Accounts payable - HUD	6,759	-
Accrued expenses	25,559	-
Deferred revenue	11,688	(2,033)
FSS escrow	11,758	-
Security deposits	17,503	(251)
Accrued compensated absences	39,927	-
Other deferred credits	(44,914)	-
Net cash provided by operating activities	<u>\$ 1,223,176</u>	<u>\$ 186,690</u>

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

**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Notes to Financial Statements**  
**June 30, 2008**

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

**1 – Summary of Significant Accounting Policies**

**a. *Organization of the Housing Authority***

The Housing Authority of the City of Everett, Washington (Authority) was created in 1942 as a public corporation (public body corporate and politic) 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, subject to approval by the City Council. 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 cooperation agreements, which call 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.

**b. *Reporting Entity***

The Authority has elected to report its financial operations as a single enterprise proprietary fund rather than as a special purpose governmental fund.

The basic financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are described below.

As required by GAAP, the accompanying financial statements present the financial data of the Authority (the primary government) and its discretely presented component unit. The financial data of the discretely presented component unit is included in the Authority's financial statements because of the significance of its operational or financial relationships with the Authority. The Authority and its component unit are together referred to as the reporting entity.

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity is governed by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and Statement No. 39, *Determining Whether Certain Organizations are Component Units*. 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, 2007 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, P.O. Box 1547, Everett, WA 98206.

### ***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 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 a fair value.

***g. Accounts Receivable***

Accounts receivable represent amounts due from various organizations or individuals. Amounts due at year-end include tenant rents and other tenant charges, amounts due for accrued interest on investments, receivables from other housing authorities for Section 8 Portability payments, and receivables from federal and local governments (grantor agencies). The Authority has established an allowance for uncollectible accounts which is based on historical trends along with periodic review of balances due. Annually the Board of Commissioners reviews and approves accounts determined to be uncollectible.

***h. Inventories and Prepaid Items***

Inventories are stated at lower of average cost or market and consist of expendable materials and supplies. Inventory items are expended using a moving weighted-average cost method. Prepaid items are for payments made by the Authority in the current year to provide services occurring in a subsequent fiscal year.

***i. 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 (See Note 5):

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

***j. Revenue Recognition***

Subsidies and grants received from HUD and other grantors are generally recognized during the periods to which they relate and all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted. Receipts from the Public Housing Capital Grant Program and other reimbursement based grants are recognized when the related expenses are incurred. Tenant rental revenues are recognized during the period of occupancy. Expenses are recognized when incurred.

***k. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Authority will compensate the employees for the benefits through paid time off or some other means.

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. Exempt employees earn 22 days annual vacation per year upon

initial employment. 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 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.

#### ***l. Income Taxes***

The Everett Housing Authority is exempt from federal income tax under Section 115 of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for income tax is reflected in the financial statements.

#### ***m. 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 the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and report amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### ***n. 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.

#### ***o. Budgetary Accounting and Control***

Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. Capital Fund Program budgets are adopted on a "project length" basis covering up to three years. The Authority's annual budgets is prepared on the accrual basis of accounting and approved by the Board of Commissioners. Budgets are not, however, legally adopted nor required for financial statement presentation.

The Authority maintains budgetary control by not permitting total operating expenses and expenditures for individual programs to exceed their respective budget amounts without the appropriate approvals. All budget amounts lapse at year-end. Encumbrance accounting is not used as an extension of formal budget control.

## **2 – Cash and Investments**

#### ***a. Deposits***

At June 30, 2008, the carrying amount of Authority's demand deposits was \$1,160,305, and the bank balance was \$1,188,111. The carrying balance for the demand deposits of the component unit was \$149,050 at December 31, 2007, and the bank balance was \$149,090. Bank deposits are held with financial institutions and are fully insured or collateralized by the Federal Deposit Insurance Corporation (FDIC) and the Washington Public Deposit Protection Commission. The Public Deposit Protection Act, as created in 1969 and subsequently amended, requires all participating banks in the State of Washington to collectively assure that no loss of funds will be suffered by any public treasurer or custodian of public funds, within certain guidelines as stipulated by amendments to the original Act. The Act therefore allows all custodians of public funds in the State of Washington to maintain deposits in excess of the financial institution's FDIC limit. In addition to bank deposits the authority has \$650 in petty cash and change funds.

All demand deposit accounts are maintained at depositories approved by the Board of Commissioners and are held in the name of the Authority.

## ***b. Investments***

The Authority's cash management and investment policy requires that all available cash funds are to be managed to preserve the value of the cash resources and to earn the maximum return on funds until they are disbursed. Safety and preservation of capital through prudent stewardship of the Authority's cash funds is a primary objective of the policy. The investment policy does not permit the Authority to invest in any securities that would be considered as speculative or leveraged investments. Washington State Law limits investments by housing authorities to those investments that are legal for savings banks. (RCW 35.82.070(6)).

The Authority invests a portion of its funds with the Washington State Local Government Investment Pool (LGIP) managed by the State Treasurer's office. 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 restricts its participation in money market mutual funds to those investing only in U.S. Treasury securities. However, any indirect exposure by the Authority to any risks arising from derivative instruments utilized by such funds is unknown.

### **Custodial Risk:**

For an investment, the custodial credit risk is that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Authority will not be able to recover the value of its investments that are in the possession of another party. The Authority's custodial credit risk policy is to require all securities purchased to be made in such a manner so that the securities are at all times insured, registered in the Authority's name, or in the possession of the Authority.

At June 30, 2008, all investments of the Housing Authority (as well as those of the component unit as of December 31, 2007) were insured or registered and held by the Authority or its agent in the Authority's name, or uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name, or held in investment pools that are not classified since the investments are not evidenced by securities that exist in physical or book entry form. Therefore, the investments are not exposed to custodial risk.

Investments in the LGIP are not categorized because the investments are not evidenced by securities that exist in physical or book entry form. Investments in the First American Treasury Obligations Fund are investments held by the trustee in the Authority's name for the component units' bond issue.

### **Concentration of Credit Risk, credit Risk, and Interest Rate Risk:**

Concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer. Investments issued or guaranteed by the U.S. government, investments in a mutual fund or external investment pools are excluded.

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's policy limits investments to securities maturing in periods of up to one year, or up to three years for the investment of operating reserves. None of the investment of the Authority or the component unit exceed one year at their respective year ends.

At June 30, 2008 cash and investment are classified in the accompanying financial statements as follows:

	Primary Government	Component Unit
Cash and investments	\$ 8,949,457	\$ 262,700
Cash and investments held by bond trustee	-	179,616
Total cash and investments	<u>\$ 8,949,457</u>	<u>\$ 442,316</u>

Cash and investments consisted of the following at June 30, 2008:

	Primary Government	Component Unit
Change and petty cash funds	\$ 650	\$ -
Demand deposits with financial institutions	1,160,305	149,050
Deposits with state investment pool (LGIP)	6,502,742	113,650
Certificate of deposit investments	1,285,760	-
First American Treasury Obligation Fund	-	179,616
Total cash and investments	<u>\$ 8,949,457</u>	<u>\$ 442,316</u>

### 3 – Restricted Assets

Restricted cash and investments, which are generally not available for operating purposes, have been classified in the Statement of Net Assets as restricted assets. These restricted assets are summarized as follows:

	Cash and Cash Equivalents	Investments
<u>Primary Government:</u>		
Replacement reserves	\$ 878,776	\$ 572,382
Residual receipts	1,980	-
Housing Choice Voucher Program - Housing Assistance Payment funding	2,592,944	-
Tenant security deposits	223,515	-
FSS escrow deposits	237,858	-
Gates Foundation	-	70,427
	<u>\$ 3,935,073</u>	<u>\$ 642,809</u>
<u>Component Unit:</u>		
Replacement reserves	\$ 131,315	\$ -
Tenant security deposits	15,611	-
Funds held by Bond Trustee	-	179,616
	<u>\$ 146,926</u>	<u>\$ 179,616</u>

### 4 – Notes Receivable

The Authority holds a fifteen-year third mortgage promissory note in the original amount of \$580,481 dated August 30, 2002, that is due from EHA-Twelve Pines Limited Partnership (a component unit of the Everett Housing Authority). The note was issued in connection with the acquisition and development of the 80-unit apartment complex, Twelve Pines Apartments. Annual payments of \$48,625 are due on August 1, including interest at the rate of 3% per annum. The note is classified as non-current since

repayment is subject to available cash flow of the EHA-Twelve Pines Limited Partnership. The note matures on March 15, 2018.

## 5 – 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 July 1, 2007	Additions	Reductions and adjustments	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 3,359,729	\$ 506,000	\$ -	\$ 3,865,729
Construction in progress	860,602	1,241,137	1,246,131	855,608
Total capital assets, not being depreciated	4,220,331	1,747,137	1,246,131	4,721,337
Capital assets, being depreciated:				
Site improvements	164,896	-	-	164,896
Building and building improvements	47,124,253	2,987,055	-	50,111,308
Furniture, equipment and machinery	2,831,292	166,187	395,954	2,601,525
Total capital assets, being depreciated	50,120,441	3,153,242	395,954	52,877,729
Less accumulated depreciation for:				
Site improvements	104,634	4,777	-	109,411
Building and building improvements	25,753,239	1,634,688	-	27,387,927
Furniture, equipment and machinery	1,983,053	173,725	388,430	1,768,348
Total accumulated depreciation	27,840,926	1,813,190	388,430	29,265,686
Total capital assets being depreciated, net	22,279,515	1,340,052	7,524	23,612,043
Total capital assets, net	\$ 26,499,846	\$ 3,087,189	\$ 1,253,655	\$ 28,333,380

### 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, 2007:

	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007
Capital assets, not being depreciated:				
Land	\$ 708,000	\$ -	\$ -	\$ 708,000
Total capital assets, not being depreciated	708,000	-	-	708,000
Capital assets, being depreciated:				
Site improvements	3,359	-	-	3,359
Building and building improvements	4,148,668	-	-	4,148,668
Furniture, equipment and machinery	223,474	1,206	432	224,248
Total capital assets, being depreciated	4,375,501	1,206	432	4,376,275
Less accumulated depreciation for:				
Site improvements	742	168	-	910
Building and building improvements	699,247	103,716	-	802,963
Furniture, equipment and machinery	128,981	21,197	432	149,746
Total accumulated depreciation	828,970	125,081	432	953,619
Total capital assets being depreciated, net	3,546,531	(123,875)	-	3,422,656
Total capital assets, net	\$ 4,254,531	\$ (123,875)	\$ -	\$ 4,130,656

## 6 – Non-Current Liabilities

### Primary Government:

The Authority has issued revenue bonds to finance the acquisition and renovation of rental properties to provide housing to low income families.

Changes in long-term debt obligations for the Primary Government during the year ended June 30, 2008 are summarized below:

	Beginning Balance July 1	Additions	Reductions	Ending Balance June 30	Due Within One Year
Revenue bonds	\$ 4,201,706	\$ 1,550,000	\$ 312,439	\$ 5,439,267	\$ 329,998
Promissory notes	839,211	90,036	12,246	917,001	12,369
	<u>\$ 5,040,917</u>	<u>\$ 1,640,036</u>	<u>\$ 324,685</u>	<u>\$ 6,356,268</u>	<u>\$ 342,367</u>

The following schedule lists the outstanding bonds of the Primary Government as of June 30, 2008:

<u>Revenue Bonds - Name of Issue</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Bond Issuance</u>	<u>Annual Debt Service Payments</u>	<u>Bonds Outstanding June 30</u>
Revenue Bond 2001						
Douglas Grove Apartments	5/1/2001	5/1/2016	5.20%	540,000	51,938	\$ 336,694
Refunding Revenue Bond 2003						
Greenhouse Project	5/30/2003	6/1/2010	3.75%	140,000	22,819	43,878
Revenue Bond 2003						
Rainier Park Apartments Project	6/10/2003	6/10/2018	4.10%	625,000	56,446	461,135
Revenue Bond 2003						
Rucker Apartments Project	7/2/2003	7/2/2018	4.13%	480,000	42,982	355,389
Revenue Bond 2003						
Oakes Avenue Apartments Project	8/1/2003	8/1/2018	4.90%	430,000	40,731	324,549
Revenue Bond 2004						
Bridge Creek Apartments Project	3/31/2004	3/31/2019	4.31%	740,000	67,364	580,447
Revenue Bond 2004						
Timber Hill Apartments Project	7/30/2004	8/1/2019	4.64%	1,770,000	164,785	1,429,021
Revenue Bond 2006						
Gibson Road Townhomes Project (Pacific Square Apartments)	12/28/2006	1/1/2022	5.25%	400,000	38,586	374,541
Revenue Bond 2007						
Terrace View Apartments Project	7/31/2007	7/31/2012	5.72%	1,550,000	108,207	<u>1,533,613</u>
Total bonds outstanding						<u><u>\$ 5,439,267</u></u>

The following schedule lists the outstanding notes of the Primary Government as of June 30, 2008:

<u>Description of Note</u>	<u>Loan Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Annual Debt Service Payments</u>	<u>Notes Outstanding June 30</u>
Promissory Note						
Bridge Creek Apartments Project	3/15/2004	3/31/2044	1.00%	\$ 580,000	\$ 17,611	\$ 528,788
Promissory Note - City of Everett (HOME Loan)						
Gibson Road Townhomes Project	12/6/2006	12/6/2031	3.00%	65,633	-	65,633
Promissory Note - City of Everett (Housing Trust Fund)						
Gibson Road Townhomes Project	12/6/2006	12/6/2031	3.00%	232,544	-	232,544
Promissory Note - City of Everett (Housing Trust Fund)						
Terrace View Apartments Project	7/31/2007	7/31/2032	3.00%	90,036	-	90,036
Total notes outstanding						<u>\$ 917,001</u>

### Component Unit:

Revenue bonds and promissory notes were issued in connection with the acquisition and renovation of the 80 unit apartment complex, Twelve Pines.

Changes in long-term debt obligations for the Component Unit during the year ended December 31, 2007 are summarized below:

	<u>Beginning Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance December 31</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 2,085,000	\$ -	\$ 45,000	\$ 2,040,000	\$ 45,000
Promissory notes	1,399,908	-	35,128	\$ 1,364,780	-
	<u>\$ 3,484,908</u>	<u>\$ -</u>	<u>\$ 80,128</u>	<u>\$ 3,404,780</u>	<u>\$ 45,000</u>

The following is a schedule of outstanding bonds of the Component Unit as of December 31, 2007:

<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 December 31</u>
Housing Revenue Bonds 1999					
Twelve Pines Apartment Project	8/1/1999	8/1/2029	4.70 - 6.50%	\$ 2,300,000	<u>\$ 2,040,000</u>
Total bonds outstanding					<u>\$ 2,040,000</u>

The following is a schedule of outstanding notes as of December 31, 2007:

<u>Description of Note</u>	<u>Loan Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Notes Outstanding December 31</u>
Promissory Note, City of Everett					
HOME Loan	8/1/1999	8/1/2024	3.00%	\$ 950,000	\$ 950,000
Promissory Note, EHA					
Developer fee	8/30/2002	3/15/2018	3.00%	580,481	<u>414,780</u>
Total notes outstanding					<u>\$ 1,364,780</u>



## Primary Government

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

Year Ended June 30	Revenue Bonds	Notes	Interest	Total
2009	\$ 329,998	\$ 12,369	\$ 269,316	\$ 611,683
2010	345,770	12,493	253,419	611,682
2011	339,084	12,619	237,161	588,864
2012	354,932	12,745	221,187	588,864
2013	1,795,178	12,873	133,758	1,941,809
2014-2018	1,892,310	66,331	328,211	2,286,852
2019-2023	381,995	69,728	37,785	489,508
2024-2028	-	73,298	14,756	88,054
2029-2033	-	465,263	302,162	767,425
2034-2038	-	80,996	7,057	88,053
2039-2043	-	85,144	2,910	88,054
2044-2048	-	13,142	66	13,208
	<u>\$ 5,439,267</u>	<u>\$ 917,001</u>	<u>\$ 1,807,788</u>	<u>\$ 8,164,056</u>

## Component Unit

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

Year Ended December 31	Revenue Bonds	Notes	Interest	Total
2008	\$ 45,000	\$ 36,182	\$ 143,683	\$ 224,865
2009	45,000	37,267	140,033	222,300
2010	50,000	38,385	136,305	224,690
2011	55,000	39,537	131,953	226,490
2012	55,000	40,723	127,247	222,970
2013-2017	350,000	222,686	557,962	1,130,648
2018-2022	475,000	-	409,235	884,235
2023-2027	645,000	950,000	956,896	2,551,896
2028-2032	320,000	-	31,525	351,525
	<u>\$ 2,040,000</u>	<u>\$ 1,364,780</u>	<u>\$ 2,634,839</u>	<u>\$ 6,039,619</u>

## 7 – 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, 2007, the Housing Authority estimated that no arbitrage rebate exists in conjunction with its debt reserve funds, and therefore no liability exists.

## 8 – 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.

On June 27, 2007, the Everett Housing Authority issued \$13,760,000, 30 year, 5.79% tax exempt bonds on behalf of the Young Women's Christian Association of Seattle-King County-Snohomish County (YWCA). Proceeds from the bond issue were used by the YWCA to acquire three multifamily housing projects to provide housing for low-income persons within Snohomish County, Washington.

As of June 30, 2008, there were 5 separate series of these special revenue bonds outstanding with an aggregate original principal amount payable of \$29,864,000. The estimated unpaid principal balance of these obligations at June 30, 2008 is \$23,552,281.

## **9 – Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The Agency maintains comprehensive insurance coverage with private carriers for vehicles, earthquake, and employee major medical and dental. Workman's compensation insurance is provided through the Washington State Department of Labor and Industries. The Authority also pays unemployment claims to the State of Washington as incurred. Coverage for property, general liability, errors and omissions, and fidelity insurance is provided by the Housing Authorities Risk Retention Pool. Settled claims have not exceeded coverage purchased during the past three years.

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.

## **10 – Pension Plan**

Substantially all of the 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* and No. 50, *Pension Disclosures, and Amendment of GASB Statements No. 25 and No. 27*.

### **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. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

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.

PERS Plan 1 retirement benefits are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement 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 benefit is two percent of the average final compensation (AFC) per year of service, capped at 60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by three percent annually. Plan 1 members may also elect to receive an optional COLA amount that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS 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 with an allowance of two percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 members who retire 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 three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three 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 AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or they may

retire at age 55 with 10 years of service. Plan 3 members who retire 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 three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. 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 1,1901 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2007:

Retirees and beneficiaries receiving benefits	71,244
Terminated plan members entitled to but not yet receiving benefits	26,583
Active plan members vested	105,447
Active plan members nonvested	<u>52,575</u>
Total	<u><u>255,849</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 six percent for state agencies and local government unit employees, and at 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. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. 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, 2008 was \$3,219,221. Total gross payroll for the Authority was \$3,554,764.

The required contribution rates expressed as a percentage of current-year covered payroll as of June 30, 2008, were as follows:

	<u>PERS Plan 1 Required</u>	<u>PERS Plan 2 Required</u>	<u>PERS Plan 3 Required</u>
Employer	6.13%	6.13%	6.13%
Employee	<u>6.00%</u>	<u>4.15%</u>	<u>varies</u>
	<u><u>12.13%</u></u>	<u><u>10.28%</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.

The employer and employee required contributions during the year ended June 30, 2008 were:

	<u>PERS Plan 1 Required</u>	<u>PERS Plan 2 Required</u>	<u>PERS Plan 3 Required</u>	<u>Total</u>
Employer	\$6,997	\$167,100	\$23,191	\$197,288
Employee	<u>6,850</u>	<u>113,156</u>	<u>22,276</u>	<u>142,282</u>
	<u><u>\$13,847</u></u>	<u><u>\$280,256</u></u>	<u><u>\$45,467</u></u>	<u><u>\$339,570</u></u>

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

	<u>Total Covered Payroll</u>	<u>Required Employee Contributions</u>	<u>Required Employer Contributions</u>
2008	\$3,219,221	\$142,282	\$197,288
2007	\$3,028,863	\$115,695	\$141,342
2006	\$3,151,827	\$87,027	\$76,905

## **11 – 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.

## **12 – 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. In October 2006 an additional \$50,000 was received from the Foundation. 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.

## **13 – Contingencies**

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

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.

## **14 – Prior Period Adjustment**

During the year ended June 30, 2008, the Authority recorded as an asset the unpaid balance of a promissory note due from EHA-Twelve Pines Limited Partnership (a component unit of the Everett Housing Authority). The unpaid balance as of July 1, 2007 was \$449,908. The original promissory note was issued on August 30, 2002 in the amount of \$580,481, as partial payment of a developer fee earned by the Authority in connection with the acquisition and renovation of the Twelve Pines Apartment complex.

**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Supplemental Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2008**

Federal Grantor/Program Title	Federal CFDA #	Expenditure of Federal Awards
<b>U. S. Department of Housing &amp; Urban Development - Direct Programs</b>		
Lower Income Housing Assistance Program - Section 8 New Construction/Substantial Rehabilitation		
Broadway Plaza East Apartments	14.182	\$ 576,465
Douglas Grove Apartments	14.182	38,824
Subtotal CFDA # 14.182		<u>615,289</u>
Section 8 Housing Assistance Payments Program - Special Allocations		
Twelve Pines Apartments	14.195	303,727
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	141,790
Subtotal Section-8 Project-Based Cluster		<u>1,060,806</u>
Public and Indian Housing	14.850	1,434,646
Public Housing Capital Fund	14.872	800,397
Section 8 Housing Choice Vouchers	14.871	19,166,733
Disaster Voucher Program	14.DVP	40,069
Resident Opportunity and Supportive Services - Home Ownership and Family	14.870	56,779
Total Expenditures of Federal Awards - Direct Programs		<u>\$ 22,559,430</u>
<b>Department of Homeland Security Indirect Programs</b>		
Disaster Housing Assistance Grant	97.109	\$ 28,068
Total Expenditures of Federal Awards - Indirect Programs		<u>\$ 28,068</u>
Total Expenditures of Federal Awards		<u><u>\$ 22,587,498</u></u>

See notes to Supplemental Schedule of Expenditures of Federal Awards

**EVERETT HOUSING AUTHORITY**  
**Notes to the Supplemental 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.

As required by the granting agency, the amounts shown on the Schedule for the Housing Choice Voucher program (CFDA 14.871) represent amounts awarded to the Authority during the current fiscal year. Actual grant expenditures of Housing Choice Voucher program funds for the year were \$19,535,288. Expenditures in excess of current year funding (awards) of \$368,555 were funded out of the Authority's Housing Assistance Payments Equity account.

Line Item Number	Account Description	Public Housing Projects										COCC			Other Programs		
		Baker Heights WA06000100	Grandview Homes WA06000200	Bakerview Apts WA06000300	Pineview Apts WA06000400	Scattered Sites WA06000500	Other Public Housing	Total Public Housing Projects	Central Office Cost Center	Business Activities	N/C SR Section 8 Programs	Sec 8 Housing Assist Pgm Special Alloc					
111	Cash-unrestricted																
113	Cash-other restricted																
114	Cash-tenant security deposits																
115	Cash - Restricted for payment of current liability																
100	Total Cash																
121	Accounts receivable - PHA projects																
122	Accounts receivable - HUD other projects	12,110	52,477	18,199	1,699	2,163	-	86,648	42,270	-	-	-	-	-	-	-	
124	Account receivable - other government									17,319	-	-	-	-	-	-	
125	Account receivable - miscellaneous									-	-	-	-	-	-	-	
126	Accounts receivable - tenants	11,254	7,759	1,226	35	56	-	20,330	-	6,405	337	-	-	-	-	-	
126	Allowance for doubtful accounts - tenants	(2,500)	(1,250)	(250)	-	-	-	(4,000)	-	(2,100)	-	-	-	-	-	-	
129	Accrued interest receivable																
129	Allowance for doubtful accounts - tenants																
129	Total receivables, net of allowance for doubtful accounts																
120	accounts	20,864	58,986	19,175	1,734	2,219	5,904	108,882	42,270	21,624	3,249	-	-	-	-	-	
131	Investments - unrestricted																
132	Investments - restricted																
142	Prepaid expenses and other assets	2,615	2,705	1,220	539	755	-	7,834	7,555	70,427	572,382	-	-	-	-	-	
143	Inventories									39,196	13,767	-	-	-	-	-	
144	Inter program - due from	1,154,152	282,114	287,575	215,882	350,162	-	2,289,885	108,301	513	11,406	-	-	-	-	-	
150	Total Current Assets	1,177,631	343,805	307,970	218,155	353,136	2,274,429	4,675,126	558,210	2,460	1,698,902	-	-	-	-	-	
161	Land	12,028	11,115	-	99,385	901,500	-	1,024,028	206,200	1,930,886	704,615	-	-	-	-	-	
162	Buildings	10,176,303	8,708,240	3,494,903	1,884,814	3,003,290	-	27,267,550	2,196,442	14,580,528	6,231,684	-	-	-	-	-	
163	Furniture, equipment and machinery - dwellings	141,625	83,930	84,319	18,936	26,244	-	355,054	-	160,022	64,885	-	-	-	-	-	
163	Furniture, equipment and machinery -																
164	administration	29,398	29,007	213,458	31,070	(1,435,355)	-	302,933	1,172,479	88,984	334,452	-	-	-	-	-	
166	Accumulated depreciation	(9,672,910)	(5,475,940)	(2,708,021)	(1,072,698)	(1,435,355)	-	(20,364,924)	(1,491,026)	(3,547,331)	(3,772,528)	-	-	-	-	-	
167	Construction in progress		717,982				-	717,982	45,038		92,608	-	-	-	-	-	
167	Construction in progress																
167	Total capital assets, net of accumulated depreciation																
160	depreciation	686,444	4,074,314	1,084,659	961,507	2,495,679	-	9,302,603	2,129,133	13,213,089	3,655,716	-	-	-	-	-	
171	Notes, loans, & mortgages receivable - Non-current																
171	current																
174	Other assets									414,780	-	-	-	-	-	-	
180	Total Non-current Assets	686,444	4,074,314	1,084,659	961,507	2,495,679	-	9,302,603	2,129,133	13,627,869	3,655,716	-	-	-	-	-	
190	Total Assets	\$ 1,864,075	\$ 4,418,119	\$ 1,392,629	\$ 1,179,662	\$ 2,848,815	\$ 2,274,429	\$ 13,977,729	\$ 2,687,343	\$ 15,162,884	\$ 5,354,618	\$ -	-	-	-	-	
312	Accounts payable <= 90 days	\$ 24,393	\$ 28,500	\$ 13,807	\$ 1,092	\$ 4,145	\$ 1,116	\$ 73,053	\$ 62,392	\$ 31,904	\$ 149,287	\$ -	-	-	-	-	
322	Accrued compensated absences - current portion	3,959	2,494	2,309	956	1,629	-	11,347	47,217	6,781	4,650	-	-	-	-	-	
325	Accrued interest payable									22,279	-	-	-	-	-	-	
331	Accounts payable - HUD PHA Programs									-	-	-	-	-	-	-	
341	Tenant security deposits	51,646	33,972	21,285	7,750	10,850	-	125,503	-	74,409	23,603	-	-	-	-	-	
342	Deferred revenue	6,742	4,090	1,618	2,113	1,415	-	15,978	-	9,406	3,679	-	-	-	-	-	
342	Current portion of long-term debt - capital projects/mortgage revenue bonds																
343	Other current liabilities									342,367	-	-	-	-	-	-	
345	Other current liabilities				1,928	15,789	-	17,717	-	71,673	-	-	-	-	-	-	
346	Accrued liabilities - other	52,817	40,181	24,471	10,366	15,693	-	143,528	-	-	18,343	-	-	-	-	-	
347	Inter program - due to						2,273,313	2,273,313	21,264	-	-	-	-	-	-	-	
310	Total Current Liabilities	139,557	109,237	63,490	24,205	49,521	2,274,429	2,660,439	130,873	558,819	199,562	-	-	-	-	-	
351	Capital Projects/ Mortgage Revenue Bonds																
351	Non-current liabilities - other									6,013,901	-	-	-	-	-	-	
354	Accrued compensated absences- Non-current	11,875	7,484	6,927	2,868	4,888	-	34,042	141,650	20,338	13,950	-	-	-	-	-	
350	Total Non-Current Liabilities	11,875	7,484	6,927	2,868	4,888	-	34,042	141,650	6,050,784	13,950	-	-	-	-	-	
300	Total Liabilities	151,432	116,721	70,417	27,073	54,409	2,274,429	2,694,481	272,523	6,609,603	213,512	-	-	-	-	-	
508	Invested in capital assets, net of related debt	686,444	4,074,314	1,084,659	961,507	2,495,679	-	9,302,603	2,129,133	6,856,821	3,655,716	-	-	-	-	-	
511	Restricted Net Assets									74,169	1,378,969	-	-	-	-	-	
512	Unrestricted Net Assets	1,028,199	227,084	237,553	191,082	298,727	-	1,980,645	285,687	1,622,291	106,421	-	-	-	-	-	
513	Total Equity/Net Assets	1,712,643	4,301,398	1,322,212	1,152,589	2,794,406	-	11,283,248	2,414,820	8,553,281	5,141,106	-	-	-	-	-	
600	Total Liabilities and Equity/Net assets	\$ 1,864,075	\$ 4,418,119	\$ 1,392,629	\$ 1,179,662	\$ 2,848,815	\$ 2,274,429	\$ 13,977,729	\$ 2,687,343	\$ 15,162,884	\$ 5,354,618	\$ -	-	-	-	-	



Line Item Number	Account Description	Other Programs						Total Housing Authority Projects/Programs	Component Unit	Memorandum Total
		ROSS Grant Program	Housing Choice Vouchers	Section 8 Moderate Rehab Program	Disaster Voucher Program	Disaster Housing Assist Grant	Total Other Programs			
111	Cash-unrestricted	\$ -	\$ 324,133	\$ -	\$ -	\$ -	\$ 1,844,258	\$ 3,728,624	\$ 115,774	\$ 3,844,398
113	Cash-other restricted	-	2,592,944	-	-	-	3,473,700	3,473,700	131,315	3,605,015
114	Cash-tenant security deposits	-	-	-	-	-	98,012	223,515	223,515	239,126
115	Cash - Restricted for payment of current liability	-	222,069	-	-	-	237,858	237,858	237,858	237,858
100	Total Cash	-	3,139,146	-	-	-	5,638,039	7,663,697	262,700	7,926,397
121	Accounts receivable - PHA projects	-	12,841	-	-	-	12,841	12,841	-	12,841
122	Accounts receivable - HUD other projects	18,468	-	1,230	3,512	-	23,210	152,128	-	152,128
124	Account receivable - other government	-	-	-	-	-	17,319	17,319	-	17,319
125	Account receivable - miscellaneous	-	-	-	-	-	-	-	1,063	1,063
126	Accounts receivable - tenants	-	-	-	-	-	6,742	27,072	27,072	27,548
126	Allowance for doubtful accounts - tenants	-	-	-	-	-	(2,100)	(6,100)	-	(6,100)
129	Accrued interest receivable	-	-	-	-	-	2,912	8,816	-	8,816
120	Total receivables, net of allowance for doubtful accounts	18,468	12,841	1,230	3,512	-	60,924	212,076	1,539	213,615
131	Investments - unrestricted	-	-	-	-	-	-	642,951	-	642,951
132	Investments - restricted	-	-	-	-	-	642,809	642,809	179,616	822,425
142	Prepaid expenses and other assets	-	1,546	4	-	-	54,513	69,902	14,104	84,006
143	Inventories	-	3,596	-	-	-	15,515	123,816	123,816	123,816
144	Inter program - due from	4,692	-	56,723	-	8,510	72,385	2,362,270	-	(2,362,270)
150	Total Current Assets	23,160	3,157,129	57,957	3,512	8,510	6,484,185	11,717,521	9,355,251	9,813,210
161	Land	-	-	-	-	-	2,635,501	3,865,729	708,000	4,573,729
162	Buildings	-	-	-	-	-	20,812,212	50,276,204	4,152,027	54,428,231
163	Furniture, equipment and machinery - dwellings	-	-	-	-	-	224,907	579,961	211,141	791,102
164	Furniture, equipment and machinery - administration	31,451	91,263	-	-	-	546,150	2,021,562	13,107	2,034,669
166	Accumulated depreciation	(24,141)	(65,734)	-	-	-	(7,409,734)	(29,265,684)	(953,619)	(30,219,303)
167	Construction in progress	-	-	-	-	-	92,608	855,608	-	855,608
160	Total capital assets, net of accumulated depreciation	7,310	25,529	-	-	-	16,901,644	28,333,380	4,130,656	32,464,036
171	Notes, Loans, & mortgages receivable - Non-current	-	-	-	-	-	414,780	414,780	-	414,780
174	Other assets	-	-	-	-	-	-	-	105,014	105,014
180	Total Non-current Assets	7,310	25,529	-	-	-	17,316,424	28,748,160	4,235,670	32,983,830
190	Total Assets	\$ 30,470	\$ 3,182,658	\$ 57,957	\$ 3,512	\$ 8,510	\$23,800,609	\$ 40,465,681	\$ 4,693,629	\$ 42,797,040
312	Accounts payable <= 90 days	\$ 679	\$ 19,138	\$ 8	\$ -	\$ -	\$ 201,016	\$ 336,461	\$ 19,638	\$ 356,099
322	Accrued compensated absences - current portion	2,706	15,988	100	-	-	30,225	88,789	88,789	88,789
325	Accrued interest payable	-	-	-	-	-	22,279	22,279	58,831	81,110
331	Accounts payable - HUD PHA Programs	-	-	1,555	-	8,510	10,065	10,065	-	10,065
341	Tenant security deposits	-	-	-	-	-	98,012	223,515	15,611	239,126
342	Deferred revenue	-	-	-	-	-	13,085	29,063	1,152	30,215
343	Current portion of long-term debt - capital projects/mortgage revenue bonds	-	-	-	-	-	342,367	342,367	45,000	387,367
345	Other current liabilities	-	222,069	-	-	-	293,742	311,459	-	311,459
346	Accrued liabilities - other	-	-	-	-	-	18,343	161,871	-	161,871
347	Inter program - due to	-	64,181	-	3,512	-	67,693	2,362,270	-	-
310	Total Current Liabilities	3,385	321,376	1,663	3,512	8,510	1,096,627	3,888,139	1,525,869	1,686,101
351	Capital Projects/ Mortgage Revenue Bonds	-	-	-	-	-	6,013,901	6,013,901	3,359,780	9,373,681
353	Non-current liabilities - other	-	-	-	-	-	16,545	16,545	243,178	259,723
354	Accrued compensated absences- Non-current	8,120	47,965	302	-	-	90,675	266,367	-	266,367
350	Total Non-Current Liabilities	8,120	47,965	302	-	-	6,121,121	6,296,813	3,602,958	9,899,771
300	Total Liabilities	11,505	369,341	1,965	3,512	8,510	7,217,948	10,184,952	3,743,190	11,565,872
508	Invested in capital assets, net of related debt	7,310	25,529	-	-	-	10,545,376	21,977,112	725,876	22,702,988
511	Restricted Net Assets	-	2,592,944	-	-	-	4,046,082	4,046,082	310,926	4,357,008
512	Unrestricted Net Assets	11,655	194,844	55,992	-	-	1,991,203	4,257,535	(86,363)	4,171,172
513	Total Equity/Net Assets	18,965	2,813,317	55,992	-	-	16,582,661	30,280,729	950,439	31,231,168
600	Total Liabilities and Equity/Net assets	\$ 30,470	\$ 3,182,658	\$ 57,957	\$ 3,512	\$ 8,510	\$23,800,609	\$ 40,465,681	\$ 4,693,629	\$ 42,797,040

Line Item Number	Account Description	Public Housing Projects							COCC Central Office Cost Center	Other Programs		
		Baker Heights WAO06000100	Grandview Homes WAO06000200	Bakerview Apts WAO06000300	Pineview Apts WAO06000400	Scattered Sites WAO06000500	Other Public Housing	Total Public Housing Projects		Business Activities	N/C S/R Section 8 Programs	Sec 8 Housing Assist Pgm Special Alloc.
70300	Net tenant rental revenue	\$ 656,395	\$ 509,312	\$ 330,890	\$ 127,242	\$ 193,334	\$ -	\$ 1,817,163	\$ -	\$1,695,177	\$ 235,802	\$ -
70400	Tenant revenue - other	18,249	7,681	8,909	1,185	2,906	-	38,930	-	42,101	397,732	-
70500	Total Tenant Revenue	674,634	516,993	339,799	128,427	196,240	-	1,856,093	-	1,737,278	633,534	-
70600	HUD PHA operating grants	650,032	414,230	372,178	100,787	125,773	-	1,663,000	-	-	615,289	303,727
70610	Capital grants	-	402,323	90,185	-	-	-	492,508	79,535	-	-	-
70710	Management Fee	-	-	-	-	-	-	-	777,062	-	-	-
70720	Asset Management Fee	-	-	-	-	-	-	-	74,760	-	-	-
70730	Book-Keeping Fee	-	-	-	-	-	-	-	286,605	-	-	-
70740	Front Line Service Fee	-	-	-	-	-	-	-	570,186	-	-	-
70750	Other Fees	-	-	-	-	-	-	-	80,027	-	-	-
70700	Total Fee Revenue	-	-	-	-	-	-	-	1,788,640	-	-	-
70800	Other government grants	-	-	-	-	-	-	-	-	165,916	-	-
71100	Investment income - unrestricted	37,276	16,545	19,505	7,122	7,958	-	88,406	5,364	68,598	3,986	-
71500	Other revenue	24,616	3,191	49,099	-	67,414	-	144,320	15,212	55,990	2,939	-
71600	Gain or loss on sale of capital assets	(251)	(153)	(59)	-	(250)	-	(713)	(2,212)	(2,410)	(565)	-
72000	Investment income - restricted	-	-	-	-	-	-	-	-	59	66,571	-
70000	Total Revenue	1,386,307	1,353,129	870,707	236,336	397,135	-	4,243,614	1,886,539	2,025,431	1,321,754	303,727
91100	Administrative salaries	132,323	79,320	129,229	21,114	28,360	-	390,346	688,770	120,229	98,760	-
91200	Auditing fees	4,057	2,421	2,455	545	716	-	10,194	1,705	2,012	852	-
91300	Management Fee	118,727	68,040	72,796	16,473	20,938	-	296,974	-	88,564	46,392	-
91310	Book-Keeping Fee	21,945	12,577	13,455	3,045	3,870	-	54,892	-	16,005	-	-
91400	Advertising and Marketing	-	-	-	-	-	-	-	-	1,709	325	-
91500	Employee benefit contributions - administrative	44,925	27,490	41,703	7,089	9,342	-	130,549	186,470	36,766	27,240	-
91600	Office Expenses	11,653	7,150	1,226	1,563	1,563	-	28,776	54,921	16,456	14,620	-
91700	Legal Expense	989	1,306	245	55	72	-	2,667	19,466	2,967	858	-
91800	Travel	4,524	4,155	2,893	598	750	-	12,920	26,786	4,443	3,431	-
91900	Other	28,162	17,316	24,783	3,721	4,924	-	78,906	137,795	22,234	11,354	-
91000	Total Operating-Administrative	367,305	219,775	294,743	53,866	70,535	-	1,006,224	1,115,913	311,385	203,832	-
92000	Asset Management Fee	29,520	17,760	18,120	4,080	5,280	-	74,760	-	-	-	-
92100	Tenant services - salaries	7,322	1,222	11,473	1,450	-	-	21,467	-	93,068	226,290	-
92200	Relocation Costs	422	259	260	59	75	-	1,075	-	-	-	-
92300	Employee benefit contributions - tenant services	2,486	424	3,703	487	-	-	7,100	-	28,461	62,415	-
92400	Tenant services - other	4,274	21,798	857	852	342	-	28,123	-	63,610	294,738	-
92500	Total Tenant Services	14,504	23,703	16,293	2,848	417	-	57,765	-	185,139	583,443	-
93100	Water	22,530	19,405	6,810	6,828	11,746	-	67,319	1,273	20,584	5,024	-
93200	Electricity	3,638	2,803	39,774	1,456	1,113	-	48,784	19,617	40,208	28,492	-
93300	Gas	1,937	5,743	13,520	-	-	-	21,200	15,276	6,843	15,276	-
93600	Sewer	100,112	79,550	26,080	15,298	23,538	-	244,578	2,746	47,762	12,011	-
93000	Total Utilities	128,217	107,501	86,184	23,582	36,397	-	381,881	38,912	129,351	52,370	-
94100	Ordinary maintenance and operations - labor	105,646	61,217	67,885	27,842	32,475	-	295,065	370,784	113,437	47,238	-
94200	Ordinary maintenance and operations - materials and other	60,172	27,601	33,776	19,453	21,376	-	162,378	30,589	44,048	32,372	-
94300	Ordinary Maintenance and Operations Contracts	230,921	128,608	131,176	66,195	73,825	-	630,725	32,575	242,311	64,521	-
94500	Employee benefit contribution - ordinary maintenance	35,868	21,216	21,907	9,348	10,697	-	99,036	100,382	34,690	13,029	-
94000	Total Maintenance	432,607	238,642	254,744	122,838	138,373	-	1,187,204	534,330	434,486	157,160	-
96110	Property Insurance	16,281	13,194	5,957	3,431	5,199	-	44,062	4,962	15,322	5,320	-
96120	Liability Insurance	4,991	2,892	608	894	1,917	-	12,302	4,082	6,282	3,895	-
96130	Workmen's Compensation	6,383	3,743	6,299	1,517	1,751	-	19,693	29,309	10,704	4,593	-
96140	All other Insurance	1,339	1,724	815	173	227	-	4,278	5,137	7,160	19,213	-
96100	Total Insurance Premiums	28,994	21,553	15,988	5,729	8,071	-	80,335	43,490	39,468	33,021	-

Line Item Number	Account Description	Public Housing Projects						COCC Central Office Cost Center	Other Programs		
		Baker Heights WAO06000100	Grandview Homes WAO06000200	Bakerview Apts WAO06000300	Pineview Apts WAO06000400	Scattered Sites WAO06000500	Other Public Housing		Total Public Housing Projects	Business Activities	N/C S/R Section 8 Programs
96200	Other general expenses	-	-	-	-	-	-	-	139,090	-	-
96300	Payments in lieu of taxes	52,816	40,181	24,471	10,366	15,694	-	143,528	-	18,343	-
96400	Bad debt - tenant rents	8,883	2,792	1,342	(200)	(6)	-	12,811	16,146	773	-
96000	Total Other General Expenses	61,699	42,973	25,813	10,166	15,688	-	156,339	155,236	19,116	-
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	-	-	286,895	-	-
96730	Amortization of Bond Issue Costs	-	-	-	-	-	-	-	286,895	-	-
96700	Total Interest Expense and Amortization Cost	-	-	-	-	-	-	-	-	-	-
96900	Total Operating Expenses	1,062,846	671,907	711,885	223,109	274,761	-	2,944,508	1,541,960	1,048,942	-
97000	Excess Revenue Over Operating Expenses	323,461	681,222	158,822	13,227	122,374	-	1,299,106	483,471	272,812	303,727
97100	Extraordinary maintenance	9,804	4,700	2,990	8,031	8,596	-	34,121	42,545	11,814	-
97200	Casualty losses- Non-capitalized	5,721	-	-	170	76,315	-	82,206	3,240	-	-
97300	Housing assistance payments	-	-	-	-	-	-	-	-	-	-
97400	Depreciation expense	421,352	381,129	133,694	57,154	87,544	-	1,080,873	378,058	193,155	-
90000	Total Expenses	1,499,723	1,057,736	848,569	288,464	447,216	-	4,141,708	1,965,803	1,253,911	-
10010	Operating transfer in	-	-	-	-	-	-	-	38,824	112,751	-
10020	Operating transfer out	-	(95,518)	-	(16,856)	-	-	(112,374)	(112,751)	(38,824)	(303,727)
10100	Total other financing sources (uses)	-	(95,518)	-	(16,856)	-	-	(112,374)	(73,927)	73,927	(303,727)
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	\$ (113,416)	\$ 199,875	\$ 22,138	\$ (68,984)	\$ (50,081)	\$ -	\$ (10,468)	\$ (14,299)	\$ 141,770	\$ -
11030	Beginning equity	\$ 1,826,059	\$ 4,101,523	\$ 1,300,074	\$ 1,221,573	\$ 2,844,487	\$ -	\$ 11,293,716	\$ 2,408,512	\$ 8,117,672	\$ 4,999,336
11040	Prior period adjustments, equity transfers, and correction of errors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 449,908	\$ -	\$ -
11170-001	Administrative Fee Equity- Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11170-010	Administrative Fee Revenue	-	-	-	-	-	-	-	-	-	-
11170-021	FSS Coordinator Grant	-	-	-	-	-	-	-	-	-	-
11170-040	Investment Income	-	-	-	-	-	-	-	-	-	-
11170-050	Other Revenue	-	-	-	-	-	-	-	-	-	-
11170-060	Total Admin Fee Revenues	-	-	-	-	-	-	-	-	-	-
11170-080	Total Operating Expenses	-	-	-	-	-	-	-	-	-	-
11170-090	Depreciation	-	-	-	-	-	-	-	-	-	-
11170-110	Total Expenses	-	-	-	-	-	-	-	-	-	-
11170-002	Net Administrative Fee	-	-	-	-	-	-	-	-	-	-
11170	Administrative Fee Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11180-001	Housing Assistance Payments Equity - Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11180-010	Housing Assistance Payment Revenues	-	-	-	-	-	-	-	-	-	-
11180-025	Investment Income	-	-	-	-	-	-	-	-	-	-
11180-030	Total HAP Revenues	-	-	-	-	-	-	-	-	-	-
11180-080	Housing Assistance Payments	-	-	-	-	-	-	-	-	-	-
11180-100	Total Housing Assistance Payments	-	-	-	-	-	-	-	-	-	-
11180-002	Net Housing Assistance Payments	-	-	-	-	-	-	-	-	-	-
11180	Housing Assistance Payments Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11190	Unit Months Available	2,952	1,691	1,812	408	528	-	7,391	2,631	1,224	-
11210	Unit Months Leased	2,917	1,675	1,790	405	515	-	7,302	2,551	1,214	-
11270	Excess Cash	\$ 1,035,459	\$ 231,863	\$ 243,260	\$ 193,411	\$ 302,860	\$ -	\$ 2,006,853	\$ -	\$ -	\$ -
11620	Building Purchases	\$ -	\$ 397,929	\$ 76,389	\$ -	\$ -	\$ -	\$ 474,318	\$ 48,140	\$ -	\$ -
11630	Furniture & Equipment-Dwelling Purchases	\$ -	\$ 4,394	\$ -	\$ -	\$ -	\$ -	\$ 4,394	\$ -	\$ -	\$ -
11640	Furniture & Equipment-Administrative Purchases	\$ -	\$ -	\$ 13,796	\$ -	\$ -	\$ -	\$ 13,796	\$ 31,396	\$ -	\$ -

Line Item Number	Account Description	Other Programs							Subtotal Housing Authority Projects/Programs	Eliminations	Total Housing Authority Projects/Programs	Component Unit	Memorandum Total
		ROSS Grant Program	Housing Choice Vouchers	Section 8 Moderate Rehab Program	Disaster Voucher Program	Disaster Housing Assist Grant	Total Other Programs						
70300	Net tenant rental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,930,979	\$ 3,748,142	\$ -	\$ 3,748,142	\$ 245,280	\$ 3,993,422	
70400	Tenant revenue - other	-	-	-	-	-	439,833	478,763	-	478,763	12,607	491,370	
70500	Total Tenant Revenue	-	-	-	-	-	2,370,812	4,226,905	-	4,226,905	257,887	4,484,792	
70600	HUD PHA operating grants	56,779	19,166,733	141,790	40,069	-	20,324,387	21,987,387	-	21,987,387	-	21,987,387	
70610	Capital grants	-	-	-	-	-	-	572,043	-	572,043	-	572,043	
70710	Management Fee	-	-	-	-	-	-	777,062	(777,062)	-	-	-	
70720	Asset Management Fee	-	-	-	-	-	-	74,760	(74,760)	-	-	-	
70730	Book-Keeping Fee	-	-	-	-	-	-	286,605	(286,605)	-	-	-	
70740	Front Line Service Fee	-	-	-	-	-	-	570,186	(570,186)	-	-	-	
70750	Other Fees	-	-	-	-	-	-	80,027	-	80,027	-	80,027	
70700	Total Fee Revenue	-	-	-	-	-	-	1,788,640	(1,708,613)	-	-	80,027	
70800	Other government grants	-	-	-	-	28,068	193,984	193,984	-	193,984	-	193,984	
71100	Investment income - unrestricted	-	12,777	-	-	-	85,361	179,131	-	179,131	14,661	193,792	
71500	Other revenue	-	8,501	-	-	-	67,430	226,962	-	226,962	-	226,962	
71600	Gain or loss on sale of capital assets	-	38	-	-	-	(2,937)	(5,862)	-	(5,862)	-	(5,862)	
72000	Investment income - restricted	-	131,333	-	-	-	197,963	197,963	-	197,963	357	198,320	
70000	Total Revenue	56,779	19,319,382	141,790	40,069	28,068	23,237,000	29,367,153	(1,708,613)	27,658,540	272,905	27,931,445	
91100	Administrative salaries	-	582,098	548	1,598	19,318	822,551	1,901,667	-	1,901,667	27,749	1,929,416	
91200	Auditing fees	-	19,092	239	-	-	22,195	34,094	-	34,094	7,920	42,014	
91300	Management Fee	-	340,956	4,176	-	-	480,088	777,062	(777,062)	-	39,211	39,211	
91310	Book-Keeping Fee	-	213,098	2,610	-	-	231,713	286,605	(286,605)	-	-	-	
91400	Advertising and Marketing	-	-	-	-	-	2,034	2,034	-	2,034	230	2,264	
91500	Employee benefit contributions - administrative	-	198,968	155	-	-	263,129	580,148	-	580,148	9,544	589,692	
91600	Office Expenses	-	42,073	-	-	-	73,149	156,846	-	156,846	5,314	162,160	
91700	Legal Expense	-	26,602	-	-	-	30,427	52,560	-	52,560	5,615	58,175	
91800	Travel	-	5,191	-	-	-	13,065	52,771	-	52,771	1,228	53,999	
91900	Other	-	68,400	7,780	-	-	109,768	326,469	-	326,469	8,989	335,458	
91000	Total Operating-Administrative	-	1,496,478	15,508	1,598	19,318	2,048,119	4,170,266	(1,063,667)	3,106,589	105,800	3,212,389	
92000	Asset Management Fee	-	-	-	-	-	-	74,760	(74,760)	-	-	-	
92100	Tenant services - salaries	119,404	90,362	-	-	-	529,124	550,591	-	550,591	591	551,182	
92200	Relocation Costs	-	-	-	-	-	-	1,075	-	1,075	-	1,075	
92300	Employee benefit contributions - tenant services	38,233	29,815	-	-	-	158,924	166,024	-	166,024	203	166,227	
92400	Tenant services - other	11,516	-	-	-	-	369,864	397,987	-	397,987	113	398,100	
92500	Total Tenant Services	169,153	120,177	-	-	-	1,057,912	1,115,677	-	1,115,677	907	1,116,584	
93100	Water	-	-	-	-	-	25,608	94,200	-	94,200	14,039	108,239	
93200	Electricity	-	-	-	-	-	68,700	137,101	-	137,101	11,250	148,351	
93300	Gas	-	-	-	-	-	27,640	64,116	-	64,116	-	64,116	
93600	Sewer	-	-	-	-	-	59,773	307,097	-	307,097	13,418	320,515	
93000	Total Utilities	-	-	-	-	-	181,721	602,514	-	602,514	38,707	641,221	
94100	Ordinary maintenance and operations - labor	-	-	-	-	-	160,675	826,524	-	826,524	53,379	879,903	
94200	Ordinary maintenance and operations - materials and other	-	3,150	-	-	-	79,570	272,537	-	272,537	15,775	288,312	
94300	Ordinary Maintenance and Operations Contracts	-	2,108	-	-	-	308,940	972,240	(570,186)	402,054	51,371	453,425	
94500	Employee benefit contribution - ordinary maintenance	-	-	-	-	-	47,719	247,137	-	247,137	18,359	265,496	
94000	Total Maintenance	-	5,258	-	-	-	596,904	2,318,438	(570,186)	1,748,252	138,884	1,887,136	
96110	Property Insurance	-	-	-	-	-	20,642	69,666	-	69,666	29,038	98,704	
96120	Liability Insurance	-	7,055	44	-	-	17,276	33,660	-	33,660	4,024	37,684	
96130	Workmen's Compensation	-	5,872	2	-	-	21,171	70,173	-	70,173	3,499	73,672	
96140	All other Insurance	-	1,811	-	-	-	28,184	37,599	-	37,599	727	38,326	
96100	Total Insurance Premiums	-	14,738	46	-	-	87,273	211,098	-	211,098	37,288	248,386	

Line Item Number	Account Description	Other Programs						Total Housing Authority Projects/Programs	Component Unit	Memorandum Total
		ROSS Grant Program	Housing Choice Vouchers	Section 8 Moderate Rehab Program	Disaster Voucher Program	Disaster Housing Assist Grant	Total Other Programs			
96200	Other general expenses	-	115,807	-	-	-	254,897	254,897	13,912	268,809
96300	Payments in lieu of taxes	-	-	-	-	-	18,343	161,871	-	161,871
96400	Bad debt - tenant rents	-	-	-	-	-	16,919	29,730	7,652	37,382
96000	Total Other General Expenses	-	115,807	-	-	-	290,159	446,496	21,564	468,062
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	286,895	286,895	174,749	461,644
96730	Amortization of Bond Issue Costs	-	-	-	-	-	-	-	4,884	4,884
96700	Total Interest Expense and Amortization Cost	-	-	-	-	-	286,895	286,895	179,633	466,528
96900	Total Operating Expenses	169,153	1,752,458	15,554	1,598	19,318	4,548,983	9,226,136	522,783	8,040,306
97000	Excess Revenue Over Operating Expenses	(112,374)	17,566,924	126,236	38,471	8,750	18,688,017	20,141,017	-	19,891,139
97100	Extraordinary maintenance	-	-	-	-	-	54,359	88,480	7,643	96,123
97200	Casualty losses- Non-capitalized	-	-	-	-	-	3,240	85,446	7,633	93,079
97300	Housing assistance payments	-	17,785,016	117,919	17,700	8,750	17,929,385	17,929,385	-	17,929,385
97400	Depreciation expense	3,500	10,018	-	-	-	584,731	1,813,190	125,082	1,938,272
90000	Total Expenses	172,653	19,547,492	133,473	19,298	28,068	23,120,698	29,142,637	(1,708,613)	28,097,165
10010	Operating transfer in	112,374	-	-	-	-	263,949	263,949	(303,727)	-
10020	Operating transfer out	-	-	-	-	-	(567,676)	(567,676)	-	-
10100	Total other financing sources (uses)	112,374	-	-	-	-	(191,353)	(303,727)	303,727	-
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	(3,500)	(228,110)	8,317	\$20,771	\$-	(75,051)	(79,211)	\$ (86,509)	\$ (165,720)
11030	Beginning equity	\$ 22,465	\$3,041,427	\$ 47,675	\$(20,771)	\$-	\$ 16,207,804	\$ 29,910,032	\$ 1,036,948	\$ 30,946,980
11040	Prior period adjustments, equity transfers, and correction of errors	\$-	\$-	\$-	\$-	\$-	\$ 449,908	\$ 449,908	\$-	\$ 449,908
11170-001	Administrative Fee Equity- Beginning Balance	\$-	\$ 211,261	\$-	\$-	\$-	\$ 211,261	\$ 211,261	\$-	\$ 211,261
11170-010	Administrative Fee Revenue	-	1,613,790	-	-	-	1,613,790	1,613,790	-	1,613,790
11170-021	FSS Coordinator Grant	-	136,482	-	-	-	136,482	136,482	-	136,482
11170-040	Investment Income	-	12,777	-	-	-	12,777	12,777	-	12,777
11170-050	Other Revenue	-	8,539	-	-	-	8,539	8,539	-	8,539
11170-060	Total Admin Fee Revenues	-	1,771,588	-	-	-	1,771,588	1,771,588	-	1,771,588
11170-080	Total Operating Expenses	-	1,752,458	-	-	-	1,752,458	1,752,458	-	1,752,458
11170-090	Depreciation	-	10,018	-	-	-	10,018	10,018	-	10,018
11170-110	Total Expenses	-	1,762,476	-	-	-	1,762,476	1,762,476	-	1,762,476
11170-002	Net Administrative Fee	-	9,112	-	-	-	9,112	9,112	-	9,112
11170	Administrative Fee Equity	-	\$ 220,373	\$-	\$-	\$-	\$ 220,373	\$ 220,373	\$-	\$ 220,373
11180-001	Housing Assistance Payments Equity- Beginning Balance	\$-	\$2,830,166	\$-	\$-	\$-	\$ 2,830,166	\$ 2,830,166	\$-	\$ 2,830,166
11180-010	Housing Assistance Payment Revenues	-	17,416,461	-	-	-	17,416,461	17,416,461	-	17,416,461
11180-025	Investment Income	-	131,333	-	-	-	131,333	131,333	-	131,333
11180-030	Total HAP Revenues	-	17,547,794	-	-	-	17,547,794	17,547,794	-	17,547,794
11180-080	Housing Assistance Payments	-	17,785,016	-	-	-	17,785,016	17,785,016	-	17,785,016
11180-100	Total Housing Assistance Payments Expenses	-	17,785,016	-	-	-	17,785,016	17,785,016	-	17,785,016
11180-002	Net Housing Assistance Payments	-	(237,222)	-	-	-	(237,222)	(237,222)	-	(237,222)
11180	Housing Assistance Payments Equity	-	\$2,592,944	-	\$-	\$-	\$ 2,592,944	\$ 2,592,944	\$-	\$ 2,592,944
11190	Unit Months Available	-	28,406	348	9	16	32,634	40,025	960	40,985
11210	Unit Months Leased	-	28,336	319	9	16	32,445	39,747	914	40,661
11270	Excess Cash	\$-	\$-	\$-	\$-	\$-	\$-	\$ 2,006,853	\$-	\$ 2,006,853
11620	Building Purchases	\$-	\$-	\$-	\$-	\$-	\$-	\$ 522,458	\$-	\$ 522,458
11630	Furniture & Equipment-Dwelling Purchases	\$-	\$-	\$-	\$-	\$-	\$-	\$ 4,394	\$-	\$ 4,394
11640	Furniture & Equipment-Administrative Purchases	\$-	\$-	\$-	\$-	\$-	\$-	\$ 45,192	\$-	\$ 45,192

**HOUSING AUTHORITY OF THE CITY OF EVERETT**  
**Supplemental Segment Information - Unaudited**  
**As of and for the Year Ended June 30, 2008**

**CONDENSED STATEMENT OF NET ASSETS**

	Affordable Housing Properties	Broadway Plaza West	Douglas Grove	Greenhouse	ParkRidge Condominiums	Property Management	Local	Total (memorandum only)
<b>Assets</b>								
Cash & investments - unrestricted	\$ 21,388	\$ 311,927	\$ 2,325	\$ 49,236	\$ 71,920	\$ 654,257	\$ 141,164	\$ 1,252,217
Cash & investments - restricted	169,506	24,195	25,304	-	-	-	-	219,005
Due from other programs	-	-	(1,639)	-	-	-	21,939	20,300
Other current assets	4,410	17,991	116	71	-	414,780	-	437,368
Capital assets (net of accumulated depreciation)	8,218,194	3,954,143	485,076	271,826	-	-	281,741	13,210,980
Other assets	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>8,413,498</b>	<b>4,308,256</b>	<b>511,182</b>	<b>321,133</b>	<b>71,920</b>	<b>1,069,037</b>	<b>444,844</b>	<b>15,139,870</b>
<b>Liabilities</b>								
Current liabilities	37,709	14,456	2,617	140	1,007	1,701	624	58,254
Current portion of long-term debt	285,822	-	35,023	21,522	-	-	-	342,367
Current liabilities payable from restricted assets	116,641	24,195	4,000	-	-	-	-	144,836
Bonds and notes payable - non-current	5,689,874	-	301,671	22,356	-	-	-	6,013,901
Other non-current liabilities	21,861	7,762	744	-	-	-	-	30,367
<b>Total Liabilities</b>	<b>6,151,907</b>	<b>46,413</b>	<b>344,055</b>	<b>44,018</b>	<b>1,007</b>	<b>1,701</b>	<b>624</b>	<b>6,589,725</b>
<b>Net Assets</b>								
Invested in capital assets, net of related debt	2,242,498	3,954,143	148,382	227,948	-	-	281,741	6,854,712
Restricted	52,865	-	21,304	-	-	-	-	74,169
Unrestricted	(33,773)	307,699	(2,558)	49,167	70,913	1,067,336	162,479	1,621,263
<b>Total Net Assets</b>	<b>\$ 2,261,590</b>	<b>\$ 4,261,842</b>	<b>\$ 167,128</b>	<b>\$ 277,115</b>	<b>\$ 70,913</b>	<b>\$ 1,067,336</b>	<b>\$ 444,220</b>	<b>\$ 8,550,144</b>

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

	Affordable Housing Properties	Broadway Plaza West	Douglas Grove	Greenhouse	ParkRidge Condominiums	Property Management	Local	Total (memorandum only)
<b>Operating Revenue (Expenses)</b>								
Operating revenue	\$ 987,779	\$ 717,840	\$ 90,121	\$ 29,400	\$ -	\$ 6,953	\$ -	\$ 1,832,093
Operating expenses	(517,235)	(423,633)	(49,664)	(971)	(106,345)	-	(38,371)	(1,136,219)
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers out	-	(112,751)	-	-	-	-	(1,125)	(113,876)
Depreciation expense	(217,985)	(139,417)	(9,403)	(9,643)	-	-	-	(376,448)
Operating income (loss)	252,559	42,039	31,054	18,786	(106,345)	6,953	(39,496)	205,550
<b>Nonoperating Revenue (Expense)</b>								
Interest income	2,782	10,041	226	1,668	7,521	39,563	6,855	68,656
Interest expense	(266,484)	-	(18,372)	(2,039)	-	-	-	(286,895)
Nonoperating transfers in	593,160	-	-	-	-	-	-	593,160
Nonoperating transfers out	-	-	-	-	(593,160)	(5,128)	(36,608)	(634,896)
Nonoperating income (expense)	329,458	10,041	(18,146)	(371)	(585,639)	34,435	(29,753)	(259,975)
Increase (decrease) in net assets	582,017	52,080	12,908	18,415	(691,984)	41,388	(69,249)	(54,425)
Prior period adjustment	-	-	-	-	-	449,908	-	449,908
Net Assets, Beginning of Year	1,679,573	4,209,762	154,220	258,700	762,897	576,040	513,469	8,154,661
<b>Net Assets, End of Year</b>	<b>\$ 2,261,590</b>	<b>\$ 4,261,842</b>	<b>\$ 167,128</b>	<b>\$ 277,115</b>	<b>\$ 70,913</b>	<b>\$ 1,067,336</b>	<b>\$ 444,220</b>	<b>\$ 8,550,144</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.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

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

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**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
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**Toll-free Citizen Hotline**

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