

**Washington State Auditor's Office**  
**Financial Statements Audit Report**

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**Housing Authority of the City of Sedro-  
Woolley**  
**Skagit County**

Audit Period  
January 1, 2010 through December 31, 2010

Report No. 1006391

Issue Date  
September 26, 2011



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

September 26, 2011

Board of Commissioners  
Housing Authority of the City of Sedro-Woolley  
Tukwila, Washington

***Report on Financial Statements***

Please find attached our report on the Housing Authority of the City of Sedro-Woolley's financial statements.

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

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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Skagit County  
January 1, 2010 through December 31, 2010**

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

Housing Authority of the City of Sedro-Woolley  
Skagit County  
January 1, 2010 through December 31, 2010

Board of Commissioners  
Housing Authority of the City of Sedro-Woolley  
Tukwila, Washington

We have audited the basic financial statements of the Housing Authority of the City of Sedro-Woolley, Skagit County, Washington, as of and for the year ended December 31, 2010, and have issued our report thereon dated September 20, 2011.

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.

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

A *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.

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

## **COMPLIANCE AND OTHER MATTERS**

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

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

This report is intended for the information and use of management and the Board of Commissioners. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

September 20, 2011

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

## **Housing Authority of the City of Sedro-Woolley Skagit County January 1, 2010 through December 31, 2010**

Board of Commissioners  
Housing Authority of the City of Sedro-Woolley  
Tukwila, Washington

We have audited the accompanying basic financial statements of the Housing Authority of the City of Sedro-Woolley, Skagit County, Washington, as of and for the year ended December 31, 2010, as listed on page 5. These financial statements are the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Sedro-Woolley, as of December 31, 2010, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The management's discussion and analysis on pages 6 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying Financial Data Schedule is supplemental information required by HUD. This schedule is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

September 20, 2011

# **Financial Section**

**Housing Authority of the City of Sedro-Woolley  
Skagit County  
January 1, 2010 through December 31, 2010**

## ***REQUIRED SUPPLEMENTAL INFORMATION***

Management's Discussion and Analysis – 2010

## ***BASIC FINANCIAL STATEMENTS***

Statement of Net Assets – 2010

Statement of Revenues, Expenses and Changes in Net Assets – 2010

Statement of Cash Flows – 2010

Notes to Financial Statements – 2010

## ***SUPPLEMENTAL INFORMATION***

Financial Data Schedule – 2010

**HOUSING AUTHORITY OF THE CITY OF SEDRO-WOOLLEY**  
**Management's Discussion and Analysis**

This first section of the annual financial report presents a discussion and analysis of the Housing Authority of the City of Sedro-Woolley's (SWHA) financial performance during the year ended December 31, 2010. It should be read in conjunction with the Authority's financial statements, which immediately follow this section.

Located in Skagit County, Washington, the city of Sedro-Woolley officially merged the neighboring towns of Sedro and Woolley when it incorporated over 100 years ago. With a local population of approximately 9,755, SWHA currently operates two public housing developments—Hillsview and Cedar Grove. These two developments total 80 units and serve a diversified population mix including senior, disabled and family households.

The King County Housing Authority (KCHA) of Washington State has a long-standing contract to manage and assist the Sedro-Woolley Housing Authority. SWHA has its own Board of Commissioners, which is responsible for approving its operating and capital budgets and overseeing programs. SWHA is charged by KCHA for the direct operating expenses of the two public housing developments. In addition, KCHA also charges for administrative services provided. These indirect costs are allocated to SWHA using established allocation methods, generally based upon the number of units.

The financial statements included in this report are in conformance with the Governmental Accounting Standards Board's (GASB) financial model as set forth in GASB Statement No. 34, *Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

**2010 FINANCIAL HIGHLIGHTS**

- ◆ Total assets of the Authority exceeded total liabilities at December 31, 2010 by \$2,424,036.
- ◆ The Authority has \$45,112 of long-term debt outstanding, net of \$6,348 for the current portion of long term debt outstanding. The long-term debt consists of a capital financing lease where the Authority is the lessee.
- ◆ Total revenues (operating and non-operating) for 2010 were \$527,765. Total expenses (operating and non-operating) were \$550,919. Capital contributions were \$76,156. The change in net assets was \$53,002.
- ◆ Net cash flow increased by \$207,688.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

As required under the GASB 34 financial reporting standards, this annual report consist of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*.

**The following *basic financial statements* are included in this report:**

- ◆ Balance Sheet—reports the Authority's current financial resources (short-term expendable resources) with capital assets and long-term debt obligations.

◆ Statement of Revenues, Expenses and Changes in Fund Net Assets—reports the operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.

◆ Statement of Cash Flows—reports the Authority’s cash flows from operating, investing, capital and non-capital activities.

The statements identified above are followed by a section of required supplementary information that further explains and supports the information found in the financial statements.

**FINANCIAL ANALYSIS OF THE AUTHORITY**

**Balance Sheet:**

The *Balance Sheet* presents the assets, liabilities, and net assets of the Authority at the end of the year. The purpose of the statement is to provide a snapshot of the financial condition of the Authority at a certain point in time. Table A-1 presents the Authority’s *Condensed Balance Sheet* for 2010 and 2009. Supplementary information is provided in the accompanying notes that further explain and support the data presented in table A-1.

Total current assets for the year ended December 31, 2010 are reported at \$481,868 and are comprised of several categories. Included in total current assets are \$468,682 in cash and cash equivalents. Cash and cash equivalents comprise of approximately 97% of total current assets. Restricted cash and cash equivalents were \$9,475.

Changes in net assets can be used as an indicator of whether the Authority’s financial condition is improving or deteriorating. Total net assets increased by \$53,003 during 2010. Investment in capital assets net of related debt decreased by \$2,814 while unrestricted net assets increased \$55,816.

**Table A-1, Condensed Balance Sheet**

<b>Assets:</b>	<b>2010</b>	<b>2009</b>
Current and other assets	\$ 481,868	\$ 445,803
Capital assets	2,062,125	2,070,282
Total Assets	<u>\$ 2,543,994</u>	<u>\$ 2,516,085</u>
<b>Liabilities:</b>		
Current and other liabilities	\$ 74,846	\$ 94,355
Long-term debt, net of current	45,112	50,696
Total Liabilities	<u>119,958</u>	<u>145,051</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	2,010,666	2,013,480
Unrestricted	413,370	357,554
Total Net Assets	<u>2,424,036</u>	<u>2,371,034</u>
<b>Total Liabilities and Net Assets:</b>	<u>\$ 2,543,994</u>	<u>\$ 2,516,085</u>

**Statement of Revenues, Expenses, and Changes in Net Assets:**

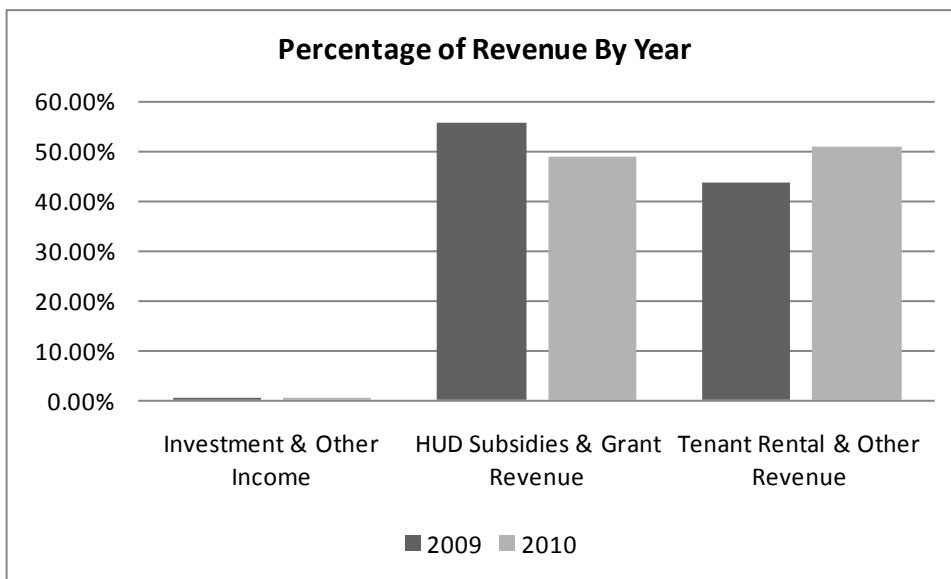
The purpose of the Statement of Revenues, Expenses and Changes in Net Assets is to present the revenues earned by the Authority (both operating and non-operating) and the expenses incurred (operating and non-operating), and any other revenues, expenses, gains and losses received or spent by SWHA. Table A-2 represents the Authority's *Condensed Statement of Revenues, Expenses, and Changes in Net Assets* for 2010 and 2009.

**Table A-2, Condensed Statement of Revenues, Expenses and Changes in Net Assets**

	<u>2010</u>	<u>2009</u>
Operating Revenues	\$ 268,691	\$ 215,793
Net nonoperating revenues	<u>259,074</u>	<u>288,252</u>
Total Revenues	527,765	504,045
Operating expenses	548,761	732,443
Nonoperating expenses	<u>2,158</u>	<u>2,397</u>
Total Expenses	550,919	734,840
Excess or deficiency before contributions	(23,155)	(230,795)
Capital grant contributions	<u>76,156</u>	<u>438,714</u>
Change in Net Assets	53,002	207,919
Beginning Net Assets	<u>2,371,034</u>	<u>2,163,115</u>
Ending Net Assets	<u>\$ 2,424,036</u>	<u>\$ 2,371,034</u>

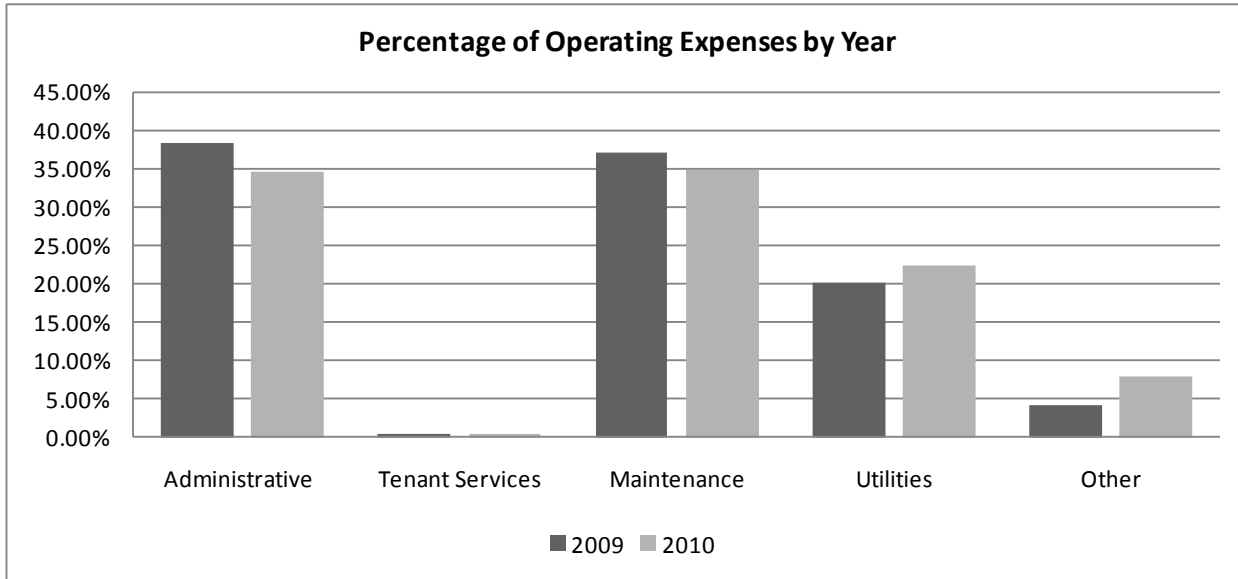
Revenues are classified as operating or non-operating. Table A-3 shows the sources of operating revenues for 2010 and 2009.

**Table A-3, Sources of Revenues for 2010 and 2009**



Operating expenses are amounts paid for providing housing to the Authority's tenants and administering the various programs. Total operating expenses for 2010 were \$427,616 (excluding depreciation). Costs included in operating expenses include; administrative, tenant services, maintenance, utilities, and other. Table A-4 illustrates the operating expense break down by category.

**Table A-4, Operating Expenses for 2010 and 2009**



**CAPITAL ASSET ADMINISTRATION**

The Housing Authority of Sedro-Woolley is committed to the ongoing rehabilitation and modernization of its housing inventory. Hillsview and Cedar Grove were both built in 1971. During 2010, SWHA completed \$453,390 in capitalized property improvements (please refer to Note 3 – Capital Assets). Of the amount invested, \$189,590 represented funding from the American Recovery and Reinvestment Act of 2009. The ARRA grant funding was used to upgrade the interior common areas..

**Table A-5, Capital Assets for 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Land	\$59,288	\$59,288
Buildings and Improvements	3,470,440	3,017,050
Furniture, Equipment & Machinery	29,888	22,598
Work in Progress	56	362,483
	<u>3,559,672</u>	<u>3,461,419</u>
Total accumulated depreciation	<u>(1,497,547)</u>	<u>(1,391,137)</u>
Net Capital Assets	<u>\$2,062,125</u>	<u>\$2,070,282</u>

**ECONOMIC FACTORS AFFECTING THE AUTHORITY’S FUTURE**

The current recession has put a significant strain on the Federal budget. As the majority of SWHA operations are dependent on funding from HUD (the Department of Housing and Urban Development), including Public Housing and operating and capital grants, the level of future funding is uncertain. In the past few years, Federal funding has been cut and future additional reductions in assistance may be forthcoming. In assembling its financial plan for 2011, SWHA’s primary objective will be to maintain and strengthen existing programs and services while operating within an uncertain economic environment.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Housing Authority's finances and to demonstrate SWHA's accountability for its resources. Any questions about this report, or requests for additional information, should be directed to the Director of Finance of the King County Housing Authority.

HOUSING AUTHORITY OF THE CITY OF SEDRO-WOOLLEY  
BALANCE SHEET  
Proprietary Fund  
As of December 31, 2010

ASSETS:

CURRENT ASSETS:

Cash and cash equivalents	\$ 468,682
Restricted cash and cash equivalents	9,475
Receivables, net	20
Other current assets	<u>3,691</u>
Total current assets	<u>481,868</u>

NONCURRENT ASSETS:

Land, Buildings, and Equipment, net	<u>2,062,125</u>
Total noncurrent assets	<u>2,062,125</u>

TOTAL ASSETS	<u><u>\$ 2,543,994</u></u>
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LIABILITIES and NET ASSETS:

CURRENT LIABILITIES:

Accounts payable	\$ 12,102
Accrued compensated absences	14,370
Tenant security deposits	9,475
Current portion of long term debt	6,348
Accrued Wage/Payroll Taxes Payable	<u>11,295</u>
Total current liabilities	<u>53,590</u>

NONCURRENT LIABILITIES:

Long term debt, net of current	45,112
Other noncurrent liabilities	<u>21,256</u>
Total Noncurrent Liabilities	<u>66,367</u>
TOTAL LIABILITIES	<u>119,958</u>

NET ASSETS:

Invested in capital assets, net of related debt	2,010,666
Restricted net assets	-
Unrestricted net assets	<u>413,370</u>
NET ASSETS	<u>2,424,036</u>

TOTAL LIABILITIES and NET ASSETS	<u><u>\$ 2,543,994</u></u>
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The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF SEDRO-WOOLLEY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
Proprietary Fund  
For the 12 Month Period Ending December 31, 2010

OPERATING REVENUES

Tenant revenue	\$ 213,172
Other revenue	55,519
Total Operating Revenues	<u>268,691</u>

OPERATING EXPENSES

Administrative	147,668
Tenant services	1,698
Maintenance	149,042
Utilities	95,324
Depreciation	121,145
Other expenses	33,883
Total Operating Expenses	<u>548,761</u>

Operating Loss (280,069)

NONOPERATING REVENUE

HUD subsidies and grant revenue	257,884
Investment income	1,190
Interest expense	(2,158)
Gain (loss) on disposal of assets	-
Total Nonoperating Revenues	<u>256,915</u>

NET LOSS before contributions (23,155)

Capital grant contributions 76,156

CHANGE IN NET ASSETS \$ 53,002

Total Net Assets -- beginning of year 2,371,034

Total Net Assets -- end of year \$2,424,036

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

HOUSING AUTHORITY OF THE CITY OF SEDRO-WOOLLEY  
STATEMENT OF CASH FLOWS  
Proprietary Fund  
For the 12 Month Period Ending December 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from tenants	\$ 215,634
Payments to employees	(129,272)
Payments to suppliers of goods and services	(257,217)
Other receipts	426
Other payments	-
Net cash provided by (used in) operating activities	<u>(170,429)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Receipts from HUD	409,514
Receipts from other governments	-
Net cash provided by noncapital financing activities	<u>409,514</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grant contributions	76,156
Purchases of capital assets	(75,256)
Debt service	(7,500)
Other receipts (payments)	<u>(25,986)</u>
Net cash provided by (used in) capital and related financing activities	<u>(32,586)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment income	<u>1,190</u>
Net cash provided by investing activities	<u>1,190</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 207,688

Cash and cash equivalents -- beginning of the year	<u>270,469</u>
Cash and cash equivalents -- end of the year	<u>\$ 478,157</u>

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating loss	(280,069)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	121,145
Change in assets and liabilities:	
Receivables	3,239
Inventories and other	(3,684)
Accounts payable	9,863
Other current liabilities	<u>(20,925)</u>
Net cash provided by (used in) operating activities	<u>\$ (170,429)</u>

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

**HOUSING AUTHORITY OF THE CITY OF SEDRO-WOOLLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December, 31 2010**

The following notes are an integral part of the financial statements of Housing Authority of the City of Sedro-Woolley.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

*a) THE AUTHORITY*

The Housing Authority of the City of Sedro-Woolley (the "Authority") was created as a municipal corporation under the provisions of the State Housing Authorities Law (RCW 35.82) and the Housing Cooperation Law (RCW 35.83) in response to the Federal Housing Act of 1937. The Act created the United States Housing Authority, empowering it to make loans and annual contributions to local public housing agencies to assist in the development, acquisition and administration of low rent projects. The programs authorized under the Act, as amended, are now administered by the Department of Housing and Urban Development (HUD).

The King County Housing Authority (KCHA) of Washington State has a long-standing contract to manage and assist the Authority. The Authority has its own Board of Commissioners, which is responsible for approving its operating and capital budgets and overseeing programs. The Authority is charged by KCHA for the direct operating expenses of the two public housing developments. In addition, KCHA also charges a fee for administrative services provided.

The Authority has been granted a broad range of powers to provide housing assistance to low-income households. The nationally recognized definition of a low-income family is a household earning less than 80 percent of the area's median income, adjusted for family size. The Authority administers programs that serve housing needs.

*b) BASIS OF ACCOUNTING*

Accounting records are maintained according to the proprietary fund model that is similar to private business enterprises. The Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. As allowed by GASB reporting standards, the Authority has elected not to apply FASB Statements and Interpretations, APB opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989.

*c) ACCOUNTS ORGANIZED BY FUNDS*

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenditures. Each fund is, with limited exceptions, an independent fund and is restricted by contract or regulation from assisting or being assisted financially by any other fund.

*d) USE OF ESTIMATES*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

*e) REVENUES AND EXPENSES*

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are tenant revenues. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The basis for recognition of revenues and expenses is the accrual basis of accounting. Revenues are recorded when earned. Expenses are recorded when incurred. Revenue from operating subsidies and grants is classified as non-operating revenue. Revenue from capital grants is classified as capital grant contributions.

*f) CASH, CASH EQUIVALENTS AND INVESTMENTS*

Cash consists of Federal Depository Insurance Corporation (FDIC) insurable deposits with original maturities of less than three months. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Investments include deposits with original maturities exceeding three months, securities and other assets that are held primarily for the purpose of obtaining income or profit. All bond reserves and restricted other reserves are reported as investments. Restricted cash and cash equivalents as of December 31, 2010 include \$9,475 of tenant security deposits.

*f) RECEIVABLES*

Receivables consist primarily of rents due from tenants. Annually, tenant receivables are analyzed and the allowance for doubtful accounts is appropriately adjusted. No allowances existed at December 31 other than the allowance for tenant accounts receivable.

*g) CAPITAL ASSETS*

Capital assets are recorded at historical cost in the land, structures, and equipment accounts and at appraised fair market value at date of receipt if contributed. The Authority defines capital assets as tangible items with an initial individual cost of at least \$5,000 if the item is equipment and \$50,000 if the item is real property or a capital improvement. Capital assets are depreciated using the straight-line method with depreciation commencing in the acquisition year and ceasing in the disposal year. Capital project costs clearly associated with the acquisition, development, and construction of a real estate project, including indirect costs and interest, are capitalized as a cost of that project.

Depreciable lives for the capital asset categories follow:

Land	No depreciation
Buildings and land improvements	27.5 years
Personal property	3-10 years
Construction-in-progress	No depreciation

Maintenance and repairs are charged to expense when incurred. Management reviews land, structures, and equipment for possible impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If there is an indication of impairment, management prepares an estimate of future cash flows expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. Preparation of estimated expected future cash flows is inherently subjective and is based on management's best estimate of assumptions concerning expected future conditions.

*h) TAX LIABILITY*

The Authority is by law exempt from all federal, state, and local taxes and assessments.

*i) COMPENSATED ABSENCES*

It is the Authority's policy to pay 100% of accumulated annual leave when an employee terminates employment from the Authority. As such, the value of annual leave earned but not used at year-end is accrued. Sick leave does not vest and is only paid to those separating from the Authority as retirees as defined by the state pension system. Because the amount of such payments is difficult to estimate, an accrual is made only when the actual payment amount is known.

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS**

The Authority is restricted in its cash deposits and investments to those allowed by RCW 35.82.070(6). In general, deposits must be made with qualified financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC).

**Insurance and Collateralization**

Deposits that are in excess of the \$250,000 insured amount must be continuously and fully (100%) secured. Collateral, comprised of identifiable U.S. Government securities as prescribed by HUD, are pledged or set aside to secure these deposits. The Public Deposit Protection Act in effect in the State of Washington set up a multiple financial institution collateral pool to insure public deposits. This protection is in the form of securities pledged as collateral to the Public Deposit Protection Commission (PDPC) by all qualified depositories. In 1994, the Authority received a waiver from HUD that enabled it to make deposits in excess of \$100,000 in a qualified public depository because HUD determined that there were "adequate safeguards against the loss of Public Housing Authority funds."

**Interest Rate Risk**

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the maximum maturity of an investment to not greater than three years. Exceptions may be made for collateralization of repurchase agreements using investments not exceeding 30 years and for the investment of reserve funds, which can be invested up to 30 years if matched to an anticipated future cash flow.

**Credit Risk**

The Department of Housing and Urban Development (HUD), Washington State law, and the Authority's investment policy all limit the instruments in which the Authority may invest. Not all Authority funds have the same restrictions. Following are some of the instruments in which any Authority funds, including Federal funds, may be invested:

- 1) Direct obligations of the Federal government backed by the full faith and credit of the United States
  - a) U.S. Treasury Bills.
  - b) U.S. Treasury Notes and Bonds.

- 2) Obligations of Federal government agencies, such as:
  - a) Government National Mortgage Association (GNMA) mortgage-backed securities.
  - b) GNMA participation securities.
  - c) Maritime Administration Bonds.
  - d) Small Business Administration Bonds.
- 3) Securities of Government Sponsored Agencies, such as:
  - a) Federal Home Loan Mortgage Corporation (FHLMC) notes and bonds.
  - b) Federal National Mortgage Association (FNMA) notes and bonds.
  - c) Federal Home Loan Bank (FHLB) notes and bonds.
  - d) Federal Farm Credit Bank (FFCB) notes and bonds.
  - e) Student Loan Marketing Association (SLMA) notes and bonds.
- 4) Demand and savings accounts.
- 5) Money Market Deposit accounts.
- 6) Certain mutual funds.

In addition to the above, non-federal funds and federal funds subject to the Authority's Moving To Work Agreement with HUD may be invested in the following which are allowed by the State of Washington:

- 1) Bankers' acceptances purchased on the secondary market.
- 2) Commercial paper.
- 3) Bonds of the State of Washington or any local government of the State of Washington that have one of the three highest credit ratings of a nationally recognized rating agency.
- 4) General obligation bonds of a state other than the State of Washington and general obligation bonds of a local government of a state other than the State of Washington that have one of the three highest credit ratings of a nationally recognized rating agency.
- 5) Utility revenues bonds or warrants of any city or town in the State of Washington.
- 6) Bonds or warrants of a local improvement district that is within the protection of the local improvement guaranty fund law.

### **Concentration of Credit Risk**

The Authority diversifies its investments by security type and institution. The investment policy states: "With the exception of U.S. Treasury securities, investment agreements for trustee held funds, and authorized pools, no more than 15% of the Authority's total investment portfolio will be invested in a single security type or with a single financial institution.

### *Other Information:*

The Authority has established arrangements with the Bank of America for safekeeping of investments.

### **Valuation and Classification**

Cash equivalents include deposits and investments that are readily convertible to cash. Instruments with an original maturity date of over 3 months are classified as investments. Cash and investments held for the future payment of long-term liabilities are classified as non-current assets. Cash and investments legally or contractually restricted as to use are classified as restricted.

Cash equivalents include an investment in a Local Government Investment Pool (the Pool). The Pool is not registered with the Securities and Exchange Commission (SEC), but adheres to SEC Rule 2(a)(7) of the Investment Company Act of 1940 that requires portfolio diversification, divestiture considerations and action if the market value of the portfolio deviates more than .5 percent from the amortized costs. Government pools that adhere to the SEC rule can report their investments at amortized costs if the remaining maturities of the debt securities are 90 days or less. As of December 31, 2010, the pool had an average days-to-maturity of 55 days and therefore is reported at cost. Government securities are reported at fair value. A summary of cash and investments at December 31, 2010 follows.

	UNRESTRICTED	RESTRICTED	TOTAL
CASH AND CASH EQUIVALENTS:			
Depository	(6,974)	9,475	2,501
Municipal Investors Account	475,656	-	475,656
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 468,682</u>	<u>\$ 9,475</u>	<u>\$ 478,157</u>

### NOTE 3 – CAPITAL ASSETS

The components and capital activity of land, structures and equipment follow.

	Beginning Balances	Additions	Disposals	Adjustments	Ending Balances
NONDEPRECIABLE:					
Land	\$ 59,288	\$ -	\$ -	\$ -	\$ 59,288
Construction-in-progress	362,483	-	-	(362,427)	56
Total Nondepreciable	<u>421,771</u>	<u>-</u>	<u>-</u>	<u>(362,427)</u>	<u>59,344</u>
DEPRECIABLE:					
Building and improvements	3,017,050	90,963	-	362,427	3,470,440
Equipment	22,598	15,127	(7,837)	-	29,888
Total Depreciable	<u>3,039,648</u>	<u>106,090</u>	<u>(7,837)</u>	<u>362,427</u>	<u>3,500,327</u>
TOTAL CAPITAL ASSETS:	3,461,419	106,090	(7,837)	-	3,559,672
Less: Accumulated	<u>(1,391,138)</u>	<u>(121,145)</u>	<u>5,515</u>	<u>9,221</u>	<u>(1,497,547)</u>
	<u>\$ 2,070,281</u>	<u>\$ (15,055)</u>	<u>\$ (2,322)</u>	<u>\$ 9,221</u>	<u>\$ 2,062,125</u>

### NOTE 4 – LONG TERM DEBT OBLIGATIONS

In 2006, the Authority assumed \$70,351 of long term debt for the purpose of installing energy conservation improvement equipment. The cost of the improvements will be recovered through subsidy from HUD.

	Beginning Balance	Additions	Retirements/ Payments	Ending Balance	Current Portion
Financing lease	<u>\$ 56,802</u>	<u>\$ -</u>	<u>\$ (5,342)</u>	<u>\$ 51,460</u>	<u>\$ 6,348</u>

A schedule of principal and interest debt service payments at 3.9% follows:

Fiscal Year	Principal	Interest	Total
2011	6,348	1,894	8,242
2012	6,600	1,642	8,242
2013	6,862	1,380	8,242
2014	7,134	1,108	8,242
2015	7,418	824	8,242
2016-2018	<u>17,098</u>	<u>760</u>	<u>17,858</u>
	<u>\$ 51,460</u>	<u>\$ 7,608</u>	<u>\$ 59,068</u>

### NOTE 5 - PENSION PLANS

The retirement system is administered by King County Housing Authority on behalf of the Sedro-Woolley Housing Authority. The Sedro-Woolley Housing Authority has no employees; therefore the information contained in this note pertains to the participation of King County Housing Authority in the Public Employees' Retirement System.

Substantially all the Authority's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov). The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

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

### **Plan Description**

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, which is increased 3 percent annually. Plan 1 members may also elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance is granted at age 66 based upon years of service times the COLA amount (based on the consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military, if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 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 3 percent for each year before age 65.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions. Effective July 22, 2007, said refund (adjusted as needed for specified legal reductions) is increased from 100 percent to 200 percent of the accumulated contributions if the member's death occurs in the uniformed service to the United States while participating in *Operation Enduring Freedom* or *Persian Gulf*, *Operation Iraqi Freedom*.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is 1 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

**There are 1,189 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:**

Retirees and Beneficiaries Receiving Benefits	74,857
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	28,074
Active Plan Members Vested	105,339
Active Plan Members Non-vested	53,896
<b>Total</b>	<b>262,166</b>

**Funding Policy**

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Director of the Department of Retirement Systems sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 percent to 15 percent; two of the options are graduated rates dependent on the employee’s age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2010, are as follows:

	<i>PERS Plan 1</i>	<i>PERS Plan 2</i>	<i>PERS Plan 3</i>
Employer*	5.31%**	5.31%**	5.31%***
Employee	6.00%****	3.90%****	*****

\* The employer rates include the employer administrative expense fee currently set at 0.16%.

\*\* The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% for Plan 2 and Plan 3.

\*\*\* Plan 3 defined benefit portion only.

\*\*\*\* The employee rate for state elected officials is 7.50% for Plan 1 and 3.90% for Plan 2.

\*\*\*\*\* Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both the Authority and the employees made the required contributions. The Authority’s required contributions for the years ended December 31 were as follows:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
2010	\$ 57,696	\$ 606,184	\$ 161,340
2009	\$ 67,343	\$ 707,921	\$ 141,312
2008	\$ 66,324	\$ 662,006	\$ 109,401

**NOTE 6 - RISK MANAGEMENT**

The Authority is exposed to perils commonly associated with the ownership and rental of real property. Perils including bodily injury to individuals; property damage by fire and forces of nature; loss of assets from theft and employee dishonesty; and liability for public officials’ and employees’ conduct are handled through a combination of purchased commercial insurance, voluntary self-insurance, participation in a risk-sharing pool or group, and contractual risk transfer via indemnification agreements.

For Public Housing, the Authority secures third-party liability insurance primarily through the Housing Authority Risk Retention Pool (HAARP), a public entity risk-sharing pool. The General Liability limit,

including Washington Stop-Gap or Employer's Liability, is \$2,000,000 per occurrence on an occurrence basis with a \$1,000 deductible. Contractor's Pollution Liability limit is \$1,000,000 on a claims-made basis with a \$10,000 per claim self-insured retention provided through Colony Insurance Company. Automobile Liability insurance is \$5,000,000 in total limits provided through a combination of Philadelphia Insurance Company with \$1,000,000 liability limit and excess liability of \$4,000,000 provided by Princeton Excess and Specialty. Property insurance including Rental Income coverage through HARRP has a standard limit of \$3,000,000 replacement cost basis, with higher limits available upon request. Property deductible is \$50,000 per loss. The Authority has secured Fidelity coverage through HARRP for \$100,000 per occurrence for all employees, and \$500,000 for employees with greater exposure.

Excess Liability limit of \$10,000,000 is provided over all of the above liability coverages, except the Contractors Pollution, which brings total liability coverage to a limit of \$15,000,000. This coverage is with Lexington Insurance Company.

Public Officials Errors and Omissions and Employment Practices Liability is provided on all properties with a \$5,000,000 limit with a \$75,000 Self-Insured Retention with Illinois Union Insurance Company.

No closed claims are known to have exceeded the applicable limits of insurance secured from any of the mentioned providers.

#### **NOTE 7 – SUBSEQUENT EVENTS**

There have been no material events subsequent to December 31, 2010 to report.

THE HOUSING AUTHORITY OF THE CITY OF SEDRO-WOOLLEY  
Federal Data Schedule (FDS)  
Balance Sheet  
As of December 31, 2010

	Formula Capital Fund Stimulus Grant	AMP103 - Cedar Grove	AMP 155 - Hillsview	TOTAL AUTHORITY	
	14,885				
<b>Cash:</b>					
111	Cash - unrestricted	\$ -	\$ 161,103	\$ 307,579	\$ 468,682
114	Cash - tenant security deposits	-	3,400	6,075	9,475
100	Total cash	-	164,503	313,654	478,157
<b>Accounts and notes receivables:</b>					
122	AR - HUD other projects	-	-	20	20
126	Accounts receivable- tenants	-	1,670	2,397	4,066
126.1	Allowance for doubtful accounts - tenants	-	(1,670)	(2,397)	(4,066)
120	Total receivables, net of allowances	-	0	20	20
<b>Current investments:</b>					
142	Prepaid expenses and other assets	-	1,116	2,576	3,692
150	TOTAL CURRENT ASSETS	-	165,619	316,250	481,869
<b>NON-CURRENT ASSETS:</b>					
<b>Fixed assets:</b>					
161	Land	-	-	59,287	59,287
162	Buildings	-	382,968	2,567,580	2,950,548
164	Furniture, equipment & machinery - administration	-	-	29,888	29,888
165	Leasehold improvements	-	383,139	136,754	519,893
166	Accumulated depreciation	-	(148,159)	(1,349,388)	(1,497,547)
167	Work in progress	-	-	56	56
160	Total capital assets, net of accumulated depreciation	-	617,948	1,444,177	2,062,124
<b>Other non-current assets:</b>					
171	Notes and mortgages receivable - non-current	-	-	-	-
172	Notes and mortgages receivable-non-current - past due	-	-	-	-
173	Grants receivable - non-current	-	-	-	-
174	Other assets	-	-	-	-
176	Investment in joint ventures	-	-	-	-
180	TOTAL NONCURRENT ASSETS	-	617,948	1,444,177	2,062,124
190	TOTAL ASSETS	\$ -	\$ 783,567	\$ 1,760,428	\$ 2,543,994
<b>LIABILITIES AND EQUITY:</b>					
<b>LIABILITIES:</b>					
<b>Current liabilities:</b>					
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -
312	Accounts payable < 90 days	-	2,785	9,317	12,102
321	Accrued wage/payroll taxes payable	-	3,340	7,955	11,295
322	Accrued compensated absences	-	5,211	9,159	14,370
341	Tenant security deposits	-	3,400	6,075	9,475
343	Current portion of L-T debt - capital projects	-	2,109	4,239	6,348
345	Other current liabilities	-	-	18,883	18,883
310	TOTAL CURRENT LIABILITIES	-	16,844	55,629	72,474
<b>Noncurrent liabilities:</b>					
351	Long-term debt, net of current - capital projects	-	14,358	30,753	45,112
353	Non-current liabilities- other	-	1,429	944	2,373
350	TOTAL NONCURRENT LIABILITIES	-	15,787	31,698	47,484
300	TOTAL LIABILITIES	-	32,631	87,327	119,958
<b>EQUITY:</b>					
508.1	Invested in capital assets, net of related debt	-	601,481	1,409,184	2,010,666
512.1	Unrestricted net assets	-	149,454	263,916	413,370
513	TOTAL EQUITY	-	750,935	1,673,101	2,424,036
600	TOTAL LIABILITIES AND EQUITY	\$ -	\$ 783,567	\$ 1,760,428	\$ 2,543,994

THE HOUSING AUTHORITY OF THE CITY OF SEDRO-WOOLLEY  
 Financial Data Schedule (FDS)  
 Statement of Revenues and Expenses  
 For the 12 Month Period Ending December 31, 2010

	Formula Capital Fund Stimulus Grant	AMP 103		AMP 155		TOTAL AUTHORITY	
	14,885	Operating Fund Program	Capital Fund Program	Operating Fund Program	Capital Fund Program		
	ARRA	PH		PH			
<b>REVENUE:</b>							
70300	Net tenant rental revenue	\$ -	\$ 63,149	\$ -	\$ 143,346	\$ -	\$ 206,495
70400	Tenant revenue - other	-	1,401	-	5,277	-	6,677
70500	<i>Total tenant revenue</i>	-	64,549	-	148,623	-	213,172
70600	HUD PHA Operating Grants	359	92,577	-	165,307	12,964	271,207
70610	Capital Grants	14,812	-	-	-	48,022	62,834
71500	Other Revenue	-	55,159	-	360	-	55,519
71600	Gain (loss) on the sale of capital assets	-	-	-	-	-	-
72000	Investment income - restricted	-	443	-	746	-	1,190
70000	<b>TOTAL REVENUE</b>	15,171	212,728	-	315,036	60,986	603,921
<b>EXPENSES:</b>							
<i>Administrative</i>							
91100	Administrative salaries	21	1,608	-	5,855	-	7,484
91200	Auditing fees	-	2,813	-	8,439	-	11,252
91300	Outside management fees	-	10,265	-	30,151	-	40,416
91310	Book-keeping Fee	-	1,793	-	5,265	-	7,058
91400	Advertising and Marketing	-	-	-	-	-	-
91500	Employee benefit contributions - administrative	338	18,224	-	28,352	87	47,002
91600	Office Expenses	-	963	-	3,371	-	4,334
91700	Legal expense	-	971	-	2,500	511	3,982
91800	Travel	-	1,188	-	3,150	-	4,338
91810	Allocated Overhead	-	-	-	-	-	-
91900	Other	-	6,261	-	8,569	-	14,830
91000	<i>Total Operating - Administ</i>	359	44,085	-	95,652	598	140,695
92000	Asset Management Fee	-	2,400	-	7,200	-	9,600
<i>Tenant services</i>							
92100	Tenant services - salaries	-	350	-	1,050	-	1,400
92400	Tenant services - other	-	13	-	111	-	124
92500	<i>Total Tenant Services</i>	-	363	-	1,161	-	1,523
<i>Utilities</i>							
93100	Water	-	8,456	-	7,733	-	16,189
93200	Electricity	-	1,870	-	10,408	-	12,278
93300	Gas	-	1,284	-	-	-	1,284
93400	Fuel	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-
93600	Sewer	-	12,471	-	39,043	-	51,514
93700	Employee benefits	-	-	-	-	-	-
93800	Other utilities expense	-	7,427	-	6,633	-	14,059
93000	<i>Total Utilities</i>	-	31,507	-	63,817	-	95,324
<i>Ordinary maintenance &amp; operation</i>							
94100	Ordinary maintenance and operations - labor	-	43,014	-	63,741	-	106,756
94200	Ordinary maintenance and operations - material and other	-	6,847	-	20,785	-	27,632
94300	Ordinary maintenance and operations - contracts	-	112	-	14,542	-	14,654
94500	Employee benefit contributions - ordinary maintenance	-	-	-	-	-	-
94000	<i>Total Maintenance</i>	-	49,974	-	99,068	-	149,042
<i>General expenses</i>							
96110	Property Insurance	-	590	-	1,191	-	1,781
96120	Liability Insurance	-	2,388	-	5,079	-	7,467
96130	Workmen's compensation	-	-	-	-	-	-
96140	All other insurance	-	-	-	-	-	-
96100	<i>Total Insurance Premiums</i>	-	2,977	-	6,271	-	9,248
96200	Other General Expenses	-	-	-	20,759	-	20,759
96210	Compensated Absences	-	256	-	875	-	1,131
96300	Payments in lieu of taxes	-	-	-	-	-	-
96400	Bad debt - tenant rents	-	-	-	-	-	-
96500	Bad debt- mortgages	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-
96000	<i>Total Other General Expenses</i>	-	256	-	21,634	-	21,890
96710	Interest on mortgage (or bonds) payable	-	-	-	-	-	-
96720	Interest on notes payable (short and long term)	-	691	-	1,468	-	2,158
96730	Amortization of bond issue costs	-	-	-	-	-	-
96700	Interest expense and amortization cost	-	-	-	-	-	-
96800	Severance expense	-	117	-	176	-	293
96900	<b>TOTAL OPERATING EXPENSES</b>	359	132,370	-	296,446	598	429,774
97000	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	14,812	80,358	-	18,590	60,387	174,147
97100	Extraordinary maintenance	-	-	-	-	-	-
97200	Casualty losses - non-capitalized	-	-	-	-	-	-
97300	Housing assistance payments	-	-	-	-	-	-
97350	HAP Portability-In	-	-	-	-	-	-
97400	Depreciation expense	-	26,922	-	81,857	12,365	121,145
97500	Fraud losses	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-
90000	<b>TOTAL EXPENSES</b>	359	159,292	-	378,304	12,963	550,919
10000	<b>EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES</b>	\$ 14,812	\$ 53,436	\$ -	\$ (63,267)	\$ 48,022	\$ 53,003
<b>MEMO ACCT INFORMATION</b>							
11020	Required annual debt principal payments	-	2,109	-	4,239	-	6,348
11030	Beginning of year equity	-	631,429	66,071	1,308,706	364,828	2,371,034
11040	Prior period adjustments, equity transfers	(14,812)	-	-	-	14,812	-
11190	Unit Months Available	-	240	-	720	-	960
11210	Number of unit months leased	-	240	-	718	-	958
11620	Building Purchases	-	-	-	-	62,834	62,834



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

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

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

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

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

**State Auditor**  
**Chief of Staff**  
**Deputy Chief of Staff**  
**Chief Policy Advisor**  
**Director of Audit**  
**Director of Performance Audit**  
**Director of Special Investigations**  
**Director for Legal Affairs**  
**Director of Quality Assurance**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

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**Ted Rutt**  
**Doug Cochran**  
**Jerry Pugnetti**  
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