



Washington State Auditor's Office

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Financial Statements and Federal Single Audit Report

Housing Authority of the City of Everett

Snohomish County

For the period July 1, 2014 through June 30, 2015

Published March 28, 2016

Report No. 1016339





Washington State Auditor's Office

March 28, 2016

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,

JAN M. JUTTE, CPA, CGFM
DEPUTY STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

Federal Summary	4
Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	6
Independent Auditor’s Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133	9
Independent Auditor’s Report On Financial Statements	12
Financial Section.....	16
About The State Auditor’s Office.....	99

FEDERAL SUMMARY

Housing Authority of the City of Everett Snohomish County July 1, 2014 through June 30, 2015

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 unmodified opinion was issued by us and the other auditors on the financial statements of the business-type activities and the aggregate discretely presented component units. Our report includes a reference to other auditors that audited the financial statements of the Housing Authority of the City of Everett – Broadway Plaza Limited Liability Limited Partnership, Pivotal Point Limited Liability Limited Partnership, EHA – Twelve Pines Limited Partnerships, Bakerview/Grandview Affordable Housing Limited Liability Limited Partnership, and Everett Affordable Housing Portfolio Limited Liability Limited Partnership, which combined represent 100 percent of the assets, net position and revenues of the aggregate discretely presented component units.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

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

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
14.850	Public and Indian Housing
14.871	Section 8 Housing Choice Vouchers

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$795,683.

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 BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Housing Authority of the City of Everett
Snohomish County
July 1, 2014 through June 30, 2015**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of Everett, Snohomish County, Washington, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 11, 2016. As discussed in Note 1 to the financial statements, during the year ended June 30, 2015, the Housing Authority implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*.

Our report includes a reference to other auditors who audited the financial statements of the Housing Authority of the City of Everett – Broadway Plaza Limited Liability Limited Partnership, Pivotal Point Limited Liability Limited Partnership, EHA – Twelve Pines Limited Partnerships, Bakerview/Grandview Affordable Housing Limited Liability Limited Partnership, and Everett Affordable Housing Portfolio Limited Liability Limited Partnership, as described in our report on the Housing Authority's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



JAN M. JUTTE, CPA, CGFM
DEPUTY STATE AUDITOR
OLYMPIA, WA

March 11, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**Housing Authority of the City of Everett
Snohomish County
July 1, 2014 through June 30, 2015**

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

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

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The Housing Authority's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. Our audit does not provide a legal determination on the Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



JAN M. JUTTE, CPA, CGFM
DEPUTY STATE AUDITOR
OLYMPIA, WA

March 11, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Housing Authority of the City of Everett Snohomish County July 1, 2014 through June 30, 2015

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of Everett, Snohomish County, Washington, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statement of the Housing Authority of the City of Everett – Broadway Plaza Limited Liability Limited Partnership, Pivotal Point Limited Liability Limited Partnership, EHA – Twelve Pines Limited Partnerships, Bakerview/Grandview Affordable Housing Limited Liability Limited Partnership, and Everett Affordable Housing Portfolio Limited Liability Limited Partnership, which combined represent 100 percent of the assets, net position and revenues of the aggregate discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Everett – Broadway Plaza Limited Liability Limited Partnership, Pivotal Point Limited Liability Limited Partnership, EHA –

Twelve Pines Limited Partnerships, Bakerview/Grandview Affordable Housing Limited Liability Limited Partnership, and Everett Affordable Housing Portfolio Limited Liability Limited Partnership is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the Housing Authority of the City of Everett, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2015, the Housing Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 27 and pension trust fund information on pages 77 through 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Financial Data Schedule and Actual Modernization Cost Certificate (HUD-53001) are supplementary information required by HUD. These schedules are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2016 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.



JAN M. JUTTE, CPA, CGFM
DEPUTY STATE AUDITOR
OLYMPIA, WA

March 11, 2016

FINANCIAL SECTION

Housing Authority of the City of Everett Snohomish County July 1, 2014 through June 30, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015

Statement of Revenues, Expenses and Changes in Net Position – 2015

Statement of Cash Flows – 2015

Notes to Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Pension Trust Fund – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

Financial Data Schedule – 2015

Actual Modernization Cost Certificate – WA19P006501-11

Actual Modernization Cost Certificate – WA19P006501-12

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Management's Discussion and Analysis

June 30, 2015

The Housing Authority of the City of Everett ("EHA" or the "Authority") is pleased to present its basic financial statements for the year ended June 30, 2015, which have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). GAAP requires the inclusion of three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. In addition, GAAP requires the inclusion of this Management's Discussion and Analysis (MD&A) section as required supplementary information.

This MD&A is intended to assist the reader to identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify and offer a discussion about changes in EHA's financial position. It is designed to focus on the financial activity for the fiscal year ended June 30, 2015, resulting changes and currently known facts. Please read it in conjunction with the financial statements found elsewhere in this report.

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

Financial Highlights

- Total net position increased by \$34,466,993 (84.7%) from the prior year. This increase is primarily due to an increase of cash and notes receivable derived from the sale of three public housing projects and seven apartment buildings to two tax credit partnerships. The Authority is the general partner of each partnership.
- The assets and deferred outflows of resources of EHA exceeded liabilities and deferred inflows of resources at June 30, 2015 by \$75,155,148. Of this amount, \$59,564,014 (unrestricted net position) may be used to meet ongoing obligations, \$8,533,751 is invested in capital assets, net of related debt, and \$7,057,383 is restricted to meet defined obligations.
- Overall, capital assets decreased by \$3,140,405 due primarily to the sale of three public housing projects and seven affordable properties to two tax credit partners during the year. Depreciation expense of \$590,546 contributed to that decrease.
- Total liabilities increased by \$42,212,793 (245.4%) from the prior year primarily due to an increase in debt assured by EHA associated with the formation of two tax credit partnerships and the purchase and financing of five properties from Senior Services of Snohomish County.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Management's Discussion and Analysis

June 30, 2015

- Operating revenues increased by \$4,188,534 (14.1%) in comparison to the prior year. This increase was mostly attributable to increases in operating subsidies and grants as well as increases in management and development fees. That increase was offset by a decline in rental revenue and tenant charges due to the sale of several properties to tax credit partnerships.
- Operating expenses decreased by \$326,056 (1.1%) in comparison to the prior year primarily due to decreases in utilities and maintenance and operation expenses resulting from a decrease in the number of properties operated due to the previously mentioned property sales.

Overview of the Basic Financial Statements

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

The **Statement of Net Position** presents information on EHA's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position of the Authority at the end of the fiscal year. Assets and liabilities are presented in the order of liquidity and are classified as "current" (convertible to cash within one year) and "noncurrent". The purpose of this statement is to provide readers with a snapshot of the fiscal condition of the Authority as of a certain point in time. Over time, increases or decreases in net position may serve as useful indicators as to whether the EHA's financial health is improving or deteriorating.

The **Statement of Revenues, Expenses and Changes in Net Position** presents information showing how EHA's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported for some items that will only result in cash flows in future years.

The **Statement of Cash Flows** reports how EHA's cash was used in and provided by its operating, noncapital financing, capital and related financing, and investing activities during the year. The net of these activities is added to the beginning year cash balance to reconcile to the cash balance at June 30, 2015. The EHA uses the direct method of presenting cash flows, which includes a reconciliation of operating activities to operating income. This statement provides answers to such questions as where did cash come from, how was cash used, and what was the change in the cash balance during the year.

Notes to the Basic Financial Statements provide financial statement disclosures that are an integral part of the basic financial statements. Such disclosures are essential to a comprehensive understanding of the information provided in the basic financial statements.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Management's Discussion and Analysis
June 30, 2015

Financial Analysis

Net Position

Net position is summarized in the table below:

	June 30	
	2015	2014
Assets:		
Current assets	\$ 60,707,502	\$ 12,412,668
Capital assets, net	19,514,390	22,654,795
Other non-current assets	55,178,849	22,823,345
Total assets	135,400,741	57,890,808
Deferred outflows of resources	394,334	-
Total assets and deferred outflows of resources	135,795,075	57,890,808
Liabilities:		
Current liabilities	34,795,825	3,178,356
Non-current liabilities	24,619,621	14,024,297
Total liabilities	59,415,446	17,202,653
Deferred inflows of resources	1,224,481	-
Total liabilities and deferred inflows of resources	60,639,927	17,202,653
Net position:		
Investment in capital assets, net of related debt	8,533,751	18,342,530
Restricted	7,057,383	393,591
Unrestricted	59,564,014	21,952,034
Total net position	\$ 75,155,148	\$ 40,688,155

Total assets of the Authority at June 30, 2015 and 2014 amounted to \$135,400,741 and \$57,890,808, respectively. Current assets are comprised of cash, investments, receivables, current portion of notes receivable, inventories, prepaid items, and restricted assets. Current assets are approximately 389% higher at June 30, 2015 than June 30, 2014, due to an increase in cash and cash equivalents, both unrestricted and restricted, of approximately \$15.9 million as well as an increase in short term notes receivable from partnerships of \$33.5 million. Short term receivables are mostly related to construction loans for two tax credit partnerships.

Total liabilities of the Authority, which are segregated between current and noncurrent portions, amounted to \$59,415,446 and \$17,202,653 at June 30, 2015 and 2014, respectively. Current liabilities include accounts payable, accrued expenses, unearned revenue, security deposits and the current portions of notes and bonds payable. A liability is considered to be current if it is due within one year. Current liabilities increased 995% from 2014 to 2015 primarily due to the issuance of short term bonds associated with large renovation projects undertaken by two new tax credit partnerships. This increase was partially offset by a decrease in trade and construction accounts payable and a decrease in the current portion of notes and bonds payable due to the payoff of a \$1,063,000 loan for Madison Villa Apartments. The

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Management's Discussion and Analysis

June 30, 2015

noncurrent liabilities are largely comprised of the long-term portion of the notes and bonds payable. The increase in noncurrent liabilities in 2015 over 2014 resulted from new financing for our tax credit partnerships where EHA is the obligor. In addition, the implementation of GASB 68 resulted in an increase in net pension liability of \$2.67 million.

EHA's current ratio reflects the relationship between current assets and current liabilities and is a measure of EHA's ability to liquidate its current obligations. EHA's current ratio decreased from 3.91:1 in 2014 to 1.74:1 in 2015.

Net position represents the equity of EHA after liabilities are subtracted from assets. Net position is divided into three major categories. The first category, *investment in capital assets, net of related debt*, shows EHA's equity in land, buildings and improvements, construction in progress, and equipment, reduced by accumulated depreciation and related outstanding debt. The second category, *restricted net position*, has external limitations on the way in which these assets can be used. The last category, *unrestricted net position*, is available to be used by the Authority for any lawful and prudent purpose.

The Authority's total net position increased by \$34,466,993 during the year. The primary reason for this increase was the sale of several properties that were converted into two tax credit partnerships under HUD's Rental Assistance Demonstration (RAD) program. This was also the reason for the decrease in investment in capital assets net of related debt.

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

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Management's Discussion and Analysis
June 30, 2015

Changes in Unrestricted Net Position

Changes in unrestricted net position are summarized in the following table:

Unrestricted net position, June 30, 2014	\$ 21,952,034
Restatement due to prior period adjustment	<u>(3,649,831)</u>
Unrestricted net position, June 30, 2014 - restated	18,302,203
Total change in net position	38,116,824
Adjustments:	
Depreciation (1)	<u>590,546</u>
Adjusted change in net position	<u>38,707,370</u>
Additions to capital asset long-term debt borrowings	10,377,382
Payments on capital asset long-term debt borrowings	(3,709,008)
Capital asset reductions	2,549,859
Increase in restricted assets	<u>(6,663,792)</u>
Unrestricted net position, June 30, 2015	<u><u>\$ 59,564,014</u></u>

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

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Management's Discussion and Analysis
June 30, 2015

Financial Analysis

Revenues, Expenses and Changes in Net Position

Changes in net position is summarized in the table below:

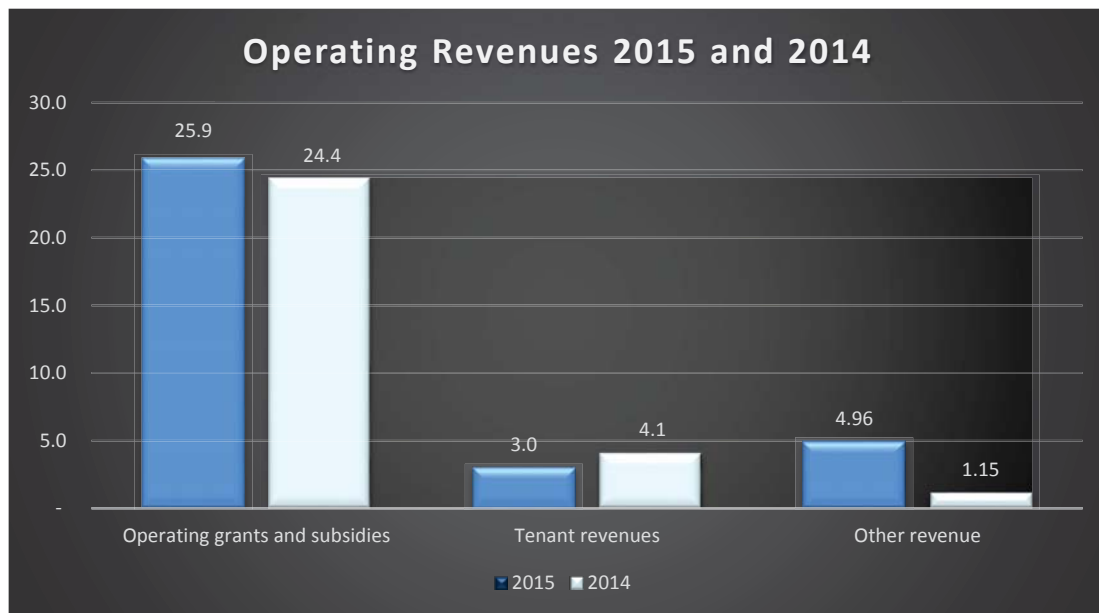
	Year Ended June 30	
	2015	2014
Operating revenues:		
Operating grants and subsidies (2)	\$ 25,916,129	\$ 24,464,903
Tenant revenues	2,996,448	4,068,135
Other revenue	4,957,904	1,148,909
Total operating revenues	33,870,481	29,681,947
Operating expenses:		
Housing assistance payments	22,352,759	22,015,833
Administrative	4,251,142	4,112,645
Special items - transfer to component units	639,803	-
Maintenance and operation	1,054,420	1,661,250
Depreciation	590,546	1,332,756
Tenant services	936,526	803,708
Utilities	434,039	601,614
General	402,151	459,636
Total operating expenses	30,661,386	30,987,442
Operating revenue (loss)	3,209,095	(1,305,495)
Nonoperating revenues (expenses)		
Interest income	1,172,614	440,407
Interest expense	(298,063)	(170,743)
Gains (losses) on capital asset disposition	33,066,647	-
Total nonoperating revenues (expenses)	33,941,198	269,664
Capital contributions - HUD	966,531	715,743
Change in net position	38,116,824	(320,088)
Net position, beginning of year, previously reported	40,688,155	41,008,243
Restatement	(3,649,831)	-
Net position, beginning, restated	37,038,324	41,008,243
Net position, end of year	\$ 75,155,148	\$ 40,688,155

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Management's Discussion and Analysis
June 30, 2015

(2) 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.

The Authority had operating income of \$3,209,095 in 2015 and an operating loss of \$1,305,495 in 2014. Operating revenues were 14.1% higher in 2015 than 2014. Operating expenses were 1.1% lower in 2015 than 2014. The Public Housing program had a net gain before depreciation and capital contributions of \$496,857 in 2015. Public housing revenues and expenditures both decreased significantly due to the conversion of three public housing projects to tax credit partnerships as part of HUD's Rental Assistance Demonstration (RAD) project. The tax credit partnerships are reported as part of discretely presented component units and not included in the primary government's financial statements. Agency wide maintenance and operation expenses were 36.53% lower in 2015 than in 2014, also due to this conversion of property ownership.

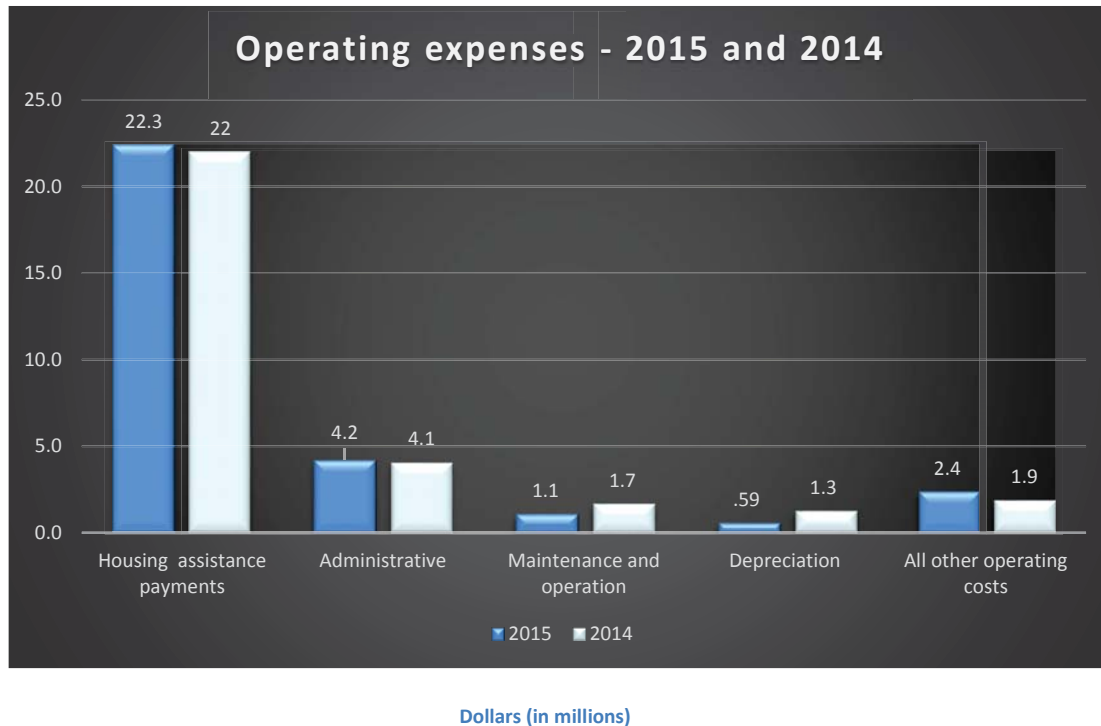
Operating revenues are shown in detail in the chart below:



Dollars (in millions)

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Management's Discussion and Analysis
June 30, 2015

Operating expenses are shown in detail in the chart below:



Capital Assets and Debt Administration

The EHA's capital assets are summarized in the table below:

	June 30	
	2015	2014
Land and site improvements	\$ 4,838,283	\$ 3,490,205
Building and building improvements	28,524,755	44,224,585
Equipment	1,540,397	1,826,068
Construction in process	74,192	2,978,290
Total capital assets	34,977,627	52,519,148
Less accumulated depreciation	(15,463,237)	(29,864,353)
Net capital assets	\$ 19,514,390	\$ 22,654,795

The net investment in capital assets changed (decrease) by approximately 13.9% during the year. This decrease was substantially related to the sale of several properties to two tax credit partnerships during the year. However, other properties were acquired during the year which

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Management's Discussion and Analysis
June 30, 2015

offset some of this decrease. Note 6 to the Authority's basic financial statements provides additional detail regarding the changes in capital assets during the year.

EHA's outstanding notes and bonds payable is summarized in the table below:

	June 30	
	2015	2014
Current portion of notes and bonds payable	\$ 33,638,670	\$ 1,588,080
Bonds payable - long term	8,527,045	10,006,419
Notes payable - long term	12,561,999	3,142,766
Total notes and bonds payable	<u>\$ 54,727,714</u>	<u>\$ 14,737,265</u>

All debt service payments were made in 2015 as scheduled. The note due for the Madison Villa Apartments totaling \$1,063,000 was paid in full in December 2014. Please refer to Note 8 of the Notes to the Financial Statements for more information on long-term debt.

In 2014, in concurrence with a RAD conversion, two of our component units began the largest renovation project in the history of the Authority. Short term construction financing was established in conjunction with the issuance of bonds that will provide permanent funding once construction is complete. This affected our financial statements profoundly, as short term liabilities rose significantly. As of this writing, the construction is imminently complete and we feel confident that the permanent financing is assured.

Economic Factors Affecting the Housing Authority

The majority of EHA's funding is from federal agencies in the form of operating subsidies, capital fund grants, Section 8 Housing Assistance Payments, and other smaller grants. While Housing Authorities have been underfunded for most of the past decade, the following funding impacts from such actions were experienced in 2015 and are expected for 2016:

- In the fiscal year 2015, funding for the Public Housing operating subsidy was 85.3% of eligibility and is expected to be funded at about the same rate in 2016. During that year, three of our Public Housing properties were converted to tax credit partnerships and began receiving subsidy through the Section 8 Housing Choice Voucher program beginning January 1, 2015.
- The administrative cost portion of the Section 8 Housing Choice Voucher program was funded at 79.8% to 82.1% of eligibility during 2015, and is expected to be funded at about 81% of eligibility for 2016.
- The Section 8 Housing Choice Voucher program Housing Assistance Payments was funded at 100% of eligibility during 2015 and is expected to be funded at a similar level for 2016. Eligibility is based primarily on prior year expenditures and prorated as

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Management's Discussion and Analysis

June 30, 2015

needed. In 2015 HUD significantly raised fair market rents in our area, resulting in an increase in the Authority's payment standards. Because of this, our budget authority did not meet the needs of our program. We made the decision to continue to lease vouchers and not terminate any families in our program. We applied for shortfall funding in the fall of 2015 and have recently been notified by HUD that we will receive shortfall funding. In addition, we will spend some of our unrestricted reserves to continue serving those clients through the end of 2015. We believe that we have sufficient unrestricted reserve funds to operate competently and plan to continue to prudently manage this program. However, there is no guarantee that funding will continue at a sufficient level and as always the viability of this program is heavily reliant on HUD.

- For more than 10 years, Capital Fund grants provided by HUD have been insufficient to meet the capital renewal and replacement needs of Housing Authorities and no increase in funding levels are expected in the coming years. Because three of our public housing projects have converted to tax credit partnerships, they no longer rely on Capital Fund grants. We continue to explore options for restructuring ownership of the two remaining public housing projects.

Congress and the federal government continue to cut federal subsidies due to federal budget priorities. The trend in reduced funding continues to have an impact on EHA's economic position because federal housing dollars make up the largest source of revenue for the Authority. EHA expects that the Section 8 Housing Choice Voucher program will continue to be our major program going forward and will operate under the expectation that funding will be provided at adequate levels to sustain this program in the coming year. However, EHA must pursue opportunities outside the Public Housing program because funding in this program continues to decrease. During 2015, EHA received \$2.1 million in federal funds for its Public Housing Operating and Capital programs and \$24.3 million in federal funds to operate the Section 8 Housing Choice Voucher program. EHA continues to develop an aggressive strategy to increase our housing portfolio through acquisition and development primarily utilizing the Low Income Housing Tax Credit program. In addition, EHA expects to assume responsibility for 11 affordable senior housing complexes in the coming year. As previously mentioned three of our former Public Housing projects have been converted to tax credit partnerships through HUD's Rental Assistance Demonstration program, and EHA is pursuing other programs for disposition of the two remaining public housing projects. It is EHA's intention to replace the units disposed of with other units in the Everett community through acquisition and development.

Additional significant economic factors affecting the Authority are as follows:

- Local labor supply and demand, which 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 costs of the programs.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Management's Discussion and Analysis

June 30, 2015

- Employee health insurance and other benefit costs continue to rise, though at a decreasing pace.

Requests for Information

This financial report is designed to provide the reader with a general overview of EHA's finances and to demonstrate EHA's financial accountability over its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Executive Director, Housing Authority of the City of Everett, 3107 Colby Ave., Everett, WA 98223. (EHA Web site is at: www.evha.org)

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Statement of Net Position
June 30, 2015

	Primary Government	Component Units
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 19,084,028	\$ 782,537
Cash and cash equivalents - restricted	7,225,133	1,679,084
Investments - Restricted	-	176,500
Accounts receivable - Restricted	6,187	-
Accounts receivable - net	397,701	54,369
Notes receivable - partnerships - current portion	33,829,532	-
Inventories	75,276	2,520
Prepaid expenses and other current assets	89,645	178,425
Total current assets	<u>60,707,502</u>	<u>2,873,435</u>
Non-current assets:		
Capital assets:		
Land	4,838,283	4,505,726
Property and equipment, net	14,601,915	70,142,194
Construction in progress	74,192	12,571,803
Total capital assets	<u>19,514,390</u>	<u>87,219,723</u>
Notes receivable - partnerships	50,434,588	-
Developer fee note and other assets	4,744,261	858,444
Total non-current assets	<u>74,693,239</u>	<u>88,078,167</u>
Total assets	<u>135,400,741</u>	<u>90,951,602</u>
Deferred outflows of resources	<u>394,334</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>135,795,075</u>	<u>90,951,602</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable	143,221	1,850,543
Accrued expenses	364,463	276,482
Unearned revenue	52,475	38,269
Tenant security deposits	128,069	205,690
Money held in escrow (FSS escrow)	40,364	-
Other credits and current liabilities	191,106	358,725
Notes and bonds payable - current portion	33,876,127	353,199
Total current liabilities	<u>34,795,825</u>	<u>3,082,908</u>
Non-current liabilities:		
Bonds and notes payable, less current portion	21,089,043	80,712,520
Accrued compensated absences, less current portion	251,833	106,756
Money held in escrow (FSS escrow)	5,504	-
Other non-current liabilities	3,273,241	2,190,225
Total non-current liabilities	<u>24,619,621</u>	<u>83,009,501</u>
Total liabilities	<u>59,415,446</u>	<u>86,092,409</u>
Deferred inflows of resources	<u>1,224,481</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>60,639,927</u>	<u>86,092,409</u>
Net position:		
Investment in capital assets, net of related debt	8,533,751	5,959,411
Restricted	7,057,383	1,649,507
Unrestricted (deficit)	59,564,014	(2,749,725)
Total Net Position	<u>\$ 75,155,148</u>	<u>\$ 4,859,193</u>

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

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015

	Primary Government	Component Units
Operating revenues:		
Tenant rents	\$ 2,602,391	\$ 3,190,326
HUD operating grants and subsidies	25,693,898	633,794
Other operating grants	222,231	-
Other tenant charges	394,057	36,999
Management fees	379,582	-
Port In HAP and administrative fees	243,740	-
Other revenue	4,334,582	42,146
	<hr/>	<hr/>
Total operating revenues	33,870,481	3,903,265
	<hr/>	<hr/>
Operating expenses:		
Administrative	4,251,142	954,811
Special items - transfer to component units	639,803	-
Tenant services	936,526	159,367
Utilities	434,039	293,079
Maintenance & operations	1,054,420	759,469
General	402,151	156,544
Housing assistance payments	22,352,759	-
Depreciation and amortization	590,546	1,119,307
	<hr/>	<hr/>
Total operating expenses	30,661,386	3,442,577
	<hr/>	<hr/>
Operating income (loss)	3,209,095	460,688
	<hr/>	<hr/>
Nonoperating revenues (expenses):		
Interest income	1,172,614	2,325
Interest expense	(298,063)	(1,247,646)
Gains (losses) on capital asset disposition	33,066,647	(1,505)
	<hr/>	<hr/>
Total nonoperating revenues (expenses)	33,941,198	(1,246,826)
	<hr/>	<hr/>
Income (loss) before contributions	37,150,293	(786,138)
	<hr/>	<hr/>
Contributions:		
Capital contributions - HUD	966,531	-
Capital contributions - partnership	-	200
Syndication costs - contra-capital	-	(70,884)
Total contributions	<hr/>	<hr/>
	966,531	(70,684)
	<hr/>	<hr/>
Change in net position	38,116,824	(856,824)
	<hr/>	<hr/>
Net position - beginning of year	40,688,155	5,716,017
	<hr/>	<hr/>
Prior period adjustment	(3,649,831)	-
	<hr/>	<hr/>
Net position - end of year	<u>\$ 75,155,148</u>	<u>\$ 4,859,193</u>

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

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Statement of Cash Flows
Year Ended June 30, 2015

	Primary Government
Cash flows from operating activities:	
Receipts from HUD grants	\$ 25,687,235
Receipts from other grants	216,659
Receipts from tenants	2,962,434
Receipts from others	5,726,787
Payments to employees and on behalf of employees	(4,384,359)
Payments to vendors, contractors and others	(2,977,069)
Payments to landlords for housing assistance	(22,349,997)
Payments to component units	(639,803)
Net pension related transactions	(150,488)
	<hr/>
Net cash provided by operating activities	4,091,399
	<hr/>
Cash flows from capital and related financing activities:	
Principal payments on long-term debt obligations	6,538,373
Interest payments on long-term obligations	(287,903)
Capital contributions - HUD	1,371,012
Advances to partnerships	81,417
Property and equipment additions	1,713,514
Gain on capital asset disposition	33,066,647
	<hr/>
Net cash provided by capital and related financing activities	42,483,060
	<hr/>
Cash flows from investing activities:	
Issuance of notes receivable - partnerships	(26,979,536)
Payments received on notes receivable - partnerships	373,203
Developer fees receivable - partnerships	(4,110,000)
Investment in partnerships	(200)
Interest received	(5,696)
	<hr/>
Net cash used by investing activities	(30,722,229)
	<hr/>
Net increase in cash and cash equivalents	15,852,230
	<hr/>
Cash and cash equivalents - beginning of year	10,456,931
	<hr/>
Cash and cash equivalents - end of year (includes \$7,225,133 in restricted cash)	\$ 26,309,161
	<hr/>

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

Continued

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Statement of Cash Flows
Year Ended June 30, 2015

	<u>Primary Government</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ 3,209,095
Prior period adjustment	(3,649,831)
Operating income (loss) - restated	<u>(440,736)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	590,546
Gain on adjustment to capital assets	477,513
Deferred outflow of resources	(394,334)
Deferred inflow of resources	1,224,481
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable tenants	4,063
Accounts receivable - HUD operating grants	(7,626)
Accounts receivable - other grants	172,928
Accounts receivable - other	39,529
Inventories	19,480
Prepaid expenses and other assets	(81,276)
Increase (decrease) in liabilities:	-
Accounts payable - vendors	(118,850)
Accounts payable - HUD	963
Accounts payable - other governments	7,291
Accrued expenses	(53,565)
Unearned revenue	44,790
FSS escrow	27,019
Security deposits	(61,466)
Accrued compensated absences	(48,978)
Deferred pension liability	2,669,196
Other credits	<u>20,431</u>
Net cash provided by operating activities	<u><u>\$ 4,091,399</u></u>
Supplemental disclosure of noncash activities:	
Increase in net pension liability	\$ 2,669,196
Transfer of construction in progress	<u><u>2,927,603</u></u>

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

Concluded

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

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

1. Summary of Significant Accounting Policies

The Housing Authority of the City of Everett (EHA or the Authority) was created in 1942 as a public body corporate and politic to provide safe, decent, and sanitary housing for low-and moderate-income residents of the City of Everett. The Authority derives its power from Washington State Law, RCW 35.82. The Authority operates programs that are administered through the U.S. Department of Housing and Urban Development (HUD) under provisions of the U.S., Housing Act of 1937, as amended.

The basic financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. The Authority applies all relevant GASB pronouncements. Following is a summary of the more significant accounting policies of the Authority.

a. Reporting Entity –

The Authority is governed by a six-member Board of Commissioners appointed by the Mayor of the City of Everett for five year terms, subject to approval by the City Council. The Board of Commissioners' 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 operation of the Authority.

The Authority is a legally separate entity and is not considered 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. The City of Everett does not have the ability to affect the operations of the Authority, nor does the Authority provide a financial benefit to or impose a financial burden on the City.

In determining how to define the reporting entity, management has considered all potential component units. The determination to include a component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting and Financial Reporting Standards and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. These criteria include: financial accountability; appointment of a voting majority; imposition of will; financial benefit to or burden on a primary organization; financial accountability as a result of fiscal dependency; potential for dual inclusion; and organizations included in the reporting entity although the primary organization is not financially accountable.

Component units are reported as part of the reporting entity under either the blended or discrete method of presentation. The discrete method presents the financial statements of the

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

component unit outside of the basic financial statement totals of the primary government. The Authority has identified five legally separate organizations that are reported as discretely presented component units in the basic financial statements. There are no blended component units.

Discretely Presented Component Units

In 2002 the Authority entered into a limited partnership with Columbia Housing/PNC to form EHA-Twelve Pines Limited Partnership (12-P), a separate legal entity. The Authority is the 0.01% owner and the general partner responsible to manage this 80 unit rental property. The limited partnership interests are held by third parties unrelated to the Authority. As the general partner, the Authority has certain rights and responsibilities that enable it to impose its will on the limited partnerships. The Authority is financially accountable for the limited partnerships as they are fiscally dependent on the Authority according to the terms of the partnership agreements. Under GASB Statement No. 61, the partnership is considered a discretely presented component unit of the Authority because the limited partnership does not serve the primary government exclusively, or almost exclusively.

In 2011 the Authority entered into a limited liability limited partnership with Boston Capital Corporation to form Broadway Plaza LLLP (BP). EHA is the 0.01% owner and the general partner responsible to manage this 190 unit rental property. The limited partnership interests are held by third parties unrelated to the Authority. As the general partner, the Authority has certain rights and responsibilities that enable it to impose its will on the limited partnerships. The Authority is financially accountable for the limited partnerships as they are fiscally dependent on the Authority according to the terms of the partnership agreements. Under GASB Statement No. 61, the partnership is considered a discretely presented component unit of the Authority because the limited partnership does not serve the primary government exclusively, or almost exclusively.

In 2013 the Authority entered into a limited liability limited partnership with PNC Real Estate Tax Credit Capital Institutional Fund 47 Limited Partnership to form Pivotal Point LLLP (PP), a separate legal entity. The Authority is the 0.01% owner and the general partner responsible to manage this 20 unit rental property. The limited partnership interests are held by third parties unrelated to the Authority. As the general partner, the Authority has certain rights and responsibilities that enable it to impose its will on the limited partnerships. The Authority is financially accountable for the limited partnerships as they are fiscally dependent on the Authority according to the terms of the partnership agreements. Under GASB Statement No. 61, the partnership is considered a discretely presented component unit of the Authority because the limited partnership does not serve the primary government exclusively, or almost exclusively.

In 2014 the Authority entered into a limited liability limited partnership with the Royal Bank of Canada (RBC) to form Bakerview/Grandview Affordable Housing LLLP (BV/GV), a separate legal

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

entity. The Authority is the 0.01% owner and the general partner responsible to manage this 299 unit rental property. The limited partnership interests are held by third parties unrelated to the Authority. As the general partner, the Authority has certain rights and responsibilities that enable it to impose its will on the limited partnerships. The Authority is financially accountable for the limited partnerships as they are fiscally dependent on the Authority according to the terms of the partnership agreements. Under GASB Statement No. 61, the partnership is considered a discretely presented component unit of the Authority because the limited partnership does not serve the primary government exclusively, or almost exclusively.

In 2014 the Authority entered into a limited liability limited partnership with RBC to form Everett Affordable Housing Portfolio LLLP (EAHP), a separate legal entity. The Authority is the 0.01% owner and the general partner responsible to manage this 159 unit rental property. The limited partnership interests are held by third parties unrelated to the Authority. As the general partner, the Authority has certain rights and responsibilities that enable it to impose its will on the limited partnerships. The Authority is financially accountable for the limited partnerships as they are fiscally dependent on the Authority according to the terms of the partnership agreements. Under GASB Statement No. 61, the partnership is considered a discretely presented component unit of the Authority because the limited partnership does not serve the primary government exclusively, or almost exclusively.

Financial statements for the 12-P, BP, PP, BV/GV, and EAHP limited partnerships have a December 31st year-end. The financial statements for the component units are presented as of December 31, 2014. Component unit budgets are prepared annually and are subject to the approval of the Limited Partner.

Programs Administered by the Everett Housing Authority

The Authority administers Annual Contributions Contracts to provide low-income housing with primary financial support from HUD and develops and manages affordable properties. Major programs administered by EHA are as follows:

Public Housing—EHA owns and operates two housing projects consisting of 288 units of Public Housing. The properties were acquired through bonds and notes guaranteed by HUD and through grants from HUD. Revenues consist primarily of rents and other fees collected from tenants and an operating subsidy from HUD. Typically, residents pay 30% of their adjusted household income in rents. The Authority's subsidy is received under an Annual Contributions Contract to offset the cost of operating the units. Grants from the Capital Fund Program provided by HUD are used to maintain and improve this Public Housing portfolio. Substantially all additions to land, structures and equipment of Public Housing are accomplished through these capital grant funds.

Housing Choice Vouchers—Section 8 of the U.S. Housing and Community Development Act of 1974 provides housing assistance payments on behalf of lower-income families to participating

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

private rental housing owners. EHA receives funding from HUD under the Housing Choice Voucher program and the Moderate Rehabilitation program. For approved housing, HUD contracts with the Authority to enter into contracts with owners to make assistance payments for the difference between the approved contract rent and the actual rent paid by the lower-income families, which equals 30% of adjusted household gross income. Housing Assistance Payments made to owners and some participants are funded through Annual Contributions Contracts. The associated units are owned and maintained by private landlords. For the first six months of the fiscal year, EHA received an allocation of 2539 Housing Choice Vouchers from HUD. Beginning January 1, 2015 EHA's allocation was increased to 2,872 vouchers due to the conversion of three public housing properties to tax credit partnerships. Those properties were awarded 333 Project Based Vouchers under HUD's RAD (Rental Assistance Demonstration) program. Thus, EHA had 32,466 voucher unit months for this fiscal year, and will have 34,464 in future calendar years. In the current fiscal year, EHA administered 31,555 voucher unit months. EHA actively monitors and plans activities related to the management of our voucher counts in order to comply with HUD's leasing provisions on a calendar year basis.

Affordable Housing—EHA owns and operates an Affordable Housing portfolio consisting of twelve low-income housing properties representing 1,001 units, of which 748 units are owned through five tax credit partnerships. These properties are financed primarily through tax exempt revenue bond issues and seller financing. The Authority manages all of its affordable housing properties with the exception of two recently acquired properties, Evergreen Cottages and Lake Woods II, managed by Coast Real Estate (Coast). Four other properties which were acquired during the fiscal year were managed by Coast through June 30, 2015 but are now managed by EHA.

b. Basis of Accounting –

The Authority maintains its accounting records as an enterprise fund. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the Authority are included in the Statement of Net Position.

The Authority's Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses are derived from providing services in connection with EHA's ongoing operations. Operating revenues generally include rental income, operating subsidies, operating grant revenue and development fee income. The Authority classifies operating grants and subsidies as operating revenues (rather than as non-operating revenues) based on guidance from HUD, the primary user of the financial statements. Operating expenses generally include housing assistance payments, maintenance & operations, tenant services, administrative expenses, general expenses and depreciation on capital assets. All revenue and expenses not meeting

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

this definition are classified as non-operating revenues and expenses, primarily interest income and interest expense.

c. Cash and Cash Equivalents –

For the purpose of the Statement of Net Position and 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, or available on demand, to be cash equivalents. All of the Authority's investments are reported at fair value. Fair value is determined based on quoted market prices for the investments.

d. Restricted Assets –

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Authority had restricted assets for Family Self-Sufficiency (FSS) escrow deposits, the Housing Assistance Payment equity balance, tenant security deposits, replacement reserves, and Building Changes unspent grant funds.

e. Accounts and Grants Receivable –

Grants receivable consist of amounts due from HUD for reimbursement for costs incurred by the Authority as of year-end under the Capital Fund program. Accounts receivable consist largely of amounts owed for tenant rent and subsidy, Section 8 portability (from other housing authorities), fraud recovery, management fees receivable, and developer fee receivable. Annually, tenant receivables are analyzed and the allowance for doubtful accounts is adjusted. Unpaid tenant account balances are written off at the time a tenant vacates. No allowances existed at June 30, 2015 other than the allowance for tenant and client accounts receivable.

f. Inventories and Prepaid Items –

Inventories are stated at lower of average cost or market and consist of expendable materials and supplies. Inventory items are expensed when consumed, using a moving weighted-average cost method. Prepaid items are for payments made by the Authority in the current year for services or goods received in a subsequent fiscal year. There is no allowance for obsolete inventory. Obsolete inventory is periodically retired and sold as surplus in accordance with Authority policy.

g. Capital Assets and Depreciation –

All land, structures and equipment are stated at historical cost. Assets acquired through contribution are recorded at fair value as of the date of receipt. Capital assets with an initial

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

value greater than \$5,000 and a life expectancy of three years or more are capitalized. Depreciation is calculated using the straight-line method over estimated useful lives as follows:

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Costs associated with the acquisition, development, improvement, or construction of a real estate project, including indirect costs and interest, are capitalized as a cost of the project. The cost of normal maintenance and repairs that does not add to the effectiveness, efficiency, or value of the asset are charged to expense when incurred.

Upon retirement or other disposal of property and equipment, the cost and related accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in non-operating revenues and expenses.

h. Impairment of Capital Assets –

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. EHA is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. No such events or circumstances were encountered as of June 30, 2015.

i. Deferred Outflows/Inflows of Resources and Unearned Revenue –

Deferred Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has one item that meets this criterion, resulting from the recent implementation of GASB Statement 68. This item is contributions made to a pension plan subsequent to the measurement date.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

not be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualify for reporting in this category, both related to pension obligations. One is the net difference between the projected and actual earnings of the Authority's share of pension plan investments as calculated and reported by the DRS. The other deferred inflow of resources is the change in the Authority's pension liability due to the change in our allocation of the beginning balance in the measurement period.

Unearned Revenue

Unearned revenue consists primarily of prepaid tenant rents and advanced grant payments received that have not been earned as of the end of the year.

j. Revenue Recognition –

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

k. Compensated Absences –

All regular full-time and part-time employees who are regularly scheduled to work at least 20 hours per week are eligible to receive compensation for vacations, holidays, illness, and certain other qualifying absences. The number of days compensated in the various categories of absence is based generally on position or length of service. Compensated absences, which have been earned but not paid, have been accrued in the accompanying basic financial statements.

Vacation hours may be accumulated up to a maximum of 30 days and is payable upon termination at the employee's final pay rate. Sick leave may be accumulated up to 900 hours and in the event of employee termination in good standing, twenty-five percent of the balance will be paid at his or her final pay rate.

l. Pension Plans –

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

m. 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.

n. Payments in Lieu of Taxes –

As a governmental entity, EHA is exempt from state and local property taxes. Instead, EHA makes voluntary payments to the City of Everett called Payments in Lieu of Taxes (PILOT) on Public Housing rental properties owned by EHA. Under an agreement with the City of Everett, the Authority makes annual payments equal to 10% of the shelter rent charged tenants residing in public housing properties. Shelter rent is the total of all charges to tenants for dwelling rents less the cost of utilities. Total payments in lieu of taxes for the year ended June 30, 2015 were \$98,571.

o. Use of Estimates –

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

p. 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.

q. Budget 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 four years. The Authority's annual budgets are 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.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

r. New Accounting Standards Adopted –

Three new statements issued by the GASB were effective or adopted this year:

Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity and creating additional transparency. The requirements of this Statement are effective for periods beginning after June 15, 2014.

Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. The objective of this Statement is to address issues regarding application of the transition provisions of Statement No. 68 and is to be applied simultaneously with the provisions of Statement 68. Effects of this implementation are further described in Note 12.

The implementation of Statements 68 and 71 resulted in a decrease of \$3,649,831 to the Authority's beginning net position. Effects are further described in Note 12.

Statement No. 69, Government Combinations and Disposals of Government Operations, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The provisions of this Statement are effective for financial statement periods beginning after December 15, 2013.

The implementation of Statement 69 had no effect on the Authority's 2015 financial statements but could impact the Authority in future years.

s. Future Accounting Standards –

GASB Statement No. 72, Fair Value Measurement and Application, is effective for the year ending June 30, 2016 and requires fair value measurement for certain investments not previously measured at fair value and provides guidance for determining and applying fair value measurement.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, is effective for the year ending June 30, 2016. This standard establishes requirements for pension plans that are not within the scope of GASB 68.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, is effective for the year ending June 30, 2017. This standard expands the disclosure requirements for certain postemployment benefit plans.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, is effective for the year ending June 30, 2018 and requires the recognition of a liability for obligations incurred under postemployment benefit plans.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, is effective for the year ending June 30, 2016 and modifies the hierarchy of authoritative standards for accounting and reporting on governmental entities. It establishes two tiers of standards: Tier 1 – GASB statements and Tier 2 – GASB technical bulletins and implementation guides and AICPA guidance that has been accepted by the GASB.

GASB Statement No. 77, Tax Abatement Disclosures, is effective for the year ending June 30, 2017. It requires state and local governments to disclose information about property and other tax abatement agreements.

The Authority has not yet adopted these standards and is evaluating the impact they may have on its financial statements.

2. Cash and Investments

a. Deposits

Deposits, including those in restricted assets, are defined as cash on deposit with financial institutions. At June 30, 2015, the carrying amount of Authority's demand deposits was \$7,737,464 and the bank balance was \$7,368,456. The carrying balance for the demand deposits of the component units was \$1,904,164 at December 31, 2014, and the bank balance was \$1,903,539. 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 Washington 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. Deposits in the BNY Mellon trustee account are held by the trustee in the Authority's name for the Broadway Plaza component unit's bond issue. Amounts held at Citibank serve as collateral on a note and will be held until such time as the loan requirements are satisfied.

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

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

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 (RCW 35.82.070(6)) limits investments by housing authorities to those investments that are legal for savings banks. In general, permitted investments include: bonds or other obligations issued or guaranteed by the United States; bonds or other obligations issued by any state, county, city, town, special district, or other municipal corporation; time, money market, or savings deposits in qualified public depositories; or loans secured by real property.

The Authority invests a portion of its funds with the Washington State Local Government Investment Pool (LGIP) 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.

Since the Authority reports all of its investments at fair value, no additional disclosure is required under GASB Technical Bulletin No. 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Position*.

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, 2015, all investments of the Housing Authority (as well as those of the component units as of December 31, 2014) 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

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

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 Twelve Pines component unit's bond issue.

Concentration of 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. At June 30, 2015, the Authority's investments were limited to investments that were guaranteed by the U.S. Government or to investments in external investment pools.

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's policy 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 investments of the Authority or the component units exceeded one year at their respective year ends.

Cash and Cash Equivalents:

Cash and investments are classified in the accompanying financial statements as follows:

	Primary Government	Component Units
Cash and cash equivalents - unrestricted	\$ 19,084,028	\$ 782,537
Cash and cash equivalents - restricted	7,225,133	1,679,084
Investments - restricted	-	176,500
Total cash and cash equivalents	<u>\$ 26,309,161</u>	<u>\$ 2,638,121</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

Cash and investments are further categorized as follows:

	Primary Government	Component Units
Change and petty cash funds	\$ 600	\$ 150
Deposits with financial institutions	1,327,462	1,536,313
Deposits with state investment pool (LGIP)	18,571,099	730,308
Deposits with Citibank	6,410,000	-
Deposits with BNY Mellon Trustee	-	194,850
First American Treasury Obligation Fund	-	176,500
Total cash and investments	<u>\$ 26,309,161</u>	<u>\$ 2,638,121</u>

3. Restricted Assets

Only cash, investments, and receivables that have been legally or externally restricted are classified in the Statement of Net Position as restricted assets. These restrictions are summarized in the following table:

	Cash and Cash Equivalents	Investments
Primary Government:		
Replacement reserves	\$ 263,844	\$ -
Housing Choice Voucher Program - Housing Assistance Payment funding	195,831	-
Grant received in advance	187,709	-
Citibank Money Market fund	6,410,000	-
Tenant security deposits	121,881	-
FSS escrow deposits	45,868	-
	<u>\$ 7,225,133</u>	<u>\$ -</u>
Component Units:		
Replacement reserves	\$ 498,100	\$ -
Operating reserves	776,557	-
Tenant security deposits	206,077	-
Funds held by Trustee	194,850	176,500
Other	3,500	-
	<u>\$ 1,679,084</u>	<u>\$ 176,500</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

4. Accounts Receivable

Accounts receivable consisted of the following amounts due to the Primary Government and the Component Units:

	Primary Government	Component Unit
Public Housing capital grant - HUD	\$ 59,415	\$ -
Other Governments	46,643	-
Other HUD programs	111,479	-
Tenants accounts receivable - net	13,882	32,856
Fraud recovery - net	14,679	-
Other accounts receivable	157,790	21,513
Total accounts receivable	<u>\$ 403,888</u>	<u>\$ 54,369</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

5. Notes Receivable – Partnerships

Notes receivable due from partnerships include amounts due for obligations incurred by the Authority to acquire, construct and remodel buildings for housing and other related purposes and for development fees earned by the Authority as developer for each partnership. At June 30, 2015, Notes Receivable-Partnerships are summarized in the following table:

	Interest Rate	Final Maturity Date	Notes and Accrued Interest
EHA- Twelve Pines Limited Partnership			
Bond mortgage note	4.7% - 6.5%	2029	\$ 1,665,000
Loan obligation - City of Everett	3.00%	2024	950,000
Third trust deed note - developer fees	3.00%	2017	137,541
			<u>2,752,541</u>
Accrued interest due on notes			
Current interest			44,927
Deferred interest			459,839
			<u>504,766</u>
Total notes and accrued interest			3,257,307
Less: Current portion of note principal and interest			<u>114,927</u>
Total notes and accrued interest - long-term			<u>3,142,380</u>
Broadway Plaza LLLP			
Bond mortgage note	1.99% - 5.865%	2029	6,815,000
Developer fee note	0%	2022	633,861
Promissory note - seller financing note	4.00%	2061	9,875,000
			<u>17,323,861</u>
Accrued interest due on notes			
Current interest			192,529
Deferred interest			1,656,470
			<u>1,848,999</u>
Total notes and accrued interest			19,172,860
Less: Current portion of note principal and interest			<u>262,529</u>
Total notes and accrued interest - long-term			<u>18,910,331</u>
Pivotal Point LLLP			
State of Washington HTF note	0% - 1%	2055	865,000
EHA Promisory note	7%	2055	122,298
Total notes and accrued interest - long-term			<u>987,298</u>

Continued on next page

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

Notes Receivable – Partnership (continued)

	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Notes and Accrued Interest</u>
Bakerview/Grandview LLLP			
Promisory note - seller financing note	3.45%	2066	18,558,727
Developer fee note	0.00%		2,800,000
Revenue construction note 2014	2.82%	2047	18,171,302
Revenue construction note 2014	2.32%	2017	5,009,556
			<u>44,539,585</u>
Accrued interest due on notes			
Deferred interest			<u>482,400</u>
Total notes and accrued interest			<u>45,021,985</u>
Less: Current portion of note principal and interest			<u>23,180,858</u>
Total notes and accrued interest - long-term			<u><u>21,841,127</u></u>
Everett Affordable Housing Portfolio, LLLP			
Promisory note - seller financing note	3.45%	2066	8,298,511
Developer fee note	0.00%		1,310,000
Revenue construction note 2014	2.82%	2047	8,858,522
Revenue construction note 2014	2.32%	2017	1,412,695
	215550		<u>19,879,728</u>
Accrued interest due on notes			
Deferred interest			<u>215,550</u>
Total notes and accrued interest			<u>20,095,278</u>
Less: Current portion of note principal and interest			<u>10,271,217</u>
Total notes and accrued interest - long-term			<u><u>9,824,061</u></u>
Combined Total Notes and Accrued Interest			
Current portion			33,829,531
Long-term			<u>54,705,197</u>
Total notes and accrued interest			<u><u>\$ 88,534,728</u></u>

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

Changes in notes and accrued interest due from partnerships during the year ended June 30, 2015 are summarized below:

	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
EHA-Twelve Pines Limited Partnership					
Bond mortgage note	\$ 1,730,000	\$ -	\$ 65,000	\$ 1,665,000	\$ 70,000
Loan obligation - City of Everett	950,000	-	-	950,000	-
Third trust deed note - developer fees	180,744	-	43,203	137,541	-
Accrued interest due on notes					
Current interest	46,660	44,927	46,660	44,927	44,927
Deferred interest	430,916	28,923	-	459,839	-
	<u>3,338,320</u>	<u>73,850</u>	<u>154,863</u>	<u>3,257,307</u>	<u>114,927</u>
Broadway Plaza LLLP					
Bond mortgage note	6,880,000	-	65,000	6,815,000	70,000
Developer fee note	833,861	-	200,000	633,861	-
Promissory note - seller financed note	9,875,000	-	-	9,875,000	-
Accrued interest due on notes					
Current interest	159,282	192,529	159,282	192,529	192,529
Deferred interest	1,207,624	448,846	-	1,656,470	-
	<u>18,955,767</u>	<u>641,375</u>	<u>424,282</u>	<u>19,172,860</u>	<u>262,529</u>
Pivotal Point LLLP					
EHA note	-	122,298	-	122,298	-
State of WA HTF note	865,000	-	-	865,000	-
	<u>865,000</u>	<u>122,298</u>	<u>-</u>	<u>987,298</u>	<u>-</u>
Bakerview/Grandview LLLP					
Citibank constr. loan #1	-	18,171,302	-	18,171,302	18,171,302
Citibank constr. loan #2	-	5,009,556	-	5,009,556	5,009,556
Promisory note - seller financed note	-	18,558,727	-	18,558,727	-
Developer fee note	-	2,800,000	-	2,800,000	-
Deferred interest due on notes	-	482,400	-	482,400	-
	<u>-</u>	<u>45,021,985</u>	<u>-</u>	<u>45,021,985</u>	<u>23,180,858</u>
Everett Affordable Housing LLLP					
Citibank constr. loan #1	-	8,858,522	-	8,858,522	8,858,522
Citibank constr. loan #2	-	1,412,695	-	1,412,695	1,412,695
Promisory note - seller financed note	-	8,298,511	-	8,298,511	-
Developer fee note	-	1,310,000	-	1,310,000	-
Deferred interest due on notes	-	215,550	-	215,550	-
	<u>-</u>	<u>20,095,278</u>	<u>-</u>	<u>20,095,278</u>	<u>10,271,217</u>
 Total notes and accrued interest	 <u>\$ 23,159,087</u>	 <u>\$ 65,954,786</u>	 <u>\$ 579,145</u>	 <u>\$ 88,534,728</u>	 <u>\$ 33,829,531</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

EHA-Twelve Pines Limited Partnership Notes Receivable

a. Note Receivable - Bond Mortgage Note

On August 1, 1999 the Authority executed a note receivable with EHA-Twelve Pines Limited Partnership in the original amount of \$2,300,000, concurrent with the sale of tax exempt revenue bonds (Housing Revenue Bonds, 1999 (Twelve Pines Apartments Project)) in the principal amount of \$2,300,000. The revenue bonds were issued to finance the acquisition of an 80-unit multifamily apartment property located in Everett, Washington. Under terms of the partnership agreement, EHA-Twelve Pines is obligated to make payments on the promissory note to the Authority, the General Partner of the Partnership, sufficient to make required debt service payments on the bonds. The unpaid balance of the note is \$1,665,000 as of June 30, 2015.

b. Loan Obligation – City of Everett Loan

On August 1, 1999 the Authority executed a note receivable with EHA-Twelve Pines Limited Partnership in the amount of \$950,000, concurrent with the issuance of a second deed of trust note in favor of the City of Everett for \$950,000. The City of Everett promissory note was issued to pay part of the cost of acquiring the 80-unit apartment project, Twelve Pines Apartments. Interest in the amount of \$459,839 had accrued on June 30, 2015. The note principal, including simple interest at 3.0% per annum is due on August 1, 2024.

c. Promissory Note

A fifteen-year third mortgage promissory note in the original amount of \$580,481 dated August 30, 2002 and due from EHA-Twelve Pines Limited Partnership was issued in connection with the acquisition and development of the 80-unit apartment complex, Twelve Pines Apartments. EHA-Twelve Pines has scheduled annual payments of \$48,625 to be paid on August 1, including interest at the rate of 3% per annum. The unpaid balance of the note was \$137,541 on June 30, 2015. 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.

Broadway Plaza LLLP Notes Receivable

a. Note Receivable - Bond Mortgage Note

On June 29, 2011, the Authority executed a note receivable with Broadway Plaza LLLP in the original amount of \$7,000,000, concurrent with the sale of tax exempt revenue bonds (Housing Revenue Bonds, 2011 (Broadway Plaza Project)) in the principal amount of \$7,000,000. The revenue bonds were issued to finance the acquisition of a 190-unit multifamily apartment property located in Everett, Washington. Under terms of the partnership agreement, Broadway Plaza LLLP is obligated to make payments to the Authority, the General Partner of the Partnership, sufficient to

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

make required debt service payments on the revenue bonds. At June 30, 2015 the unpaid balance of the note was \$6,815,000.

b. Promissory Note – Seller Financing Note

A promissory note in the original amount of \$9,375,000 dated June 29, 2011 was issued in connection with the acquisition of the leasehold estate in the 190-unit apartment complex by Broadway Plaza LLLP. In November of 2013, the Authority loaned an additional \$500,000 to Broadway Plaza LLLP in accordance with the original promissory note agreement increasing the promissory note to \$9,875,000. No annual payments are required on the principle or the interest which accrues at the compounding rate of 4.05% per annum. Interest in the amount of \$1,656,470 had accrued as of June 30, 2015. The note is classified as non-current since repayment is subject to available cash flow of the Broadway Plaza LLLP. The note matures on June 29, 2061.

Pivotal Point LLLP Notes Receivable

a. Loan Obligation – Washington State Department of Commerce Housing Trust Fund Loan

On September 24, 2013 the Authority executed a note receivable with the Washington State Department of Commerce in the amount of \$865,000 concurrent with an Assignment, Assumption and Consent Agreement between the Department of Commerce, the Authority, and Pivotal Point LLLP. The purpose of this loan was to provide funding for new construction of two apartment buildings totaling twenty units of low income housing. Quarterly simple interest of 1% shall accrue beginning on January 1, 2016 and ending December 31, 2030. Interest in the amount of 1% shall be compounded quarterly beginning January 1, 2031 and ending December 31, 2055. Beginning March 31, 2016 quarterly payments of interest in the amount of \$2,162.50 shall be payable. Beginning March 31, 2031 payments of principal and interest in the amount of \$9,800.00 shall be due quarterly and a final payment of \$8,305.22 shall be due on or before December 31, 2055.

b. Promissory Note – Everett Housing Authority

On January 1, 2015 the Authority loaned to Pivotal Point, LLLP the amount of \$122,298 in conjunction with a promissory note dated September 1, 2013. The purpose of this note was to provide funding for construction of the police substation space which was part of this twenty unit apartment complex. Interest in the amount of 7% per annum shall accrue on the unpaid principal balance and shall be payable annually from Net Cash Flow (as defined in the Partnership Agreement) and Net Cash Proceeds (as defined in the Partnership Agreement). All outstanding principal and interest shall be payable at maturity on December 31, 2055. This note may be prepaid in whole or in part at any time. The note is classified as non-current since repayment is subject to available cash flow.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

Bakerview/Grandview LLLP Notes Receivable

a. Promissory Note – Seller Financing Note

Two promissory notes totaling \$18,558,727 dated September 29, 2014 were issued in connection with the acquisition of the leasehold estate in two apartment complexes with 299 units by Bakerview/Grandview Affordable Housing LLLP. No annual payments are required on the principle or the interest which accrues at the compounding rate of 3.45% per annum. Interest in the amount of \$482,400 had accrued as of June 30, 2015. The notes are classified as non-current since repayment is subject to available cash flow of the partnership. The note matures on September 1, 2066.

b. Developer Fee Note

A developer fee note in the amount of \$7,000,000 was executed on September 29, 2014 in connection with the acquisition and development of Bakerview/Grandview Affordable Housing. As of June 30, 2015 \$2.8 million had been earned and accrued. The remaining development amount shall be earned upon substantial completion of the project, which is predicted to occur in December of 2015. Any installment of the Development Amount not paid when otherwise due shall be deferred with interest at the rate of 0% per annum and shall be paid in the priority set forth in the partnership agreement. Any unpaid balance shall be due and payable in all events by the end of the compliance period.

c. Construction Loan

On September 29, 2014 the Authority signed notes with Citibank that provide two construction loans to fund the renovation of the Bakerview/Grandview apartments. The note amounts will equal the total outstanding incremental loan draws, however, Loan A is not to exceed \$26,750,000 and Loan B will not exceed \$5,000,000. Variable rate interest only payments will be made at rates set forth in the Funding Loan Agreement. The notes are pass-through obligations relating to a construction and permanent loan under an agreement dated September 1, 2014.

Everett Affordable Housing Portfolio LLLP

a. Promissory Note – Seller Financing Note

Two promissory notes in the original amount of \$8,298,511 dated September 29, 2014 were issued in connection with the acquisition of the leasehold estate in eight apartment complexes with 159 units by Everett Affordable Housing Portfolio LLLP. No annual payments are required on the principle or the interest which accrues at the compounding rate of 3.45% per annum. Interest in

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

the amount of \$215,550 had accrued as of June 30, 2015. The note is classified as non-current since repayment is subject to available cash flow of the partnership. The note matures on September 1, 2066.

b. Developer Fee Note

A developer fee note in the amount of \$3,275,000 was executed on September 29, 2014 in connection with the acquisition and development of Bakerview/Grandview Affordable Housing. As of June 30, 2015 \$1.31 million had been earned and accrued. The remaining development amount shall be earned upon substantial completion of the project, which is predicted to occur in December of 2015. Any installment of the Development Amount not paid when otherwise due shall be deferred with interest at the rate of 0% per annum and shall be paid in the priority set forth in the partnership agreement. Any unpaid balance shall be due and payable in all events by the end of the compliance period.

c. Construction Loan

On September 29, 2014 the Authority signed notes with Citibank that provide two construction loans to fund the renovation of the Everett Affordable Housing Portfolio properties. The note amounts will equal the total outstanding incremental loan draws, however, Loan A is not to exceed \$13,990,000 and Loan B will not exceed \$1,410,000. Variable rate interest only payments will be made at rates set forth in the Funding Loan Agreement. The notes are pass-through obligations relating to a construction and permanent loan under an agreement dated September 1, 2014.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

6. 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, 2014	Additions and Transfers	Reductions and Transfers	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 3,490,205	\$ 2,746,739	\$ 1,398,661	\$ 4,838,283
Construction in progress	2,978,291	558,282	3,462,381	74,192
Total capital assets, not being depreciated	6,468,496	3,305,021	4,861,042	4,912,475
Capital assets, being depreciated:				
Building and building improvements	44,224,586	9,488,266	25,188,097	28,524,755
Furniture, equipment and machinery	1,826,067	159,374	445,044	1,540,397
Total capital assets, being depreciated	46,050,653	9,647,640	25,633,141	30,065,152
Less accumulated depreciation for:				
Building and building improvements	28,531,677	968,755	15,210,646	14,289,786
Furniture, equipment and machinery	1,332,676	99,304	258,529	1,173,451
Total accumulated depreciation	29,864,353	1,068,059	15,469,175	15,463,237
Total capital assets being depreciated, net	16,186,300	8,579,581	10,163,966	14,601,915
Total capital assets, net	\$ 22,654,796	\$ 11,884,602	\$ 15,025,008	\$ 19,514,390

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

Component Units:

The following is a summary of the changes (at cost) in capital assets (land, structures and equipment) held by the Component Units at December 31, 2014:

	Balance January 1, 2014	Additions and Transfers	Reductions and Transfers	Balance December 31, 2014
Capital assets, not being depreciated:				
Land	\$ 2,449,110	\$ 1,383,750	\$ -	\$ 3,832,860
Leasehold improvements	-	46,020	-	46,020
Construction in progress	1,425,007	12,571,803	1,425,007	12,571,803
Total capital assets, not being depreciated	3,874,117	14,001,573	1,425,007	16,450,683
Capital assets, being depreciated:				
Site improvements	62,782	610,084	-	672,866
Building and building improvements	24,499,312	48,592,807	264	73,091,855
Furniture, equipment and machinery	783,310	292,878	3,010	1,073,178
Total capital assets, being depreciated	25,345,404	49,495,769	3,274	74,837,899
Less accumulated depreciation for:				
Site improvements	8,521	19,382	-	27,903
Building and building improvements	2,603,306	929,552	-	3,532,858
Furniture, equipment and machinery	379,844	129,966	1,712	508,098
Total accumulated depreciation	2,991,671	1,078,900	1,712	4,068,859
Total capital assets being depreciated, net	22,353,733	48,416,869	1,562	70,769,040
Total capital assets, net	\$ 26,227,850	\$ 62,418,442	\$ 1,426,569	\$ 87,219,723

7. Construction in Progress

Primary Government:

Capital improvements made to EHA's Low Rent Public Housing units are financed primarily with grant funds provided by HUD through the Capital Fund program. Capital grants are awarded annually based on a 5-year comprehensive modernization plan submitted to HUD. When modernization projects are completed, HUD issues a modernization cost certificate for each grant, at which time construction in progress for that grant is placed in service and transferred to the buildings or improvement categories.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

Capital grants are required to be expended within four years of award. Construction in progress represents expenditures for modernization and remodeling work at three Low Rent Public Housing Projects and the Colby administrative office building and pre-development costs for future acquisitions of replacement housing and conversion of public housing properties to tax credit properties. These expenditures were paid with funds received through the capital grant program, administrative fees, and other funds available to the Authority.

The following schedule shows the significant components of construction in progress at June 30, 2015:

	Project Authorization	Expended through 6/30/2015	Committed
Colby Server	\$ 23,476	\$ 23,476	\$ -
Baker Heights Redevelopment	25,568	25,568	-
Baker Heights/PD pre-development	25,147	25,147	-
	<u>\$ 74,191</u>	<u>\$ 74,191</u>	<u>\$ -</u>

Component Units:

Construction in progress represents expenditures for the rehabilitation of properties associated with two new Limited Partnerships, Bakerview/Grandview LLLP and Everett Affordable Housing Portfolio, LLLP.

The following schedule shows the significant components of construction in progress at December 31, 2014:

	Project Authorization	Expended through 12/31/2014	Committed
Bakerview/Grandview LLLP	\$ 29,218,127	\$ 8,193,721	\$ 21,024,406
Everett Affordable Housing Portfolio LLLP	14,284,746	4,378,082	9,906,664
	<u>\$ 43,502,873</u>	<u>\$ 12,571,803</u>	<u>\$ 30,931,070</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

8. Non-Current Liabilities

Primary Government:

The following schedule lists the outstanding bonds of the Primary Government as of June 30, 2015:

Revenue Bonds	Issuance Date	Maturity Date	Interest Rate	Bond Issuance	Outstanding Balance June 30	Annual Debt Service Payments
<i>Tax Credit Partnerships</i>						
Revenue Bond 1999 - Twelve Pines Apartments	08/01/99	08/01/29	4.70%-6.50%	\$2,300,000	\$ 1,665,000	\$ 177,825
Revenue Bond 2011 - Broadway Plaza Apartments	06/29/11	07/01/29	1.99%-5.865%	7,000,000	6,815,000	454,011
Revenue Construction Note 2014 - Bakerview/Grandview	09/30/14	10/01/17	Variable 2.32% as of June 30th	5,009,556	5,009,556	5,009,556
Revenue Construction-Permanent Note 2014 - Bakerview/Grandview	09/30/14	10/01/47	Variable 2.82% as of June 30th	18,171,302	18,171,302	18,171,302
Revenue Construction Note 2014 - Everett Affordable Housing Portfolio	09/30/14	10/01/17	Variable 2.32% as of June 30th	1,412,695	1,412,695	1,412,695
Revenue Construction-Permanent Note 2014 - Everett Affordable Housing Portfolio	09/30/14	10/01/47	Variable 2.82% as of June 30th	8,858,522	8,858,522	8,858,522
<i>Total Tax Credit Partnership Bonds</i>					\$ 41,932,075	
<i>Affordable Housing</i>						
Revenue Bond 2006 - Gibson Road Townhomes Project (Pacific Square Apartments)	12/28/06	01/01/22	5.25%	400,000	215,044	38,799
<i>Total Affordable Housing Bonds</i>					215,044	
<i>Total Revenue Bonds</i>					\$ 42,147,119	

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

The following schedule lists the outstanding notes of the Primary Government as of June 30, 2015:

Promissory Notes	Issuance Date	Maturity Date	Interest Rate	Note Issuance	Outstanding Balance June 30	Annual Debt Service Payments
<i>Tax Credit Partnerships</i>						
Promissory Note - Twelve Pines Apartments	08/01/99	08/05/24	3.00%	\$ 950,000	\$ 950,000	\$ -
Promissory Note - Pivotal Point Apartments	09/24/13	12/31/55	0-1%	865,000	865,000	-
<i>Total Tax Credit Partnership Notes</i>					<u>\$ 1,815,000</u>	
<i>Affordable Housing</i>						
Everett (HOME Loan) - Gibson Road Townhomes Project	12/06/06	12/06/31	3.00%	65,633	65,633	-
Everett (Housing Trust Fund) - Gibson Road Townhomes Project	12/06/06	12/06/31	3.00%	232,544	232,544	-
Everett (Housing Trust Fund) - Lakeview Terrace Apartments Project	07/31/07	07/31/32	3.00%	90,036	90,036	-
WA State (Housing Trust Fund) - Evergreen Cottages	06/03/09	01/31/59	1.00%	525,000	480,232	13,566
Snohomish County (Home Loan) - Evergreen Cottages	08/15/08	08/14/48	0.00%	647,150	647,150	-
Everett (Housing Trust Fund) - Evergreen Cottages	07/22/08	07/21/33	3.00%	200,000	200,000	-
Banner Bank - Evergreen Cottages	06/24/15	07/01/25	4.95%	750,000	750,000	44,036
Senior Services Seller Financed Note - Broadway Meadows	10/04/14	10/04/17	4.00%	100,000	100,000	4,000
Banner Bank - Broadway Meadows	10/29/14	12/01/17	3.00%	1,895,149	1,895,149	57,802
Senior Services Seller Financed Note - Meadows II	10/04/14	10/04/17	4.00%	100,000	100,000	4,000
Banner Bank - Meadows II	10/29/14	12/01/17	3.00%	1,972,563	1,972,563	60,163
Banner Bank - Meadows III	01/22/15	12/01/17	3.50%	1,800,000	1,800,000	64,050
Senior Services Seller Financed Note - Lake Woods II	10/04/14	10/04/17	4.00%	100,000	100,000	4,000
Banner Bank - Lake Woods II	10/29/14	12/01/17	3.00%	2,332,288	2,332,288	71,135
<i>Total Affordable Housing Notes</i>					<u>10,765,595</u>	
<i>Total Notes</i>					<u>\$ 12,580,595</u>	

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

Changes in long-term liabilities for the Primary Government during the year ended June 30, 2015 are summarized below:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Revenue bonds	\$ 10,518,366	\$ 33,452,075	\$ 1,823,322	\$ 42,147,119	\$ 511,947
Promissory notes	4,218,899	10,377,382	2,015,686	12,580,595	1,076,133
	<u>14,737,265</u>	<u>43,829,457</u>	<u>3,839,008</u>	<u>54,727,714</u>	<u>1,588,080</u>
Compensated absences	384,754	-	48,980	335,774	83,943
Total	<u>\$ 15,122,019</u>	<u>\$ 43,829,457</u>	<u>\$ 3,887,988</u>	<u>\$ 55,063,488</u>	<u>\$ 1,672,023</u>

The annual debt service requirements of the Primary Government for revenue bonds and notes at June 30, 2015 are as follows:

Year Ended June 30	Principal Due		Interest Due	Total
	Bonds	Notes		
2016	\$ 33,620,074	\$ 18,596	\$ 806,824	\$ 34,445,494
2017	204,555	20,024	804,272	1,028,851
2018	211,167	8,320,686	664,911	9,196,764
2019	217,867	21,378	522,273	761,518
2020	224,650	22,004	510,260	756,914
2021-2025	1,223,805	972,853	2,884,712	5,081,370
2026-2030	6,445,000	23,644	1,659,642	8,128,286
2031-2035	-	612,685	591,606	1,204,291
2036-2040	-	165,686	76,644	242,330
2041-2045	-	806,762	67,738	874,500
2046-2050	-	181,723	27,843	209,566
2051-2055	-	190,628	18,938	209,566
2056-2060	-	1,223,926	68,060	1,291,986
	<u>\$ 42,147,118</u>	<u>\$ 12,580,595</u>	<u>\$ 8,703,723</u>	<u>\$ 63,431,436</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

Component Units: The following is a schedule of outstanding notes of the Component Units as of December 31, 2014:

Description of Note	Issuance Date	Maturity Date	Interest Rate	Note Issuance	Outstanding December 31
EHA - Twelve Pines Limited Partnership					
Promissory Note - Housing Revenue Bonds 1999, Twelve Pines Apartments Project	08/01/99	08/01/29	4.7% - 6.5%	\$ 2,300,000	\$ 1,665,000
Promissory Note - City of Everett- Home Loan	09/01/99	08/05/24	3.0%	950,000	950,000
Promissory Note - Everett Housing Authority - Third Mortgage Loan	08/30/02	03/15/18	3.0%	580,481	137,541
					<u>2,752,541</u>
Broadway Plaza LLLP					
Promissory Note - Housing Revenue Bonds 2011, Broadway Plaza Project	06/29/11	07/01/29	1.99% - 5.865%	7,000,000	6,815,000
Promissory Note - Everett Housing Authority - Seller Financing Note	06/29/11	06/29/61	4.05%	9,875,000	9,875,000
					<u>16,690,000</u>
Pivotal Point LLLP					
Housing Trust Fund Note	09/24/13	12/31/55	0% - 1%	865,000	865,000
Construction Loan	09/27/13	09/27/15	LIBOR + 2.25%	3,465,000	2,809,147
					<u>3,674,147</u>
Bakerview/Grandview LLLP					
Revenue Construction/Permanent Note 2014 - Bakerview/Grandview	09/29/14	10/01/17	Variable 2.79% as of Dec 31st	26,750,000	11,414,724
Revenue Construction Note 2014 - Bakerview/Grandview	09/29/14	10/01/17	Variable 2.29% as of Dec 31st	5,000,000	5,000,000
Promissory Note - Everett Housing Authority - Seller Financing Note	09/29/14	09/01/66	3.45%	27,950,000	18,723,620
					<u>35,138,344</u>
Everett Affordable Housing Portfolio LLLP					
Revenue Construction/Permanent Note 2014 - EAHP	09/29/14	10/01/17	Variable 2.79% as of Dec 31st	13,990,000	6,857,439
Revenue Construction Note 2014 - EAHP	09/29/14	10/01/17	Variable 2.29% as of Dec 31st	1,410,000	1,410,000
Promissory Note - Everett Housing Authority - Seller Financing Note	09/29/14	09/01/66	3.45%	8,292,577	8,292,577
WA State Dept of Commerce	03/15/04	03/31/43	1.00%	580,000	446,136
City of Everett - Housing Trust Fund	11/18/09	11/18/49	3.00%	500,000	500,000
					<u>\$17,506,152</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

Changes in outstanding notes and compensated absences for the Component Units during the year ended December 31, 2014 are summarized below:

	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
EHA - Twelve Pines Partnership					
Promissory Notes - Everett Housing Authority					
Housing Revenue Bonds 1999	\$ 1,730,000	\$ -	\$ 65,000	\$ 1,665,000	\$ 70,000
City of Everett HOME Loan	950,000	-	-	950,000	-
Third Mortgage Loan	180,744	-	43,203	137,541	-
	2,860,744	-	108,203	2,752,541	70,000
Compensated Absences	7,779	10,892	-	18,671	4,668
Total	2,868,523	10,892	108,203	2,771,212	74,668
Broadway Plaza LLLP					
Promissory Notes - Everett Housing Authority					
Housing Revenue Bonds 2011	6,880,000	-	65,000	6,815,000	70,000
Seller Financed Loan	9,375,000	500,000	-	9,875,000	-
	16,255,000	500,000	65,000	16,690,000	70,000
Compensated Absences	39,395	1,083	-	40,478	10,120
Total	16,294,395	501,083	65,000	16,730,478	80,120
Pivotal Point LLLP					
Housing Trust Fund Loan	341,376	523,624	-	865,000	-
Construction Loan	55,369	2,753,778	-	2,809,147	-
Total	396,745	3,277,402	-	3,674,147	-
Bakerview/Grandview LLLP					
Revenue Construction/Permanent Note 2014	-	11,414,724	-	11,414,724	-
Rev. Construction Note 2014	-	5,000,000	-	5,000,000	-
Promissory note - Everett Housing Authority - Seller Financed Note	-	18,723,620	-	18,723,620	-
	-	35,138,344	-	35,138,344	-
Compensated Absences	-	60,239	-	60,239	15,060
Total	-	35,198,583	-	35,198,583	15,060
Everett Affordable Housing Portfolio LLLP					
Revenue Construction/Permanent Note 2014	-	6,857,439	-	6,857,439	-
Rev. Construction Note 2014	-	1,410,000	-	1,410,000	-
Promissory Note - Everett Housing Authority - Seller Financed Note	-	8,292,577	-	8,292,577	-
WA St Dept of Commerce	-	446,136	-	446,136	13,199
City of Everett - Housing Trust Fund	-	500,000	-	500,000	-
	-	17,506,152	-	17,506,152	13,199
Compensated Absences	-	22,954	-	22,954	5,739
Total	\$ -	\$ 17,529,106	\$ -	\$ 17,529,106	\$ 18,938

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

The annual debt service requirements of the Component Units' long-term debt obligations at December 31, 2014 are as follows:

Year Ended December 31	Notes	Interest	Total
2015	\$ 27,689,007	\$ 501,420	\$ 28,190,427
2016	234,165	502,030	736,195
2017	240,674	492,431	733,105
2018	198,600	482,120	680,720
2019	203,737	472,553	676,290
2020-2024	2,120,780	2,909,985	5,030,765
2025-2029	6,584,404	1,804,382	8,388,786
2030-2034	202,732	50,771	253,503
Thereafter	38,287,085	2,358,212	40,645,297
	<u>\$ 75,761,184</u>	<u>\$ 9,573,904</u>	<u>\$ 85,335,088</u>

9. 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, 2015, the Housing Authority estimated that no arbitrage rebate exists in conjunction with its debt reserve funds, and therefore no liability exists.

10. Conduit Debt

The Authority has issued special revenue low income housing bonds to provide financial assistance to not-for-profit agencies to acquire, construct and rehabilitate low-income housing. These bonds are payable solely from the revenue of the low-income housing properties owned by the not-for-profit agencies, and do not constitute a debt or pledge of the full faith and credit of the Authority, the State of Washington or any political subdivision thereof. Accordingly, these obligations and related assets are not presented in the financial statements of the Authority.

As of June 30, 2015, there were 4 separate series of these special revenue bonds outstanding with an aggregate original principal amount payable of \$17,664,000. The estimated unpaid principal balance of these obligations at June 30, 2015 is \$14,891,651.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

11. 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. Coverage for property, general liability, errors and omissions, and fidelity insurance is provided by the Housing Authorities Risk Retention Pool.

The Authority has elected to pay for its unemployment insurance coverage through quarterly reimbursements to the Washington State Employment Security Department as provided for by RCW 50.44.060. This reimbursement method is in lieu of paying unemployment taxes.

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 eighty-nine member/owner housing authorities in the states of Washington, Oregon, California and Nevada, of which thirty-six are Washington housing authorities.

The Everett 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 \$2,500 per occurrence.
- Fidelity coverage with a limit of \$200,000 for employee dishonesty and forgery or alteration and \$20,000 for theft, with a deductible of \$1,000 per occurrence.

Coverage limits for general liability, errors & omissions and property are \$2,000,000 per occurrence with a \$2,000,000 annual aggregate. 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 of Directors 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

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

membership for any shortfall in its funding. Such shortfalls are made up through future rate adjustments. Settled claims have not exceeded coverage purchased during the past three years.

12. Pension Plan -

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB 68 for the year 2015:

Aggregate Pension Amounts - All Plans		
Pension liabilities	\$	2,669,196
Pension assets	\$	-
Deferred outflows of resources	\$	394,334
Deferred inflows of resources	\$	1,224,481
Pension expense/expenditures	\$	243,848

State Sponsored Pension Plans

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

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

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

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

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

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions – The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the State Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1

Actual Contribution Rates:	Employer	Employee*
July through December 2014	9.21%	6.00%
January through June 2015	9.21%	6.00%

*For employees participating in JBM, the contribution rate was 12.26%.

The Everett Housing Authority's actual contribution to the plan was \$171,642 for the year ended June 30, 2015.

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

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

PERS Plan 2/3

Actual Contribution Rates:	Employer 2/3	Employee 2*
July through December 2014	9.21%	4.92%
January through June 2015	9.21%	4.92%
Employee PERS Plan 3		varies

The Everett Housing Authority's actual contribution to the plan was \$222,693 for the year ended June 30, 2015.

Public Safety Employees' Retirement System (PSERS)

PSERS Plan 2 was created by the 2004 legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS membership includes:

- PSERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30, 2006; and
- Employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol)
- Washington State Counties
- Washington State Cities (except for Seattle, Spokane, and Tacoma)
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit, or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS plan 2 members are vested after completing five years of eligible service.

Contributions – The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2015 were as follows:

PSERS Plan 2

Actual Contribution Rates:	Employer	Employee
July through December 2014	10.54%	6.36%
January through June 2015	10.54%	6.59%

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

The Everett Housing Authority's actual contribution to the plan was \$0 for the year ended June 30, 2015.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions – Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions – The **LEOFF Plan 2** employer and employee contributions rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

LEOFF Plan 2

Actual Contribution Rates:	Employer	Employee
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The Everett Housing Authority's actual contribution to the plan was \$0 for the year ended June 30, 2015.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2015, the state contributed \$58,339,032 to LEOFF Plan 2.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2014 with a valuation date of June 30, 2013. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2007-2012 Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2014. Plan liabilities were rolled forward from June 30, 2013, to June 20, 2014, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation, 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Discount Rate

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on DRS pension plan investments of 7.5% was determined using a building-block method. The *Washington State Investment Board (WSIB)* used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5% approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2% and represents WSIB's most recent long-term estimate of broad economic inflation.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

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

Sensitivity of NPL

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 2,169,333	\$ 1,759,968	\$ 1,408,568
PERS 2/3	3,792,587	909,228	(1,293,121)
SERS 2/3	-	-	-
PSERS 2	-	-	-
LEOFF 1	-	-	-
LEOFF 2	-	-	-
	<u>\$ 5,961,920</u>	<u>\$ 2,669,196</u>	<u>\$ 115,447</u>

Pension Plan Fiduciary Net Position

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

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

At June 30, 2015, the Everett Housing Authority reported a total pension liability of \$2,669,196 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 1,759,968
PERS 2/3	909,228
TOTAL	<u>\$ 2,669,196</u>

At June 30, the Everett Housing Authority's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/13	Proportionate Share 6/30/14	Change in Proportion
PERS 1	0.034695%	0.034937%	0.000242%
PERS 2/3	0.046204%	0.044981%	-0.001223%

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contribution to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2014, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2013, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended June 30, 2015, the Everett Housing Authority recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 109,555
PERS 2/3	134,293
TOTAL	<u>\$ 243,848</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2015, the Everett Housing Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 220,074
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 81,870	\$ -
TOTAL	\$ 81,870	\$ 220,074

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 963,790
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ 40,617
Contributions subsequent to the measurement date	\$ 312,464	\$ -
TOTAL	\$ 312,464	\$ 1,004,407

Deferred outflows of resources related to pensions resulting from the Everett Housing Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	PERS 1	PERS 2/3
2016	\$ 55,018	\$ 252,553
2017	55,018	252,553
2018	55,019	252,553
2019	55,019	246,748
2020	-	-
Thereafter	-	-
TOTAL	\$ 220,074	\$ 1,004,407

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

13. 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 is managed by the Washington State Department of Retirement Systems, which maintains an individual account for each participant. Pursuant to GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, since EHA is not the owner or trustee of these assets, the plan assets are not reported as part of EHA's basic financial statements.

14. Building Changes Grant

In March 2014, Building Changes awarded a "Washington Families Fund: Systems Innovation Grant" in the amount of \$357,000 to the Everett Housing Authority. This is a two-year grant with \$178,500 to be disbursed each year to be used to provide services for the direct benefit of homeless families. The grant allows the Everett Housing Authority to employ an Employment Navigator to provide employment services to families who reside in Twelve Pines Apartments and Grandview Homes with Section 8 Project-Based Vouchers resulting in decreased reliance on housing subsidies and a transition into non-subsidized housing supported by earned income. As of June 30, 2015, \$169,291 of grant funds have been used with the balance of \$187,709 set aside as a restricted cash asset.

15. Low Income Housing Tax Credit Limited Partnerships (Discretely Presented Component Units)

The low-income housing tax credit program is the result of federal legislation that allows investors certain tax incentives for investing in low-income housing. Under terms of the federal tax code and extended use agreements with the Washington State Housing Finance Commission, the buildings qualified under the tax credit program must continue to serve the targeted population for a specified number of years after the placed in service date. This compliance period is 30 years for the EHA-Twelve Pines Limited Partnership, 37 years for the Broadway Plaza LLLP, 40 years for the Pivotal Point Limited Liability Limited Partnership, 38 years for Everett Affordable Housing Portfolio, LLLP and 30 years for the Bakerview/Grandview Affordable Housing LLLP. After 15 years, the Authority has the option to purchase the property from the partnership.

Tax Credit Limited Partnerships are created to finance the purchase and remodeling of affordable housing. The Authority acts as General Partner of each partnership. Although each Tax Credit Limited Partnership is structured differently, they are generally financed via loans to the partnership, contributions of equity by the general and limited partners, and other sources. In some transactions, the Authority issues bonds and loans the proceeds to the Tax Credit

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

Limited Partnership. Tax-exempt bond issuances are secured by the underlying partnership real estate and in some cases by the general revenues of the Authority. The bonds and notes payable are offset by notes receivable from the partnerships. The partnerships make payments to the Authority for debt service. The Authority may receive grant funds or other loans to assist in purchasing the properties and in preserving affordability within the projects. Because of limitations imposed by the Internal Revenue Service, all such funds are received by the Authority and lent to the partnerships. These funds are accounted for as notes receivable from the partnerships. The Authority's long-term debt, including debt pertaining to the tax credit partnerships, is reflected in Note 9. A summary of notes receivable from the partnerships is reflected in Note 6.

Serving as the developer, the Authority typically earns a developer fee. These fees are earned based on certain events or dates relative to the development of the project. Developer fees are paid primarily from development proceeds and available cash flows. Under the various partnership agreements, developer fees, which are not paid during the construction phase, are generally required to be paid within 10 years of the project having been placed in service, along with accrued interest on unpaid balances. Because there was insufficient cash to pay off the developer fee note, the Authority loaned the amount due to the partnership so the note could be paid off. The balance of that developer fee loan is \$137,541. This tax credit project also pays a General Partner's management fee; this fee is reflected in other operating revenues and totaled \$8,554 in 2015. The Authority was paid \$200,000 in fees due under the developer fee agreement with Broadway Plaza LLLP. At June 30, 2015, the balance of the development fees owed to the Authority by Broadway Plaza LLLP is \$633,861. The Authority earned \$21,943 in developer fees related to the development of Pivotal Point LLLP during the year. That amount in addition to an accrued developer fee of \$160,913 was paid to the Authority during the fiscal year. Developer fees in the amounts of \$1.31 million and \$2.8 million were earned and accrued as receivable for the Bakerview/Grandview and Everett Affordable Housing Portfolio partnerships respectively in 2015.

The responsibility for the management of the affairs of the five partnerships is vested with the Everett Housing Authority as the general partner. All component units have a December 31 year end and their December 31, 2014 financial statements are included as a part of the Authority's basic financial statements. The complete financial statements of the EHA-Twelve Pines Limited Partnership, the Broadway Plaza Limited Liability Limited Partnership, the Pivotal Point Limited Liability Limited Partnership, the Bakerview/Grandview Affordable Housing Limited Liability Limited Partnership and the Everett Affordable Housing Portfolio Limited Liability Limited Partnership can be obtained from the Executive Director of the Everett Housing Authority, 3107 Colby Ave., Everett, WA 98201.

EHA-Twelve Pines Limited Partnership

EHA-Twelve Pines Limited Partnership was formed in July 1999 for the purpose of acquiring and renovating an 80-unit apartment complex located in Everett, Washington. On October

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

1, 2000, a tax credit investor was admitted to the partnership as a 99.99% limited partner. The partnership agreement provides for termination of the partnership in 2097. The Authority serves as the sole general partner, retaining a 0.01% ownership interest. The Authority is obligated to fund an operating deficit without limitation as to amount. The Authority has leased the project to the limited partnership for a nominal amount under a non-cancelable financing lease. 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.

Broadway Plaza Limited Liability Limited Partnership

The Broadway Plaza Limited Liability Limited Partnership is a legally separate entity formed on May 12, 2011 to use low-income housing tax credits in combination with other financing instruments to finance the planned rehabilitation of the Broadway Plaza Apartments. On June 29, 2011, a tax credit investor was admitted to the partnership as a 99.99% limited partner. The Authority serves as the sole general partner, retaining a .01% ownership interest. The Authority has leased the project consisting of two apartment buildings, Broadway Plaza East and Broadway Plaza West, to the partnership, Broadway Plaza LLLP for a nominal amount under a non-cancelable financing lease. The Authority will at all times hold legal title to the project and will be the owner of the property and the property improvements for state law purposes. However, the partnership is entitled to all federal tax attributes of the owner of the project. 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.

Pivotal Point Limited Liability Limited Partnership

Pivotal Point Limited Liability Limited Partnership was created in September 2013 in order to construct a twenty unit apartment complex on the site of the former Oswald Army Reserve Armory in north Everett. In conjunction with Domestic Violence Services of Snohomish County, the project provides permanent supportive housing for families of domestic violence. The Authority serves as the general partner, retaining a .01% ownership interest. Funding was received from a loan from the Housing Trust Fund and a construction loan, which will be paid off with equity investment by the limited partner. The Authority received developer fee income and will receive ongoing management fees. The project was completed and lease up began in September of 2014. 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.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

Bakerview/Grandview Affordable Housing Limited Liability Limited Partnership

The Bakerview/Grandview Limited Liability Limited Partnership is a legally separate entity formed in 2013 to use low-income housing tax credits in combination with other financing instruments to finance the planned rehabilitation of 299 units of low income housing in Bakerview Apartments and Grandview Homes, both of which were formerly Public Housing properties. The conversion was part of HUD's RAD (Rental Assistance Demonstration) Project. On September 1, 2014, a tax credit investor was admitted to the partnership as a 99.99% limited partner. The Authority serves as the sole general partner, retaining a .01% ownership interest. The partnership entered into a financing lease with the Authority and was required to pay a single base rent payment of \$31,000,000. The lease expires December 31, 2113. At the time of acquisition, \$12,500,000 was paid. The remaining balance will be paid in accordance the terms of the loan agreement. The Authority will at all times hold legal title to the project and will be the owner of the property and the property improvements for state law purposes. However, the partnership is entitled to all federal tax attributes of the owner of the project. 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.

Everett Affordable Housing Portfolio Limited Liability Limited Partnership

The Everett Affordable Housing Portfolio Limited Liability Limited Partnership is a legally separate entity formed in 2013 to use low-income housing tax credits in combination with other financing instruments to finance the planned rehabilitation of 159 units of low income housing in eight properties: Pineview Apartments, Rucker Apartments, Oakes Apartments, Madison Villa Apartments, Rainier Park Apartments, Timber Hill Apartments, Bridge Creek Apartments, and Douglas Grove Apartments. The conversion of Pineview Apartments was part of HUD's RAD (Rental Assistance Demonstration) Project. On September 1, 2014, a tax credit investor was admitted to the partnership as a 99.99% limited partner. The Authority serves as the sole general partner, retaining a .01% ownership interest. The partnership entered into a financing lease with the Authority and was required to pay a single base rent payment of \$15,125,000. The lease expires December 31, 2113. At the time of acquisition, \$5,280,000 was paid. The remaining balance will be paid in accordance the terms of four loan agreements. The Authority will at all times hold legal title to the project and will be the owner of the property and the property improvements for state law purposes. However, the partnership is entitled to all federal tax attributes of the owner of the project. 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.

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON
Notes to Basic Financial Statements
June 30, 2015

Condensed Financial Data for the Component Units for the year ended December 31, 2014 is as follows:

	EHA - Twelve Pines LLP	Broadway Plaza LLLP	Pivotal Point LLLP	Bakerview/ Grandview LLLP	Everett Aff Hsg Port LLLP	Total
Assets, Liabilities and Net Position						
Assets						
Cash and investments	\$ 690,193	\$ 1,433,492	\$ 8,358	\$ 354,492	\$ 151,586	\$ 2,638,121
Receivables and other assets	85,008	580,785	96,748	225,704	105,512	1,093,757
Capital assets, net	3,352,047	20,737,057	4,720,966	39,005,784	19,403,870	87,219,724
Total assets	<u>\$ 4,127,248</u>	<u>\$ 22,751,334</u>	<u>\$ 4,826,072</u>	<u>\$ 39,585,980</u>	<u>\$ 19,660,968</u>	<u>\$ 90,951,602</u>
Liabilities and net position						
Liabilities						
Current liabilities	\$ 172,613	\$ 529,828	\$ 633,810	\$ 1,178,423	\$ 568,233	\$ 3,082,907
Long-term liabilities	3,142,055	18,713,656	3,674,147	38,355,091	19,124,553	83,009,502
Total liabilities	3,314,668	19,243,484	4,307,957	39,533,514	19,692,786	86,092,409
Net position	812,580	3,507,850	518,115	52,466	(31,818)	4,859,193
Total liabilities and net position	<u>\$ 4,127,248</u>	<u>\$ 22,751,334</u>	<u>\$ 4,826,072</u>	<u>\$ 39,585,980</u>	<u>\$ 19,660,968</u>	<u>\$ 90,951,602</u>
Revenues, Expenses and Changes in Net Position						
Operating revenues	\$ 766,665	\$ 1,913,591	\$ 52,181	\$ 808,139	\$ 362,691	\$ 3,903,267
Operating expenses						
Administration & tenant services	267,403	551,357	59,080	172,668	63,669	1,114,177
Maintenance & operations	161,820	364,571	14,495	147,085	71,499	759,470
Utilities & general	81,090	246,645	12,384	67,999	41,507	449,625
Depreciation and amortization	114,514	651,758	68,200	187,937	96,898	1,119,307
Total operating expenses	<u>624,827</u>	<u>1,814,331</u>	<u>154,159</u>	<u>575,689</u>	<u>273,573</u>	<u>3,442,579</u>
Operating income	<u>141,838</u>	<u>99,260</u>	<u>(101,978)</u>	<u>232,450</u>	<u>89,118</u>	<u>460,688</u>
Nonoperating revenues (expenses)						
Investment income	600	1,589	2	107	27	2,325
Interest expense	(144,135)	(825,876)	(11,382)	(145,190)	(121,063)	(1,247,646)
Gains (losses) - capital asset disposition	-	(1,505)	-	-	-	(1,505)
Total nonoperating (expenses)	<u>(143,535)</u>	<u>(825,792)</u>	<u>(11,380)</u>	<u>(145,083)</u>	<u>(121,036)</u>	<u>(1,246,826)</u>
Income (loss) before capital contributions	(1,697)	(726,532)	(113,358)	87,367	(31,918)	(786,138)
Contributions						
Capital contributions - partnerships	-	-	-	100	100	200
Syndication costs - contra-capital	-	-	(35,885)	(35,001)	-	(70,886)
Total contributions	-	-	(35,885)	(34,901)	100	(70,686)
Change in net position	(1,697)	(726,532)	(149,243)	52,466	(31,818)	(856,824)
Beginning net position	814,277	4,234,382	667,358	-	-	5,716,017
Ending net position	<u>\$ 812,580</u>	<u>\$ 3,507,850</u>	<u>\$ 518,115</u>	<u>\$ 52,466</u>	<u>\$ (31,818)</u>	<u>\$ 4,859,193</u>

HOUSING AUTHORITY OF THE CITY OF EVERETT, WASHINGTON

Notes to Basic Financial Statements

June 30, 2015

16. 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.

17. Prior Period Adjustment

The Authority implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Authority to record beginning net pension liability and the effects on net position of contributions made by the Authority during the measurement period (fiscal period June 30, 2014). As a result, net position for the Authority decreased by \$3,649,831.

18. Special Items – transfer to component units

The RAD program requires that housing assistance payments (HAP) provided for tenants residing in units that were previously public housing be funded from the conversion date through the end of the calendar year from the current year public housing operating subsidy. Our RAD conversion date was September 30, 2015. Therefore, we funded these HAP payments for the months of October, November, and December with public housing operating subsidy funds that were provided to us by HUD. In addition, capital funds for the year of 2015 that had been allocated to these properties for development costs were drawn down after the conversion date. HUD's accounting treatment for both grants required that we report grant income in the public housing projects' FDS schedules and also report a "special items transfer to component units" as an expense in the FDS schedules in order to clearly identify the flow of funding. The total amount that we transferred to the converted units that are now reported as component units was \$639,803. This amount is accounted for as grant revenue and operating expense in the primary government financial statements.

19. Subsequent Events

On August 17, 2015 the Authority purchased two market rate apartment properties known collectively as "Royal Oakes" from a private party for a purchase price of \$1,575,000. There are a combined total of sixteen units. The authority's initial cash outlay for these properties was \$1,550,412.

Housing Authority of the City of Everett
Schedule of Proportionate Share of the Net Pension Liability
As of June 30, 2014
Last 10 Fiscal Years*

PERS # 1	2013	2014
Employer's proportion of the net pension liability (asset)	0.034695%	0.034937%
Employer's proportionate share of the net pension liability	2,027,317	1,759,968
Employer's covered employee payroll	3,819,874	3,375,066
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	53.07%	52.15%
Plan fiduciary net position as a percentage of the total pension liability		61.19%
PERS # 2/3	2013	2014
Employer's proportion of the net pension liability (asset)	0.046204%	0.046204%
Employer's proportionate share of the net pension liability	1,972,918	909,228
Employer's covered employee payroll	3,819,874	3,375,066
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	51.65%	26.94%
Plan fiduciary net position as a percentage of the total pension liability		93.29%

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

Housing Authority of the City of Everett
Schedule of Employer Contributions
As of June 30, 2015
Last 10 Fiscal Years*

PERS # 1	2013	2014
Contractually required contributions	89,978	154,640
Contributions in relation to the contractually required contributions	(89,978)	(154,640)
Contribution deficiency (excess)	-	-
Covered Employer Payroll	3,819,874	3,375,066
Contributions as a percentage of covered-employee payroll	2.36%	4.58%
PERS # 2/3	2013	2014
Contractually required contributions	179,299	190,017
Contributions in relation to the contractually required contributions	(1,779,299)	(190,017)
Contribution deficiency (excess)	-	-
Covered Employer Payroll	3,819,874	3,375,066
Contributions as a percentage of covered-employee payroll	4.69%	5.63%

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

Notes to Required Supplementary Information
for the Year Ended June 30, 2015

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

Changes of assumptions: There were no changes in the assumptions for the Pension Plans.

HOUSING AUTHORITY OF THE CITY OF EVERETT
Supplemental Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Catalog Number CFDA #	Federal Agency Name/Pass Through Agency Name	Federal Program Title	Other ID Number	Expenditure of Current Awards			Debt Liability Balance	Note Reference Number
				From Pass Through Awards	From Direct Awards	Total Awards		
14.249	Department of Housing and Urban Development	Section 8 Moderate Rehabilitation Single Room Occupancy	WA006SR0004	-	127,449	127,449	-	
14.856	Department of Housing and Urban Development	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	WA006MR0003	-	54,595	54,595	-	
14.850	Department of Housing and Urban Development	Public and Indian Housing	WA006	-	1,122,099	1,122,099	-	
14.872	Department of Housing and Urban Development	Public Housing Capital Fund	WA19P006501	-	966,532	966,532	-	
14.871	Department of Housing and Urban Development	Section 8 Housing Choice Vouchers	WA006	-	24,150,853	24,150,853	-	
14.870	Department of Housing and Urban Development/	Resident Opportunity and Supportive Services Coordinators	WA006RPS032A010	-	61,155	61,155	-	
Total - Department of Housing and Urban Development								
93.958	Department of Health and Human Services/Pass through - North Sound			-	26,482,683	26,482,683	-	
	Mental Health Administration	Block Grants for Community Mental Health Services	NSMHA-HOPE-OPTIONS: MHBG 13-15	40,086	-	40,086	-	
Total - Department of Health and Human Services								
Total Expenditures of Federal Awards								
				\$ 40,086	\$ 26,482,683	\$ 26,522,769	\$ -	

See notes to Supplemental Schedule of Expenditures of Federal Awards

HOUSING AUTHORITY OF THE CITY OF EVERETT
Notes to the Supplemental Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

1. Basis of Accounting

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.

2. Program Costs

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

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2015

Line item number & account description	Hope Options 93,958	ROSS Grant 14,870	Housing Choice Vouchers 14,871	Section 8 Mod Rehab 14,249	Section 8 Mod Rehab 14,856	Business Activities
111 Cash - Unrestricted	\$ -	\$ -	\$ 885,390	\$ 81,784	\$ 24,735	\$ 16,254,071
113 Cash - Other Restricted	-	-	241,660	-	-	6,861,553
114 Cash - Tenant Security Deposits	-	-	-	-	-	58,631
115 Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-	-
100 Total Cash	-	-	1,127,050	81,784	24,735	23,174,255
121 Accounts Receivable - PHA Projects	-	-	2,795	-	-	-
122 Accounts Receivable - HUD Other Projects	-	3,754	99,788	-	5,142	-
124 Accounts Receivable - Other Government	43,432	-	100	-	-	3,111
125 Accounts Receivable - Miscellaneous	-	-	24,647	-	-	98,864
126 Accounts Receivable - Tenants	-	-	-	844	-	3,447
126.1 Allowance for Doubtful Accounts - Tenants	-	-	-	-	-	(81)
127 Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	33,829,532
128 Fraud Recovery	-	-	76,259	-	-	-
128.1 Allowance for Doubtful Accounts - Fraud	-	-	(61,580)	-	-	-
120 Total Receivables, Net of Allowances for Doubtful Accounts	43,432	3,754	142,009	844	5,142	33,934,873
131 Investments - Unrestricted	-	-	-	-	-	-
132 Investments - Restricted	-	-	-	-	-	-
142 Prepaid Expenses and Other Assets	41	-	60,550	435	166	7,588
143 Inventories	-	-	-	-	-	1,924
144 Inter Program Due From	-	-	-	-	-	69,038
150 Total Current Assets	43,473	3,754	1,329,609	83,063	30,043	57,187,678
161 Land	-	-	-	-	-	3,718,555
162 Buildings	-	-	154,860	-	-	10,995,241
163 Furniture, Equipment & Machinery - Dwellings	-	-	-	-	-	-
164 Furniture, Equipment & Machinery - Administration	-	-	117,205	-	-	307,848
165 Leasehold Improvements	-	-	-	-	-	-
166 Accumulated Depreciation	-	-	(85,766)	-	-	(740,441)
167 Construction in Progress	-	-	-	-	-	25,147
160 Total Capital Assets, Net of Accumulated Depreciation	-	-	186,299	-	-	14,306,350
171 Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	50,434,588
174 Other Assets	-	-	-	-	-	4,744,261
180 Total Non-Current Assets	-	-	186,299	-	-	69,485,199
200 Deferred Outflows of Resources	-	-	-	-	-	394,334
190 Total Assets and Deferred Outflow of Resources	\$ 43,473	\$ 3,754	\$ 1,515,908	\$ 83,063	\$ 30,043	\$ 127,067,211

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2015

Line item number & account description	Hope Options 93,958	ROSS Grant 14,870	Housing Choice Vouchers 14,871	Section 8 Mod Rehab 14,249	Section 8 Mod Rehab 14,856	Business Activities
312 Accounts Payable <= 90 Days	150	2,426	29,408	8	3	50,540
321 Accrued Wage/Payroll Taxes Payable	-	-	-	-	-	-
322 Accrued Compensated Absences - Current Portion	2,947	332	17,099	-	-	16,223
325 Accrued Interest Payable	-	-	-	-	-	941
331 Accounts Payable - HUD PHA Programs	-	-	-	2,248	-	-
332 Account Payable - PHA Projects	-	-	-	-	-	-
333 Accounts Payable - Other Government	-	-	7,441	-	-	-
341 Tenant Security Deposits	-	-	-	-	-	-
342 Unearned Revenue	-	-	45,469	-	-	64,819
343 Current Portion of Long-term Debt - Capital	-	-	-	-	-	2,218
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	33,876,127
345 Other Current Liabilities	-	-	43,162	-	-	7,640
346 Accrued Liabilities - Other	-	-	-	-	-	32,485
347 Inter Program - Due To	31,536	-	-	-	-	-
310 Total Current Liabilities	34,633	2,758	142,579	2,256	3	34,050,993
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	-	-	-	-	-	21,089,043
352 Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-
353 Non-current Liabilities - Other	-	-	5,465	-	-	3,273,241
354 Accrued Compensated Absences - Non Current	8,840	996	51,296	-	-	48,671
350 Total Non-Current Liabilities	8,840	996	56,761	-	-	24,410,955
300 Total Liabilities	43,473	3,754	199,340	2,256	3	58,461,948
400 Deferred Inflow of Resources	-	-	-	-	-	1,224,481
508.4 Net Investment in Capital Assets	-	-	186,299	-	-	3,325,711
511.4 Restricted Net Position	-	-	195,830	-	-	6,861,553
512.4 Unrestricted Net Position	-	-	934,439	80,807	30,040	57,193,518
513 Total Equity - Net Assets / Position	-	-	1,316,568	80,807	30,040	67,380,782
600 Total Liabilities, Deferred Inflows of Resources and Equity/Net Assets	\$ 43,473	\$ 3,754	\$ 1,515,908	\$ 83,063	\$ 30,043	\$ 127,067,211

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2015

Line item number & account description	Baker Heights W/A006000100 \$	Grandview Homes W/A006000200 \$	Bakerview Apts W/A006000300 \$	Pineview Apts W/A006000400 \$	Scattered Sites W/A006000500 \$	Total Public Housing Projects \$	COCC \$
111 Cash - Unrestricted	1,373,947	-	-	-	459,101	1,838,048	-
113 Cash - Other Restricted	-	-	-	-	39	39	-
114 Cash - Tenant Security Deposits	53,750	-	-	-	9,500	63,250	-
115 Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-
100 Total Cash	1,432,697	-	-	-	468,640	1,901,337	-
121 Accounts Receivable - PHA Projects	-	-	-	-	-	-	-
122 Accounts Receivable - HUD Other Projects	-	-	-	-	3,722	3,722	55,693
124 Accounts Receivable - Other Government	-	-	-	-	-	-	-
125 Accounts Receivable - Miscellaneous	-	-	-	-	-	-	34,279
126 Accounts Receivable - Tenants	7,666	-	-	-	2,952	10,618	-
126.1 Allowance for Doubtful Accounts - Tenants	(725)	-	-	-	(221)	(946)	-
127 Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	-	-
128 Fraud Recovery	-	-	-	-	-	-	-
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-	-
120 Total Receivables, Net of Allowances for Doubtful Accounts	6,941	-	-	-	6,453	13,394	89,972
131 Investments - Unrestricted	-	-	-	-	-	-	-
132 Investments - Restricted	-	-	-	-	-	-	-
142 Prepaid Expenses and Other Assets	7,394	-	-	-	1,163	8,557	12,308
143 Inventories	-	-	-	-	-	-	73,352
144 Inter Program Due From	-	-	-	-	-	-	-
150 Total Current Assets	1,447,032	-	-	-	476,256	1,923,288	175,632
161 Land	12,028	-	-	-	901,500	913,528	206,200
162 Buildings	10,421,302	-	-	-	3,799,443	14,220,745	3,153,909
163 Furniture, Equipment & Machinery - Dwellings	-	-	-	-	-	-	-
164 Furniture, Equipment & Machinery - Administration	58,951	-	-	-	18,235	77,186	1,038,158
165 Leasehold Improvements	-	-	-	-	-	-	-
166 Accumulated Depreciation	(10,173,320)	-	-	-	(2,258,677)	(12,431,997)	(2,205,033)
167 Construction in Progress	25,568	-	-	-	-	25,568	23,477
160 Total Capital Assets, Net of Accumulated Depreciation	344,529	-	-	-	2,460,501	2,805,030	2,216,711
171 Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	-	-
174 Other Assets	-	-	-	-	-	-	-
180 Total Non-Current Assets	344,529	-	-	-	2,460,501	2,805,030	2,216,711
200 Deferred Outflow of Resources	-	-	-	-	-	-	-
190 Total Assets and Deferred Outflow of Resources	1,791,561	\$ -	\$ -	\$ -	\$ 2,936,757	\$ 4,728,318	\$ 2,392,343

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2015

Line item number & account description	Baker Heights W/A006000100	Grandview Homes W/A006000200	Bakerview Apts W/A006000300	Pinview Apts W/A006000400	Scattered Sites W/A006000500	Total Public Housing Projects	COCC
312 Accounts Payable <= 90 Days	5,586	-	-	-	5,083	10,669	271,595
321 Accrued Wage/Payroll Taxes Payable	-	-	-	-	-	-	48,312
322 Accrued Compensated Absences - Current Portion	11,391	-	-	-	2,000	13,391	33,951
325 Accrued Interest Payable	-	-	-	-	-	-	-
331 Accounts Payable - HUD PHA Programs	-	-	-	-	-	-	-
332 Account Payable - PHA Projects	-	-	-	-	-	-	-
333 Accounts Payable - Other Government	-	-	-	-	-	-	-
341 Tenant Security Deposits	53,750	-	-	-	9,500	63,250	-
342 Unearned Revenue	3,383	-	-	-	1,405	4,788	-
343 Current Portion of Long-term Debt - Capital	-	-	-	-	-	-	-
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-	-
345 Other Current Liabilities	-	-	-	-	-	-	55,262
346 Accrued Liabilities - Other	66,472	-	-	-	14,273	80,745	12,176
347 Inter Program - Due To	-	-	-	-	-	-	37,502
310 Total Current Liabilities	140,582	-	-	-	32,261	172,843	458,798
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	-	-	-	-	-	-	-
352 Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-	-
353 Non-current Liabilities - Other	-	-	-	-	39	39	-
354 Accrued Compensated Absences - Non Current	34,174	-	-	-	6,002	40,176	101,854
350 Total Non-Current Liabilities	34,174	-	-	-	6,041	40,215	101,854
300 Total Liabilities	174,756	-	-	-	38,302	213,058	560,652
400 Deferred Inflows of Resources	-	-	-	-	-	-	-
508.4 Net Investment in Capital Assets	344,529	-	-	-	2,460,501	2,805,030	2,216,711
511.4 Restricted Net Position	-	-	-	-	-	-	-
512.4 Unrestricted Net Position	1,272,276	-	-	-	437,954	1,710,230	(385,020)
513 Total Equity - Net Assets / Position	1,616,805	-	-	-	2,898,455	4,515,260	1,831,691
600 Total Liabilities, Deferred Inflows of Resources and Equity/Net Assets	\$ 1,791,561	\$ -	\$ -	\$ -	\$ 2,936,757	\$ 4,728,318	\$ 2,392,343

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2015

Line item number & account description	Total Other Programs	Subtotal Housing Authority Projects/Programs	Eliminations	Total Housing Authority	Component Units	Memorandum Total
111 Cash - Unrestricted	\$ 17,245,980	\$ 19,084,028	\$ -	\$ 19,084,028	\$ 782,537	\$ 19,866,565
113 Cash - Other Restricted	7,103,213	7,103,252	-	7,103,252	1,649,507	8,752,759
114 Cash - Tenant Security Deposits	58,631	121,881	-	121,881	206,077	327,958
115 Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-	-
100 Total Cash	24,407,824	26,309,161	-	26,309,161	2,638,121	28,947,282
121 Accounts Receivable - PHA Projects	2,795	2,795	-	2,795	-	2,795
122 Accounts Receivable - HUD Other Projects	108,684	168,099	-	168,099	-	168,099
124 Accounts Receivable - Other Government	46,643	46,643	-	46,643	168	46,811
125 Accounts Receivable - Miscellaneous	123,511	157,790	-	157,790	21,513	179,303
126 Accounts Receivable - Tenants	4,291	14,909	-	14,909	32,788	47,697
126.1 Allowance for Doubtful Accounts - Tenants	(81)	(1,027)	-	(1,027)	(100)	(1,127)
127 Notes, Loans, & Mortgages Receivable - Current	33,829,532	33,829,532	-	33,829,532	-	33,829,532
128 Fraud Recovery	76,259	76,259	-	76,259	-	76,259
128.1 Allowance for Doubtful Accounts - Fraud	(61,580)	(61,580)	-	(61,580)	-	(61,580)
120 Total Receivables, Net of Allowances for Doubtful Accounts	34,130,054	34,233,420	-	34,233,420	54,369	34,287,789
131 Investments - Unrestricted	-	-	-	-	-	-
132 Investments - Restricted	-	-	-	-	-	-
142 Prepaid Expenses and Other Assets	68,645	89,645	-	89,645	178,425	268,070
143 Inventories	1,924	75,276	-	75,276	2,520	77,796
144 Inter Program Due From	69,038	69,038	(69,038)	-	-	-
150 Total Current Assets	58,677,620	60,776,540	(69,038)	60,707,502	2,873,435	63,580,937
161 Land	3,718,555	4,838,283	-	4,838,283	4,505,726	9,344,009
162 Buildings	11,150,101	28,524,755	-	28,524,755	73,091,855	101,616,610
163 Furniture, Equipment & Machinery - Dwellings	-	-	-	-	958,643	958,643
164 Furniture, Equipment & Machinery - Administration	425,053	1,540,397	-	1,540,397	114,535	1,654,932
165 Leasehold Improvements	-	-	-	-	46,020	46,020
166 Accumulated Depreciation	(826,207)	(15,463,237)	-	(15,463,237)	(4,068,859)	(19,532,096)
167 Construction in Progress	25,147	74,192	-	74,192	12,571,803	12,645,995
160 Total Capital Assets, Net of Accumulated Depreciation	14,492,649	19,514,390	-	19,514,390	87,219,723	106,734,113
171 Notes, Loans and Mortgages Receivable - Non-Current	50,434,588	50,434,588	-	50,434,588	-	50,434,588
174 Other Assets	4,744,261	4,744,261	-	4,744,261	858,444	5,602,705
180 Total Non-Current Assets	69,671,498	74,693,239	-	74,693,239	88,078,167	162,771,406
200 Deferred Outflows of Resources	394,334	394,334	-	394,334	-	394,334
190 Total Assets and Deferred Outflows of Resources	\$ 128,743,452	\$ 135,864,113	\$ (69,038)	\$ 135,795,075	\$ 90,951,602	\$ 226,746,677

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2015

Line item number & account description	Total Other Programs	Subtotal Housing Authority Projects/Programs	Eliminations	Total Housing Authority	Component Units	Memorandum Total
312 Accounts Payable <= 90 Days	82,535	364,799	-	364,799	1,846,403	2,211,202
321 Accrued Wages/Payroll Taxes Payable	-	48,312	-	48,312	-	48,312
322 Accrued Compensated Absences - Current Portion	36,601	83,943	-	83,943	35,586	119,529
325 Accrued Interest Payable	941	941	-	941	240,896	241,837
331 Accounts Payable - HUD PHA Programs	2,248	2,248	-	2,248	4,140	6,388
332 Account Payable - PHA Projects	-	-	-	-	-	-
333 Accounts Payable - Other Government	7,441	7,441	-	7,441	-	7,441
341 Tenant Security Deposits	64,819	128,069	-	128,069	205,690	333,759
342 Unearned Revenue	47,687	52,475	-	52,475	38,269	90,744
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	33,876,127	33,876,127	-	33,876,127	353,199	34,229,326
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-
345 Other Current Liabilities	50,802	106,064	-	106,064	358,725	464,789
346 Accrued Liabilities - Other	32,485	125,406	-	125,406	-	125,406
347 Inter Program - Due To	31,536	69,038	(69,038)	-	-	-
310 Total Current Liabilities	34,233,222	34,864,863	(69,038)	34,795,825	3,082,908	37,878,733
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	21,089,043	21,089,043	-	21,089,043	80,712,520	101,801,563
352 Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-
353 Non-current Liabilities - Other	3,276,706	3,278,745	-	3,278,745	2,190,225	5,468,970
354 Accrued Compensated Absences - Non Current	109,803	251,833	-	251,833	106,756	358,589
350 Total Non-Current Liabilities	24,477,552	24,619,621	-	24,619,621	83,009,501	107,629,122
300 Total Liabilities	58,710,774	59,484,484	(69,038)	59,415,446	86,092,409	145,507,855
400 Deferred Inflow of Resources	1,224,481	1,224,481	-	1,224,481	-	1,224,481
508.4 Net Investment in Capital Assets	3,512,010	8,533,751	-	8,533,751	5,959,411	14,493,162
511.4 Restricted Net Position	7,057,383	7,057,383	-	7,057,383	1,649,507	8,706,890
512.4 Unrestricted Net Position	58,238,804	59,564,014	-	59,564,014	(2,749,725)	56,814,289
513 Total Equity - Net Assets / Position	68,808,197	75,155,148	-	75,155,148	4,859,193	80,014,341
600 Total Liabilities, Deferred Inflow of Resources and Equity/Net Assts	\$ 128,743,452	\$ 135,864,113	\$ (69,038)	\$ 135,795,075	\$ 90,951,602	\$ 226,746,677

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2015

Line item number & account description	Hope Options 93,958	ROSS Grant 14,870	Housing Choice Vouchers 14,871	Section 8 Mod Rehab 14,249	Section 8 Mod Rehab 14,856	Business Activities
70300 Net Tenant Rental Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,332,796
70400 Tenant Revenue - Other	-	-	-	-	-	376,914
70500 Total Tenant Revenue	-	-	-	-	-	1,709,710
70600 HUD PHA Operating Grants	-	61,155	24,318,403	134,865	57,376	-
70610 Capital Grants	-	-	-	-	-	-
70710 Management Fee	-	-	-	-	-	-
70720 Asset Management Fee	-	-	-	-	-	-
70730 Book Keeping Fee	-	-	-	-	-	-
70740 Front Line Service Fee	-	-	-	-	-	-
70750 Other Fees	-	-	-	-	-	2,211,151
70700 Total Fee Revenue	-	-	-	-	-	2,211,151
70800 Other Government Grants	222,231	-	-	-	-	-
71100 Investment Income - Unrestricted	-	-	1,046	217	83	1,168,563
71200 Mortgage Interest Income	-	-	-	-	-	-
71400 Fraud Recovery	-	-	7,739	-	-	-
71500 Other Revenue	-	-	243,740	-	-	4,270,037
71600 Gain or Loss on Sale of Capital Assets	-	-	-	-	-	33,066,647
72000 Investment Income - Restricted	-	-	-	-	-	-
70000 Total Revenue	222,231	61,155	24,570,928	135,082	57,459	42,426,098
91100 Administrative Salaries	-	-	663,255	344	131	1,128,638
91200 Auditing Fees	-	-	18,301	152	58	3,466
91300 Management Fee	-	-	433,382	2,952	1,152	81,587
91310 Book-keeping Fee	-	-	236,663	1,845	720	5,205
91400 Advertising and Marketing	-	350	1,586	-	-	5,403
91500 Employee Benefit Contributions - Administrative	-	-	274,951	133	51	285,805
91600 Office Expenses	6,357	815	183,693	9,572	3,646	168,721
91700 Legal Expense	-	-	103	-	-	82,355
91800 Travel	-	-	35,548	-	-	31,142
91900 Other	-	-	6,102	-	-	35,199
91000 Total Operating - Administrative	6,357	1,165	1,853,584	14,998	5,758	1,807,521
92000 Asset Management Fee	-	-	-	-	-	32,996

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2015

Line item number & account description	Hope Options 93,958	ROSS Grant 14,870	Housing Choice Vouchers 14,871	Section 8 Mod Rehab 14,249	Section 8 Mod Rehab 14,856	Business Activities
92100 Tenant Services - Salaries	118,683	44,229	-	-	-	651,676
92300 Employee Benefit Contributions - Tenant Services	44,740	8,673	-	-	-	164,836
92400 Tenant Services - Other	51,723	6,747	-	-	-	164,556
92500 Total Tenant Services	215,146	59,649	-	-	-	981,068
93100 Water	-	-	-	-	-	25,580
93200 Electricity	-	-	-	-	-	43,551
93300 Gas	-	-	-	-	-	13,797
93600 Sewer	-	-	-	-	-	49,137
93800 Other Utilities Expense	-	-	-	-	-	553
93000 Total Utilities	-	-	-	-	-	132,618
94100 Ordinary Maintenance and Operations - Labor	-	-	-	-	-	698,221
94200 Ordinary Maintenance and Operations - Materials & Other	29	-	1,304	-	-	53,010
94300 Ordinary Maintenance and Operations Contracts	-	-	10,503	5	2	100,264
94500 Employee Benefit Contributions - Ordinary Maintenance	-	-	-	-	-	192,279
94000 Total Maintenance	29	-	11,807	5	2	1,043,774
96110 Property Insurance	-	-	-	-	-	19,105
96120 Liability Insurance	-	-	8,056	74	28	5,962
96130 Workmen's Compensation	700	341	4,737	2	1	115,266
96140 All Other Insurance	-	-	2,679	-	-	885
96100 Total Insurance Premiums	700	341	15,472	76	29	141,218
96200 Other General Expenses	-	-	61,874	-	-	-
96300 Payments in Lieu of Taxes	-	-	-	-	-	-
96400 Bad Debt - Tenant Rents	-	-	-	-	-	7,355
96600 Bad Debt - Other	-	-	8,267	-	-	-
96000 Total Other General Expenses	-	-	70,141	-	-	7,355
96710 Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	278,488
96720 Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	19,575
96730 Amortization of Bond Issue Costs	-	-	-	-	-	-
96700 Total Interest Expense and Amortization Cost	-	-	-	-	-	298,063
96900 Total Operating Expenses	222,232	61,155	1,951,004	15,079	5,789	4,444,613
97000 Excess of Operating Revenue over Operating Expenses	(1)	-	22,619,924	120,003	51,670	37,981,485

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2015

Line item number & account description	Hope Options 93,958	ROSS Grant 14,870	Housing Choice Vouchers 14,871	Section 8 Mod Rehab 14,249	Section 8 Mod Rehab 14,856	Business Activities
97100 Extraordinary Maintenance	-	-	-	-	-	36,478
97300 Housing Assistance Payments	-	-	21,970,380	112,370	48,806	-
97350 HAP Portability-In	-	-	229,469	-	-	-
97400 Depreciation Expense	-	-	28,820	-	-	240,922
90000 Total Expenses	222,232	61,155	24,179,673	127,449	54,595	4,722,013
10010 Operating Transfer In	1	-	-	-	-	1,428,524
10020 Operating Transfer Out	-	-	-	-	-	(1,649,323)
10080 Special Items (Net Gain/Loss)	-	-	-	-	-	8,827,952
10091 Inter Project Excess Cash Transfer In	-	-	-	-	-	-
10092 Inter Project Excess Cash Transfer Out	-	-	-	-	-	-
10100 Total Other Financing Sources (Uses)	1	-	-	-	-	8,607,153
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ -	\$ -	\$ 391,255	\$ 7,633	\$ 2,864	\$ 46,311,238
11020 Required Annual Debt Principal Payments	-	-	-	-	-	46,595
11030 Beginning Equity	-	-	925,313	73,174	27,176	24,719,376
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-	-	(3,649,831)
11170 Administrative Fee Equity	-	-	1,120,738	-	-	-
11180 Housing Assistance Payments Equity	-	-	195,830	-	-	-
11190 Unit Months Available	-	-	32,466	252	96	4,691
11210 Number of Unit Months Leased	-	-	31,555	246	96	4,502
11270 Excess Cash	-	-	-	-	-	-
11610 Land Purchases	-	-	-	-	-	-
11620 Building Purchases	-	-	-	-	-	-
11640 Furniture & Equipment - Administrative Purchases	-	-	-	-	-	-

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2015

Line item number & account description	Baker Heights W/A006000100 \$	Grandview Homes W/A006000200 \$	Bakerview Apts W/A006000300 \$	Pineview Apts W/A006000400 \$	Scattered Sites W/A006000500 \$	Total Public Housing Projects \$	COCC \$
70300 Net Tenant Rental Revenue	807,376	146,293	93,161	31,236	191,529	1,269,595	-
70400 Tenant Revenue - Other	11,089	2,042	2,397	125	172	15,825	1,318
70500 Total Tenant Revenue	818,465	148,335	95,558	31,361	191,701	1,285,420	1,318
70600 HUD PHA Operating Grants	613,583	185,525	191,684	45,144	86,163	1,122,099	-
70610 Capital Grants	92,005	269,088	129,787	48,222	27,275	566,377	400,154
70710 Management Fee	-	-	-	-	-	-	1,071,288
70720 Asset Management Fee	-	-	-	-	-	-	44,530
70730 Book Keeping Fee	-	-	-	-	-	-	277,470
70740 Front Line Service Fee	-	-	-	-	-	-	-
70750 Other Fees	-	-	-	-	-	-	-
70700 Total Fee Revenue	-	-	-	-	-	-	1,393,288
70800 Other Government Grants	-	-	-	-	-	-	-
71100 Investment Income - Unrestricted	1,858	181	110	124	442	2,715	-
71200 Mortgage Interest Income	-	-	-	-	-	-	-
71400 Fraud Recovery	-	-	-	-	-	-	-
71500 Other Revenue	31,765	-	14,640	-	-	46,405	10,403
71600 Gain or Loss on Sale of Capital Assets	-	-	-	-	-	-	-
72000 Investment Income - Restricted	-	-	-	-	-	-	-
70000 Total Revenue	1,557,676	603,129	431,779	124,851	305,581	3,023,016	1,805,163
91100 Administrative Salaries	95,394	30,611	27,345	1,686	24,761	179,797	1,048,511
91200 Auditing Fees	1,758	-	-	-	316	2,074	1,276
91300 Management Fee	220,022	20,959	21,534	4,892	23,980	291,387	-
91310 Book-keeping Fee	21,878	3,277	3,368	765	3,750	33,038	-
91400 Advertising and Marketing	149	160	10	2	25	346	1,441
91500 Employee Benefit Contributions - Administrative	30,856	10,349	9,752	642	7,232	58,831	335,810
91600 Office Expenses	37,854	8,841	8,924	2,531	3,571	61,721	280,958
91700 Legal Expense	8,705	2,235	769	-	-	11,709	5,818
91800 Travel	16,919	1,891	1,648	653	3,329	24,440	66,414
91900 Other	2,104	522	461	142	723	3,952	13,149
91000 Total Operating - Administrative	435,639	78,845	73,811	11,313	67,687	667,295	1,753,377
92000 Asset Management Fee	29,280	4,420	4,530	1,020	5,280	44,530	-

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2015

Line item number & account description	Baker Heights W/A006000100	Grandview Homes W/A006000200	Bakerview Apts W/A006000300	Pineview Apts W/A006000400	Scattered Sites W/A006000500	Total Public Housing Projects	COCC
92100 Tenant Services - Salaries	38,560	19,453	9,540	871	2,679	69,103	-
92300 Employee Benefit Contributions - Tenant Services	8,355	7,336	1,961	301	955	18,908	-
92400 Tenant Services - Other	2,440	7,834	4,067	6,867	263	21,471	-
92500 Total Tenant Services	47,355	34,623	15,568	8,039	3,897	109,482	-
93100 Water	31,208	11,932	3,307	2,063	17,315	65,825	2,586
93200 Electricity	3,510	913	7,358	911	2,970	15,662	18,560
93300 Gas	2,050	540	2,636	-	-	5,226	8,640
93600 Sewer	101,496	38,269	9,625	3,590	27,083	180,063	4,493
93800 Other Utilities Expense	-	-	-	-	366	366	-
93000 Total Utilities	138,264	51,654	22,926	6,564	47,734	267,142	34,279
94100 Ordinary Maintenance and Operations - Labor	165,104	37,454	41,043	14,083	48,467	306,151	28,481
94200 Ordinary Maintenance and Operations - Materials & Other	72,793	13,314	14,958	3,229	16,308	120,602	19,433
94300 Ordinary Maintenance and Operations Contracts	67,267	17,344	7,887	4,252	19,484	116,234	21,687
94500 Employee Benefit Contributions - Ordinary Maintenance	45,432	16,516	14,893	4,409	20,232	101,482	9,737
94000 Total Maintenance	350,596	84,628	78,781	25,973	104,491	644,469	79,338
96110 Property Insurance	13,720	15,031	12,988	3,504	4,727	49,970	2,306
96120 Liability Insurance	5,530	779	821	285	1,035	8,450	5,957
96130 Workmen's Compensation	12,994	2,704	2,764	882	3,809	23,153	8,620
96140 All Other Insurance	4,428	1,074	670	208	730	7,110	3,293
96100 Total Insurance Premiums	36,672	19,588	17,243	4,879	10,301	88,683	20,176
96200 Other General Expenses	-	-	-	-	39	39	-
96300 Payments in Lieu of Taxes	66,471	8,386	7,021	2,420	14,272	98,570	-
96400 Bad Debt - Tenant Rents	4,941	(461)	414	-	(417)	4,477	-
96600 Bad Debt - Other	-	-	-	-	-	-	-
96000 Total Other General Expenses	71,412	7,925	7,435	2,420	13,894	103,086	-
96710 Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	-	-
96720 Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	-	-
96730 Amortization of Bond Issue Costs	-	-	-	-	-	-	-
96700 Total Interest Expense and Amortization Cost	-	-	-	-	-	-	-
96900 Total Operating Expenses	1,109,218	281,683	220,284	60,208	253,284	1,924,687	1,887,170
97000 Excess of Operating Revenue over Operating Expenses	448,458	321,446	211,485	64,643	52,297	1,098,329	(82,007)

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2015

Line item number & account description	Baker Heights W/A006000100	Grandview Homes W/A006000200	Bakerview Apts W/A006000300	Pineview Apts W/A006000400	Scattered Sites W/A006000500	Total Public Housing Projects	COCC
97100 Extraordinary Maintenance	34,010	-	510	24	551	35,095	9,630
97300 Housing Assistance Payments	-	-	-	-	-	-	-
97350 HAP Portability-In	-	-	-	-	-	-	-
97400 Depreciation Expense	52,770	-	-	-	138,875	191,645	129,159
90000 Total Expenses	1,195,998	281,683	220,804	60,232	392,710	2,151,427	2,025,959
10010 Operating Transfer In	-	-	-	-	-	-	220,796
10020 Operating Transfer Out	-	-	-	-	-	-	-
10080 Special Items (Net Gain/Loss)	-	(5,505,920)	(2,119,211)	(1,842,623)	-	(9,467,754)	-
10091 Inter Project Excess Cash Transfer In	-	-	-	-	-	-	-
10092 Inter Project Excess Cash Transfer Out	-	-	-	-	-	-	-
10100 Total Other Financing Sources (Uses)	-	(5,505,920)	(2,119,211)	(1,842,623)	-	(9,467,754)	220,796
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 361,678	\$ (5,184,474)	\$ (1,908,236)	\$ (1,778,004)	\$ (87,129)	\$ (8,596,165)	\$ -
11020 Required Annual Debt Principal Payments	-	-	-	-	-	-	-
11030 Beginning Equity	1,255,127	5,184,474	1,908,236	1,778,004	2,985,584	13,111,425	1,831,691
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-	-	-	-
11170 Administrative Fee Equity	-	-	-	-	-	-	-
11180 Housing Assistance Payments Equity	-	-	-	-	-	-	-
11190 Unit Months Available	2,928	441	453	102	523	4,447	-
11210 Number of Unit Months Leased	2,917	437	449	102	500	4,405	-
11270 Excess Cash	1,213,299	(23,473)	(18,357)	(5,017)	421,690	1,588,142	-
11610 Land Purchases	-	-	-	-	-	-	-
11620 Building Purchases	6,000	269,088	129,787	48,222	27,275	480,372	362,242
11640 Furniture & Equipment - Administrative Purchases	-	-	-	-	-	-	37,912

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2015

Line item number & account description	Total Other Programs	Subtotal Housing Authority Projects/Programs	Eliminations	Total Housing Authority	Component Units	Memorandum Total
70300 Net Tenant Rental Revenue	\$ 1,332,796	\$ 2,602,391	\$ -	\$ 2,602,391	\$ 3,190,326	\$ 5,792,717
70400 Tenant Revenue - Other	376,914	394,057	-	394,057	36,999	431,056
70500 Total Tenant Revenue	1,709,710	2,996,448	-	2,996,448	3,227,325	6,223,773
70600 HUD PHA Operating Grants	24,571,799	25,693,898	-	25,693,898	633,794	26,327,692
70610 Capital Grants	-	966,531	-	966,531	-	966,531
70710 Management Fee	-	1,071,288	(789,925)	281,363	-	281,363
70720 Asset Management Fee	-	44,530	(44,530)	-	-	-
70730 Book Keeping Fee	-	277,470	(277,470)	-	-	-
70740 Front Line Service Fee	-	-	-	-	-	-
70750 Other Fees	2,211,151	2,211,151	(2,112,932)	98,219	-	98,219
70700 Total Fee Revenue	2,211,151	3,604,439	(3,224,857)	379,582	-	379,582
70800 Other Government Grants	222,231	222,231	-	222,231	-	222,231
71100 Investment Income - Unrestricted	1,169,899	1,172,614	-	1,172,614	937	1,173,551
71200 Mortgage Interest Income	-	-	-	-	-	-
71400 Fraud Recovery	7,739	7,739	-	7,739	-	7,739
71500 Other Revenue	4,513,777	4,570,585	-	4,570,585	42,146	4,612,731
71600 Gain or Loss on Sale of Capital Assets	33,066,647	33,066,647	-	33,066,647	(1,505)	33,065,142
72000 Investment Income - Restricted	-	-	-	-	1,386	1,386
70000 Total Revenue	67,472,953	72,301,132	(3,224,857)	69,076,275	3,904,083	72,980,358
91100 Administrative Salaries	1,792,368	3,020,676	(626,245)	2,394,431	383,830	2,778,261
91200 Auditing Fees	21,977	25,327	-	25,327	28,372	53,699
91300 Management Fee	519,073	810,460	(789,925)	20,535	177,205	197,740
91310 Book-keeping Fee	244,433	277,471	(277,471)	-	-	-
91400 Advertising and Marketing	7,339	9,126	-	9,126	2,330	11,456
91500 Employee Benefit Contributions - Administrative	540,940	935,581	(198,268)	737,313	132,731	870,044
91600 Office Expenses	372,804	715,483	-	715,483	97,752	813,235
91700 Legal Expense	82,458	99,985	-	99,985	12,872	112,857
91800 Travel	66,690	157,544	-	157,544	21,235	178,779
91900 Other	41,301	58,402	-	58,402	80,984	139,386
91000 Total Operating - Administrative	3,689,383	6,110,055	(1,891,909)	4,218,146	937,311	5,155,457
92000 Asset Management Fee	32,996	77,526	(44,530)	32,996	17,500	50,496

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2015

Line item number & account description	Total Other Programs	Subtotal Housing Authority Projects/Programs	Eliminations	Total Housing Authority	Component Units	Memorandum Total
92100 Tenant Services - Salaries	814,588	883,691	(326,733)	556,958	101,201	658,159
92300 Employee Benefit Contributions - Tenant Services	218,249	237,157	(102,086)	135,071	32,787	167,858
92400 Tenant Services - Other	223,026	244,497	-	244,497	25,379	269,876
92500 Total Tenant Services	1,255,863	1,365,345	(428,819)	936,526	159,367	1,095,893
93100 Water	25,580	93,991	-	93,991	53,387	147,378
93200 Electricity	43,551	77,773	-	77,773	105,452	183,225
93300 Gas	13,797	27,663	-	27,663	26,148	53,811
93600 Sewer	49,137	233,693	-	233,693	107,927	341,620
93800 Other Utilities Expense	553	919	-	919	165	1,084
93000 Total Utilities	132,618	434,039	-	434,039	293,079	727,118
94100 Ordinary Maintenance and Operations - Labor	698,221	1,032,853	(604,977)	427,876	351,489	779,365
94200 Ordinary Maintenance and Operations - Materials and Other	54,343	194,378	-	194,378	75,711	270,089
94300 Ordinary Maintenance and Operations Contracts	110,774	248,695	-	248,695	195,080	443,775
94500 Employee Benefit Contributions - Ordinary Maintenance	192,279	303,498	(201,230)	102,268	116,565	218,833
94000 Total Maintenance	1,055,617	1,779,424	(806,207)	973,217	738,845	1,712,062
96110 Property Insurance	19,105	71,381	-	71,381	59,903	131,284
96120 Liability Insurance	14,120	28,527	-	28,527	31,938	60,465
96130 Workmen's Compensation	121,047	152,820	(53,392)	99,428	25,821	125,249
96140 All Other Insurance	3,564	13,967	-	13,967	34,072	48,039
96100 Total Insurance Premiums	157,836	266,695	(53,392)	213,303	151,734	365,037
96200 Other General Expenses	61,874	61,913	-	61,913	-	61,913
96300 Payments in Lieu of Taxes	-	98,570	-	98,570	-	98,570
96400 Bad Debt - Tenant Rents	7,355	11,832	-	11,832	4,810	16,642
96600 Bad Debt - Other	8,267	8,267	-	8,267	-	8,267
96000 Total Other General Expenses	77,496	180,582	-	180,582	4,810	185,392
96710 Interest of Mortgage (or Bonds) Payable	278,488	278,488	-	278,488	1,242,656	1,521,144
96720 Interest on Notes Payable (Short and Long Term)	19,575	19,575	-	19,575	4,990	24,565
96730 Amortization of Bond Issue Costs	-	-	-	-	40,350	40,350
96700 Total Interest Expense and Amortization Cost	298,063	298,063	-	298,063	1,287,996	1,586,059
96900 Total Operating Expenses	6,699,872	10,511,729	(3,224,857)	7,286,872	3,590,642	10,877,514
97000 Excess of Operating Revenue over Operating Expenses	60,773,081	61,789,403	-	61,789,403	313,441	62,102,844

Housing Authority of the City of Everett
Supplemental Financial Data Schedule
Year Ended June 30, 2015

Line item number & account description	Total Other Programs	Subtotal Housing Authority Projects/Programs	Eliminations	Total Housing Authority	Component Units	Memorandum Total
97100 Extraordinary Maintenance	36,478	81,203	-	81,203	20,624	101,827
97300 Housing Assistance Payments	22,131,556	22,131,556	-	22,131,556	-	22,131,556
97350 HAP Portability-In	229,469	229,469	-	229,469	-	229,469
97400 Depreciation Expense	269,742	590,546	-	590,546	1,078,957	1,669,503
90000 Total Expenses	29,367,117	33,544,503	(3,224,857)	30,319,646	4,690,223	35,009,869
10010 Operating Transfer In	1,428,525	1,649,321	-	1,649,321	-	1,649,321
10020 Operating Transfer Out	(1,649,323)	(1,649,323)	-	(1,649,323)	-	(1,649,323)
10080 Special Items (Net Gain/Loss)	8,827,952	(639,802)	-	(639,802)	-	(639,802)
10091 Inter Project Excess Cash Transfer In	-	-	-	-	-	-
10092 Inter Project Excess Cash Transfer Out	-	-	-	-	-	-
10100 Total Other Financing Sources (Uses)	8,607,154	(639,804)	-	(639,804)	-	(639,804)
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 46,712,990	\$ 38,116,825	\$ -	\$ 38,116,825	\$ (786,140)	\$ 37,330,685
11020 Required Annual Debt Principal Payments	46,595	46,595	-	46,595	140,000	186,595
11030 Beginning Equity	25,745,039	40,688,155	-	40,688,155	5,715,967	46,404,122
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	(3,649,831)	(3,649,831)	-	(3,649,831)	(70,634)	(3,720,465)
11170 Administrative Fee Equity	1,120,738	1,120,738	-	1,120,738	-	1,120,738
11180 Housing Assistance Payments Equity	195,830	195,830	-	195,830	-	195,830
11190 Unit Months Available	37,505	41,952	-	41,952	4,691	46,643
11210 Number of Unit Months Leased	36,399	40,804	-	40,804	4,502	45,306
11270 Excess Cash	-	1,588,142	-	1,588,142	-	1,588,142
11610 Land Purchases	-	-	-	-	-	-
11620 Building Purchases	-	842,614	-	842,614	-	842,614
11640 Furniture & Equipment - Administrative Purchases	-	37,912	-	37,912	-	37,912

Actual Modernization Cost Certificate

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

OMB Approval No. 2577-0157 (exp. 01/31/2014)

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

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

Do not send this form to the above address.

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

HA Name: HOUSING AUTHORITY OF THE CITY OF EVERETT	Modernization Project Number: WA19P006501-11
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The HA hereby certifies to the Department of Housing and Urban Development as follows:

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

A. Original Funds Approved	\$ 813,306.00
B. Funds Disbursed	\$ 813,306.00
C. Funds Expended (Actual Modernization Cost)	\$ 813,306.00
D. Amount to be Recaptured (A-C)	\$
E. Excess of Funds Disbursed (B-C)	\$

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

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

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

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

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

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

Signature of Executive Director & Date:

X 

Ashley Lommers-Johnson, Executive Director

01-30-15

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator)

X 

Date:

01-23-2015

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)

Date:

X

Approved: (Director, Office of Public Housing / ONAP Administrator)

Date:

X

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

Actual Modernization Cost Certificate

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

OMB Approval No. 2577-0157 (exp. 01/31/2014)

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

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

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HA Name:

HOUSING AUTHORITY OF THE CITY OF EVERETT

Modernization Project Number:

WA19P006501-12

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

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

A. Original Funds Approved	\$ 730,421.00
B. Funds Disbursed	\$ 730,421.00
C. Funds Expended (Actual Modernization Cost)	\$ 730,421.00
D. Amount to be Recaptured (A-C)	\$
E. Excess of Funds Disbursed (B-C)	\$

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

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

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

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

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

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

Signature of Executive Director & Date:

X 


Ashley Lommers-Johnson, Executive Director

06-22-15

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator)

X 

Date:

06-24-15

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)

X

Approved: (Director, Office of Public Housing / ONAP Administrator)

Date:

Date:

X

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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