



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements and Federal Single Audit Report

Housing Authority of the City of Othello

Adams County

For the period July 1, 2013 through June 30, 2014

Published March 30, 2015

Report No. 1013836





Washington State Auditor
Troy Kelley

March 30, 2015

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

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Housing Authority of the City of Othello'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,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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FEDERAL SUMMARY

Housing Authority of the City of Othello Adams County July 1, 2013 through June 30, 2014

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

Financial Statements

An unmodified opinion was issued on the basic financial statements.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

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

<u>CFDA No.</u>	<u>Program Title</u>
10.415	Rural Rental Housing Loans

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

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 Othello
Adams County
July 1, 2013 through June 30, 2014**

Board of Commissioners
Housing Authority of the City of Othello
Othello, 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 Housing Authority of the City of Othello, Adams County, Washington, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated March 19, 2015. Our report includes a reference to other auditors who audited the financial statements of the Oasis Apartments Limited Partnership, a blended component unit, 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. The financial statements of the Oasis Apartments Limited Partnership were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Oasis Apartments Limited Partnership.

As discussed in Note 1 to the financial statements, during the year ended June 30, 2014, the Housing Authority implemented Governmental Accounting Standards Board Statement No. 69, *Government Combinations and Disposals of Government Operations*.

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 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

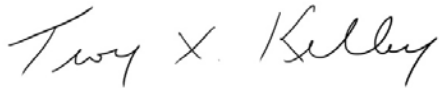
As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free from material misstatement, we performed tests of the Housing Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could 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 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.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

March 19, 2015

**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 Othello
Adams County
July 1, 2013 through June 30, 2014**

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

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

We have audited the compliance of the Housing Authority of the City of Othello, Adams 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, 2014. 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, 2014.

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.

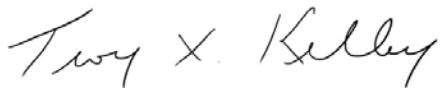
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

March 19, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Housing Authority of the City of Othello Adams County July 1, 2013 through June 30, 2014

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Housing Authority of the City of Othello, Adams County, Washington, as of and for the year ended June 30, 2014, 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 statements of the Oasis Apartments Limited Partnership, a blended component unit, which represents 13 percent, 19 percent and 10 percent, of the assets, net position and revenues of the Housing Authority. 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 Oasis Apartments 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. The financial statements of the Oasis Apartments Limited Partnership were not audited in accordance with *Government Auditing Standards*.

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 financial position of the Housing Authority of the City of Othello, as of June 30, 2014, and the changes in financial position and 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 2014, the Housing Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 69, *Government Combinations and Disposals of Government Operations*. 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 22 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 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 HUD forms 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 19, 2015 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.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

March 19, 2015

FINANCIAL SECTION

Housing Authority of the City of Othello Adams County July 1, 2013 through June 30, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014

Statement of Revenues, Expenses and Change in Fund Net Position – 2014

Statement of Cash Flows – 2014

Notes to Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2014

Notes to the Schedule of Expenditures of Federal Awards – 2014

Financial Data Schedule – 2014

Actual Cost Modernization Certificate – WA19PO26501-12

Actual Cost Modernization Certificate – WA19PO26501-10

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

As management of the City of Othello Housing Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2014.

OVERVIEW OF THE CITY OF OTHELLO HOUSING AUTHORITY

The City of Othello Housing Authority was created on April 11, 1966, to provide and promote safe and sanitary housing on a subsidized basis for low-income persons residing in Othello, Washington. The Authority was created pursuant to the authority of the Constitution and statutes of the state of Washington, including particularly, RCW Chapter 35.82.

An independent Board of Directors appointed by the City of Othello governs the Authority.

Lugar Seguro, a seasonal farm worker project, is now experiencing an acceptable lease-up rate and appears to have come through its difficult initial period. This is due to a large increase in H2A program utilization by local growers/orchardists.

We believe there is sufficient need for additional seasonal farm worker facilities and have begun development of Lugar Seguro 2, a second phase which will add six buildings (72 beds) to the existing project. A State of Washington Housing Trust Fund award in the amount of \$3,000,000 was approved in December 2014. Construction is anticipated to begin in the Spring of 2015.

Our current portfolio is:

55	Units HUD Public Housing
42	Units Harvest Manor
31	Units Oasis Apartments LIHTC (blended component unit)
16	Units Nonsubsidized Rental Housing
52	Units Lions Park Apartments USDA 515
22	Units Parkview Apartments HUD 236
25	Units Desert Haven LIHTC (manage only)
26	Units Cedar Park Apartments USDA 515 Senior
20	Units Lugar Seguro
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The Authority's financial statements consist of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include the Authority-wide financial statements and notes to the financial statements.

- The Authority-wide financial statements provide information about the Authority's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the statement of net position, the statement of revenue, expenses, and change in fund net position, and the statement of cash flows.
- The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the Authority-wide statements.

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

OVERVIEW OF THE CITY OF OTHELLO HOUSING AUTHORITY (CONTINUED)

The Authority-wide statements report information about the Authority as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the Authority's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of revenue, expenses, and change in fund net position regardless of when cash is received or paid.

- The Authority-wide statements report the Authority's net position. Net position, the difference between the Authority's assets and liabilities, are one way to measure the Authority's financial position.
- The Authority does not believe there are any restrictions, commitments, or other limitations that would significantly affect the availability of fund resources for future use.

OVERVIEW OF THE AUTHORITY-WIDE FINANCIAL POSITION AND OPERATIONS

The Authority's overall financial position and operations are summarized below based on the information included in the current financial statements.

	2014	2013
Current Assets	\$ 1,156,497	\$ 1,399,279
Capital Assets, Net of Depreciation	13,175,171	13,112,964
Other	712,950	885,000
Total Assets	<u>\$ 15,044,618</u>	<u>\$ 15,397,243</u>
	2014	2013
Current Liabilities	\$ 453,255	\$ 465,073
Noncurrent Liabilities	9,134,971	9,114,338
Total Liabilities	<u>\$ 9,588,226</u>	<u>\$ 9,579,411</u>
	2014	2013
Net Position:		
Net Invested in Capital Assets	\$ 3,891,902	\$ 4,110,557
Restricted	695,596	735,293
Unrestricted	868,894	971,982
Total Net Position	<u>\$ 5,456,392</u>	<u>\$ 5,817,832</u>

The Authority's total assets at June 30, 2014 were \$15,044,618, a decrease of \$352,625 or 2.3 percent from June 30, 2013. The change in assets primarily consisted of additional investment and depreciation of capital assets.

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

OVERVIEW OF THE AUTHORITY-WIDE FINANCIAL POSITION AND OPERATIONS (CONTINUED)

Cash and investments:

Total cash and cash equivalents decreased by approximately \$278,000 as of June 30, 2014. This is primarily due to the construction, purchase or improvements of capital assets.

Accounts receivable:

Accounts receivable - Other decreased by approximately \$24,700 as of June 30, 2014. However, once the June 30, 2013 balances are adjusted as if Harvest Manor Limited Partnership was fully incorporated into the Authority's business activities, the receivable increased by approximately \$5,250. This is primarily due to an increase in management fees receivable from related parties.

Notes receivable:

Notes receivable decreased by \$137,842. The Harvest Manor Limited Partnership tax credit expired and the Authority took control of all assets and liabilities, which resulted in the write off of the Harvest Manor note receivable of \$98,243. The note receivable from Oasis Apartments Limited Partnership was the same balance at December 2013 and June 2014, therefore the balance of \$39,599 was eliminated on this year's statement.

Other assets:

The Developer Fee Receivable decreased by \$50,068. Of that decrease, \$5,716 was collected in cash and remaining balance was eliminated on the statement. The Authority showed the same balance at June 30, 2014 as Oasis Apartments Limited Partnership, a component unit, showed on their audited December 31, 2013 financial statements.

Land held for investment decreased by \$87,364. This is due to the Harvest Manor Limited Partnership tax credit expiring and the Authority taking control of all assets and liabilities, which resulted in the non-cash transfer of land held for investment to capital assets.

Land, structures, and equipment:

Net land, structures, and equipment increased by approximately \$62,000. This is primarily due to the construction of the Main Street III Project, which was offset by depreciation expense. For further information, see Note 5 in the notes to financial statements.

Current liabilities:

Accounts payable decreased by approximately \$33,000 as of June 30, 2014. This is primarily due to the timing of payments in lieu of taxes.

Other current liabilities decreased by \$13,960. It is now reported as part of accrued compensated absences, which increased approximately \$9,000. This change occurred because the Harvest Manor Limited Partnership tax credit expired and the project fully incorporated into the Authority's business activities instead of component units, which resulted in a change of how the liability was reported.

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

OVERVIEW OF THE AUTHORITY-WIDE FINANCIAL POSITION AND OPERATIONS (CONTINUED)

Long-term debt:

During the year, the Authority did not incur any new long-term debt other than as discussed in the next paragraph. The Authority repaid notes payable in the amount of \$162,129, representing all long-term liability payments due by the Authority during the year. For further information see Note 8 in the notes to the financial statements.

In March 2013, the Authority secured financing for the Main Street III Project. The construction loan advances totaled \$250,594. For further information see Notes 8 and 10 in the notes to the financial statements.

The Developer Fee Payable decreased by \$55,783. Of that decrease, \$11,431 was collected in cash and remaining balance was eliminated on this year's statement because the Authority showed the same balance at June 30, 2014 as Oasis Apartments Limited Partnership, a component unit, showed on their audited December 31, 2013 financial statements.

Notes payable, related party, decreased by \$138,218. After a cash payment of \$376, the Harvest Manor Limited Partnership tax credit expired and the Authority took control of all assets and liabilities, which resulted in the write off of the Harvest Manor note payable to the Authority of \$98,243. The note receivable from Oasis Apartments Limited Partnership was the same balance at December 2013 and June 2014, therefore the balance of \$39,599 was eliminated on this year's statement.

Net position:

The Authority's net position decreased by \$361,440, or 6.2 percent, during the fiscal year ended June 30, 2014.

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

OVERVIEW OF THE AUTHORITY-WIDE FINANCIAL POSITION AND OPERATIONS (CONTINUED)

The results of operations, nonoperating activities, and capital contributions for the Authority are presented below:

	2014	2013
Operating Revenue:		
Rental Revenue	\$ 1,129,992	\$ 1,053,626
Management Fees	57,023	79,677
Revenue, Tenant - Other	34,447	29,501
Other	3,462	5,880
Total Operating Revenue	<u>1,224,924</u>	<u>1,168,684</u>
Nonoperating Revenue:		
Subsidies	572,166	570,416
Interest Income	9,935	10,729
Other	1,876	25,438
Total Nonoperating Revenue	<u>583,977</u>	<u>606,583</u>
Total Revenue	<u>\$ 1,808,901</u>	<u>\$ 1,775,267</u>
Operating Expenses:	2014	2013
Wages and Benefits	\$ 648,037	\$ 595,738
Depreciation	557,816	554,860
Utilities	302,905	275,539
Maintenance Materials	91,978	151,418
Taxes and Insurance	129,637	120,652
Other	209,858	257,492
Total Operating Expenses	<u>1,940,231</u>	<u>1,955,699</u>
Nonoperating Expenses:		
Interest	<u>190,585</u>	<u>191,427</u>
Total Expenses	<u>2,130,816</u>	<u>2,147,126</u>
Loss Before Capital Distributions and Contributions	(321,915)	(371,859)
Capital Contributions, HUD Grant	7,340	7,055
Capital Distributions to Partners	(46,865)	-
Total	<u>(39,525)</u>	<u>7,055</u>
Changes in Net Position	(361,440)	(364,804)
Net Position, Beginning of Year	<u>5,817,832</u>	<u>6,182,636</u>
Net Position, End of Year	<u>\$ 5,456,392</u>	<u>\$ 5,817,832</u>

The details of the changes are explained in the results of operations section.

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

RESULTS OF OPERATIONS

Operating revenue of the Authority's activities are generated principally from rental revenue and management fees. In 2014, the Authority's operating revenue totaled \$1,224,924. Of this total, \$1,129,992 and \$57,023 were from rental revenue and management fees, respectively. Operating expenses of the Authority's activities consist primarily of wages and depreciation. The total operating expenses were \$1,940,231, of which \$648,037 and \$557,816 were wages and depreciation, respectively. Nonoperating revenue consists primarily of subsidies. Total nonoperating revenue was \$583,977, of which \$572,166 was from subsidies.

Changes in fund net position for the year ended June 30, 2014, were \$(361,440) compared to \$(364,804) for the year ended June 30, 2013. Factors contributing to these results included:

Operating revenue increased by approximately \$56,000 primarily due to a \$76,000 increase in rental revenue. The rental revenue increased approximately \$800 because fewer tenants are qualifying for rental assistance due to increases in their annual income. The completion of the Main Street III Project resulted in \$8,700 in additional rent. The remaining \$66,500 increase in rental revenue was due to increased occupancy at Lugar Seguro, our farm labor housing facility.

Nonoperating revenue decreased by approximately \$23,000. This is primarily due to a one-time payment from Desert Haven of \$17,200 during the prior year for a painting project.

Wages and benefits increased by approximately \$52,000 and maintenance materials decreased by \$59,000. This is because the Harvest Manor Limited Partnership's maintenance wages were reported under maintenance materials in previous statements. Now that the tax credit is expired and audited statements will no longer be issued, the maintenance wages are reported as wages and benefits.

Utilities increased by approximately \$27,000 due to various rate increases, the largest increase being Cascade Natural Gas, whose rates increased 18%. Utility rates continue to increase yearly with additional increases already approved for 2015. The City of Othello water rates will increase by 6% in 2015, sewer rates by 10% and garbage by 5%.

Capital distributions to partners increased \$46,865. This is due to Harvest Manor Limited Partnership's tax credit expiring and making final distributions to partners.

Effective July 1, 2013 the Authority adopted GASB Statement No. 69, Government Combinations and Disposals of Government Operations. This resulted in the beginning net position for 2013 being adjusted and reduced by \$53,666 to account for the activity of Harvest Manor from January 1, 2013 to June 30, 2013.

Contact Information:

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509-488-3527

**CITY OF OTHELLO HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2014**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents, Unrestricted	\$ 975,219
Cash, Restricted - Tenant Deposits	61,379
Accounts Receivable:	
Tenants, Less Allowance for Doubtful Accounts of \$6	4,343
Other	71,320
Fraud, Less Allowance for Doubtful Accounts of \$8,198	7,845
Interest Receivable	23,590
Inventories	7,871
Prepaid Expenses	4,930
Total Current Assets	<u>1,156,497</u>

NONCURRENT ASSETS

Capital Assets:		
Land, Structures, and Equipment, Net		13,175,171
Other Assets:		
Cash, Restricted	\$ 695,597	
Loan Fees, Net of Amortization of \$8,594	<u>17,353</u>	
Total Other Assets		<u>712,950</u>
Total Noncurrent Assets		<u>13,888,121</u>

Total Assets	<u><u>\$15,044,618</u></u>
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See accompanying Notes to the Financial Statements.

**CITY OF OTHELLO HOUSING AUTHORITY
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2014**

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable - Trade		\$	26,511
Payroll Deductions			947
Unearned Revenue			48,115
Accrued Interest			31,805
Accrued Liabilities			74,314
Accrued Compensated Absences, Current			46,415
Tenant Security Deposits			61,379
Current Maturities of Long-Term Debt			163,769
Total Current Liabilities			<u>453,255</u>

NONCURRENT LIABILITIES

Long-Term Debt, Net of Current Maturities	\$ 9,119,499		
Accrued Compensated Absences	<u>15,472</u>		
Total Noncurrent Liabilities			<u>9,134,971</u>
Total Liabilities			<u>9,588,226</u>

CONTINGENCIES

NET POSITION

Net Invested in Capital Assets	3,891,902		
Restricted	695,596		
Unrestricted	<u>868,894</u>		
Total Net Position			<u>5,456,392</u>
Total Liabilities and Net Position			<u><u>\$15,044,618</u></u>

See accompanying Notes to the Financial Statements.

CITY OF OTHELLO HOUSING AUTHORITY
STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN FUND NET POSITION
YEAR ENDED JUNE 30, 2014

OPERATING REVENUE

Rental Revenue	\$ 1,129,992
Management Fees	57,023
Revenue, Tenant Other	34,447
Other	<u>3,462</u>
Total Operating Revenue	1,224,924

OPERATING EXPENSES

Depreciation	\$ 557,816	
Wages:		
Administrative	286,678	
Maintenance	247,447	
Compensated Absences	54,695	
Administrative Costs	108,467	
Sewer	95,000	
Maintenance Materials	91,978	
Water	70,612	
Electricity	70,063	
Insurance:		
Property Insurance	25,705	
Workmen's Compensation	25,664	
Liability Insurance	13,597	
Payment in Lieu of Taxes	64,671	
Garbage Removal	63,444	
Employee Benefits	59,217	
Office	22,558	
Auditing Fees	22,049	
Legal	11,967	
Maintenance Contracts	11,829	
Bad Debt, Tenant Rent	4,552	
Gas	3,786	
Travel	3,613	
Amortization	1,819	
Advertising	661	
Tenant Services	217	
Other Operating Expenses	<u>22,126</u>	
Total Operating Expenses		<u>1,940,231</u>

OPERATING LOSS

(715,307)

See accompanying Notes to the Financial Statements.

CITY OF OTHELLO HOUSING AUTHORITY
STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN FUND NET POSITION (CONTINUED)
YEAR ENDED JUNE 30, 2014

NONOPERATING REVENUE (EXPENSE)

Other Government Grants	\$ 261,674	
HUD PHA Grants	260,917	
Interest Subsidy, USDA	49,575	
Interest Income	9,935	
Other Income	2,254	
Loss on Disposal of Capital Assets	(378)	
Interest Expense	<u>(190,585)</u>	
Total Nonoperating Revenue		<u>\$ 393,392</u>

LOSS BEFORE CAPITAL DISTRIBUTIONS AND CONTRIBUTIONS (321,915)

CAPITAL CONTRIBUTIONS, HUD GRANT	7,340
CAPITAL DISTRIBUTIONS TO PARTNERS	<u>(46,865)</u>
Total Capital Distributions and Contributions	<u>(39,525)</u>

CHANGE IN NET POSITION (361,440)

Net Position - Beginning of Year 5,817,832

NET POSITION - END OF YEAR \$ 5,456,392

See accompanying Notes to the Financial Statements.

**CITY OF OTHELLO HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES

Rents Received from Tenants	\$ 1,132,558
Cash Received from Other Operating Revenue	92,805
Cash Paid to Suppliers and Employees	<u>(1,410,696)</u>
Net Cash Used by Operating Activities	(185,333)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash Payments Received from HUD	\$ 266,721	
Cash Payments Received from USDA	311,249	
Cash Withdrawal by Limited Partner	<u>(46,865)</u>	
Net Cash Provided by Noncapital Financing Activities		531,105

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Principal Payments on Long-Term Debt	(162,129)	
Payment of Developer Fee Payable to Related Party	(11,431)	
Proceeds from Long-Term Borrowings	250,594	
Capital Contributions	7,340	
Interest Paid	(189,693)	
Additions to Capital Assets	<u>(533,037)</u>	
Net Cash Used by Capital and Related Financing Activities		(638,356)

CASH FLOWS FROM INVESTING ACTIVITIES

Collections of Developer Fee	5,716	
Rent Collected on Land and Equipment Investment	2,254	
Interest Received	<u>6,965</u>	
Net Cash Provided by Investing Activities		<u>14,935</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (277,649)

Cash and Cash Equivalents - Beginning of Year 2,009,844

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 1,732,195

CASH AND CASH EQUIVALENTS, UNRESTRICTED \$ 975,219

CASH, RESTRICTED, TENANT DEPOSITS 61,379

CASH, RESTRICTED, NONCURRENT 695,597

\$ 1,732,195

See accompanying Notes to the Financial Statements.

**CITY OF OTHELLO HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

**RECONCILIATION OF LOSS FROM OPERATIONS TO NET
CASH USED BY OPERATING ACTIVITIES**

Loss from Operations		\$ (715,307)
Adjustments to Reconcile Loss from Operations to		
Net Cash Used by Operating Activities:		
Depreciation and Amortization	\$ 559,635	
(Increase) Decrease in Assets:		
Accounts Receivable	(6,977)	
Prepaid Expenses	228	
Inventories	1,847	
Increase (Decrease) in Liabilities:		
Accounts Payable	(32,741)	
Accrued Liabilities	2,595	
Unearned Revenue	5,387	
Total Adjustments	<u>529,974</u>	
Net Cash Used by Operating Activities		<u><u>\$ (185,333)</u></u>

SUPPLEMENTARY DISCLOSURES OF NONCASH CAPITAL ACTIVITIES

During the year, the Authority disposed of capital assets with an original cost of \$18,017 and accumulated depreciation of \$17,639.

During the year, the Authority made a noncash transfer of land with original cost of \$87,364 from the Master project to the Harvest Manor project. Master originally reported the property as "Land - Held for Investment." Harvest Manor now reports the property as a capital asset.

See accompanying Notes to the Financial Statements.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The City of Othello Housing Authority (the Authority) was duly created pursuant to the authority of the Constitution and statutes of the state of Washington, including particularly, RCW Chapter 35.82, and was duly organized on April 11, 1966, and, since the date of its organization, has continued to exist without interruption in the performance of its public corporate purposes. The Authority owns and/or manages a variety of low-income housing developments to provide and promote safe and sanitary housing on a subsidized basis for low-income persons residing in Othello, Washington.

Reporting entity – The Authority operates under an independent Board of Directors appointed by the City of Othello. The board of directors is the governing board of the Authority. The Authority provides low-income tenants with subsidized housing. The Authority is the general partner of Oasis Apartments Limited Partnership (OALP) (the Partnership). As general partner, the Authority controls the day-to-day operations of the Partnership. Subsequent to the year ended June 30, 2002, the Authority made the determination that OALP should be considered a blended component. Because the resources, exclusively, or almost exclusively, benefit the Authority by providing services indirectly, the Partnership is considered a blended component unit, and is included in the Authority's 2014 financial statements.

The OALP buildings qualified for an allocation of low-income housing credits pursuant to Internal Revenue Code Section 42 (Section 42) that regulates the use of the project as to occupant eligibility and unit gross rent, among other requirements. Each building of the project must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits.

There are a variety of transactions that occur between the General Partner (the Authority) and the Partnership, including the payment of a management fee by the Partnership to the General Partner of 5.6 percent of gross rental collections. In addition, there are a variety of receivables and payables between the Partnership and the Authority. Due to the Partnership being a legally separate unit, transactions occurring between the Partnership and the Authority have not been eliminated in the accompanying statements. In addition, the Partnership is on a calendar year and, as a result, its December 31, 2013 statements are included in these statements, which results in a variety of timing differences between the Partnership and the Authority.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The accounting records are maintained in accordance with Financial and Accounting Handbooks (RHA 7510.1 and 7420.6) prescribed by the Department of Housing and Urban Development (HUD), applicable rules prescribed by the Department of Agriculture, Farmers Home Administration (USDA-RD), and by the Washington State Auditor under the authority of Chapter 43.09 RCW.

In 1999, HUD mandated that all housing authorities perform financial reporting in accordance with accounting principles generally accepted in the United States of America.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue is charges to tenants for rentals and charges to other entities for management services. The Authority also recognized as operating revenue and expenses the portion of interest on bonds and notes related to housing developments of the Authority and the Partnership. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, depreciation on capital assets, and amortization of bond discounts. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt, restricted, and unrestricted components. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

Adoption of Accounting Standard

At June 30, 2014, the Authority adopted GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgeting

The Authority follows the guidelines set forth in the Low Rent Housing Financial Management Handbook (RHA 7475.1) issued by HUD.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Long-Term Debt

According to Public Housing Authority (PHA) Circular #00-08 published by HUD and issued June 14, 2000, permanent notes have been reclassified as a capital contribution. The Authority does not continue to make entries to record interest or annual contribution payments for this reclassified debt.

Assets and Liabilities

- 1) Temporary investments – See Note 3.
- 2) Receivables – Tenant accounts receivable consist of amounts owed for rent and miscellaneous other charges as noted on the rental register. Receivables are carried at original amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. In the opinion of management, an allowance of \$8,204 was necessary at June 30, 2014. Management regularly evaluates the customer balances to determine collectibility. A receivable is considered to be past due when payment is extended beyond the stated agreement. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.
- 3) Inventories – Inventories are valued at the lower of cost (first-in, first-out) or market value. Maintenance supplies and office supplies are generally used within a relatively short period of time and are, therefore, expensed when purchased. An excess maintenance material inventory is maintained and updated annually.

**CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets and Liabilities (Continued)

- 4) Notes receivable – The following is a summary of notes receivable transactions:

	Balance June 30, 2013	Additions	Collections	Balance June 30, 2014
Oasis Apartments				
Limited Partnership	\$ 39,599	\$ -	\$ -	\$ 39,599
Total	<u>\$ 39,599</u>	<u>\$ -</u>	<u>\$ -</u>	39,599
Less: Current Portion				-
Total				<u>\$ 39,599</u>

This note was eliminated from the financial statement along with the corresponding note payable.

- 5) Capital assets and depreciation – See Note 5.
- 6) Capitalization of interest – The Authority's policy is to capitalize net interest on construction projects until substantial completion of the project. Capitalized interest is amortized over the estimated useful life of the asset on the same basis as the asset.
- 7) Accounts payable – Accounts payable to contractors and contract retentions consist of amounts owing on Capital Fund and development projects.
- Tenant security deposits are offset by the security deposit fund.
 - Other accounts payable consist of accrued short-term monthly payables.
- 8) Unearned revenue – Consists of amounts received from tenants and others, which are properly recognized in future periods. At times, the Authority contracts with farm labor employers to reserve beds at Lugar Seguro during peak times. These contracts require prepayments up to a year in advance. If the employer does not use the beds, the payments are nonrefundable unless the Authority is able to lease the units to someone else. Unearned revenue of \$38,210 (related to these contracts) at June 30, 2014 will be earned by October 20, 2014.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 9) Accrued compensated absences – The Authority records all accumulated unpaid employee leave benefits such as unused vacation. Vacation pay, which may be accumulated up to 40 days for nonexempt and 30 days for exempt employees is payable upon resignation, retirement, or death. Sick leave may accumulate up to 180 days and may be cashed out at 25 percent of the accumulated accrual upon resignation, retirement, or death. Vacation accrues at various rates based on length of employment. Sick pay accrues at one day per month of employment for full-time employees. In addition, employees are allowed two personal days annually, which are not allowed to accumulate, nor be cashed out. Regular part-time employees accrue compensated absences on a pro rata basis.
- 10) Other accrued liabilities – These accounts consist of accrued employee withholding and employee benefits.
- 11) Restricted net position – Includes HUD security deposit funds, tenant deposits, and required replacement reserves.
- 12) Long-term debt – See Note 8.

Revenue and Expenses

Under the full accrual basis of accounting, revenue is recognized when earned, if measurable, and expenses are recognized when incurred, if measurable.

Operating Revenue and Expenses

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal operating revenue is charges to tenants for rentals and charges to other entities for management services. Operating expenses include the cost of personnel services, contractual services, taxes, utilities, insurance, other supplies and expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses. Operating subsidies and grants are reported as nonoperating revenue and are presented as cash flows from noncapital financing activities in the statement of cash flows.

Donations and Nonexchange Transactions

Donations and nonexchange transactions are accounted for based on the standards established by GASB 33, Accounting and Financial Reporting for Nonexchange Transactions.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

In the opinion of management, there have been no material violations of finance related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations in any of the funds of the Authority.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 DEPOSITS AND INVESTMENTS

Cash – It is the Authority's policy to invest all temporary cash surpluses. These amounts are classified on the statement of net position as cash. All other cash is maintained in interest bearing checking or money market accounts.

For purposes of reporting cash flows, the Authority considers highly liquid debt instruments, if any, purchased with a maturity of three months or less, to be cash equivalents.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority maintains its cash balances in three financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures the accounts at each financial institution. The aggregate funds held in each institution may exceed the FDIC insured limit from time to time. The funds are designated as public funds and are, therefore, 100 percent insured by the financial institution maintaining sufficient collateral with the Washington Public Deposit Protection Commission.

As required by state law, all investments of the Authority's funds are obligations of the U.S. government, or deposits with Washington State banks and savings and loan institutions. Investments are stated at cost, which is equivalent to market.

The Authority considers all investments purchased with an original maturity of greater than three months to be temporary investments. As of June 30, 2014, the Authority did not have any temporary investments.

Restricted cash – Restricted cash is comprised of security deposits, replacement reserves, and operating reserves.

NOTE 4 RELATED-PARTY TRANSACTIONS

OALP has made long-term borrowings from the Authority, with a principle balance of \$39,599, and accrued interest receivable balance of \$23,590, as of June 30, 2014. OALP's debt is payable annually from available net cash flow, including interest at 5 percent. The Authority received interest income of \$2,970 for the year ended June 30, 2014. The corresponding liability recorded by OALP consisted of a principle balance of \$39,599, and accrued interest payable balance of \$20,620, as of December 31, 2013. The \$39,599 receivable and payable have been eliminated from the statement.

The Authority, through its general accounting program, pays certain costs of OALP and is reimbursed for such costs. At June 30, 2014, the unreimbursed costs payable to the Authority relative to expenses of OALP were \$7,114. The corresponding liability reported by OALP was \$7,074, as of December 31, 2013.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 RELATED-PARTY TRANSACTIONS (CONTINUED)

The Authority previously acted as the general contractor for the OALP project and earned developer fees relative to this service. As of June 30, 2014, \$44,352 was due from OALP to the Authority. As of December 31, 2013, OALP reported a development fee payable to the Authority of \$44,352. However, the agreement stated that any unpaid developer fee as of January 1, 2012, shall be treated as an additional capital contribution by the Authority. Therefore, the related receivable and payable have been eliminated from the statement.

The Authority has entered into a management agreement with OALP. During 2014, the Authority earned management fees of \$15,120 from OALP. OALP recognized management fee expense of \$15,120, as of December 31, 2013. At June 30, 2014, \$64,206 was due from OALP to the Authority. As of December 31, 2013, OALP reported management fees payable to the Authority of \$64,206.

NOTE 5 CAPITAL ASSETS AND DEPRECIATION

Land, structures, and equipment consist of the following at June 30, 2014:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Structures and Improvements	\$ 18,345,524	\$ 514,054	\$ -	\$ 18,859,578
Equipment	842,209	65,467	(18,017)	889,659
Total Capital Assets Being Depreciated	19,187,733	579,521	(18,017)	19,749,237
Less: Accumulated Depreciation	(7,010,768)	(557,816)	17,639	(7,550,945)
Total Capital Assets Being Depreciated, Net	12,176,965	21,705	(378)	12,198,292
Capital Assets Not Being Depreciated:				
Land	889,515	87,364	-	976,879
Construction in Progress	46,484	-	(46,484)	-
Total Capital Assets Not Being Depreciated	935,999	87,364	(46,484)	976,879
Total Capital Assets, Net	<u>\$ 13,112,964</u>	<u>\$ 109,069</u>	<u>\$ (46,862)</u>	<u>\$ 13,175,171</u>

Component unit information included above:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Structures and Improvements	\$ 2,430,414	\$ 3,093	\$ -	\$ 2,433,507
Equipment	29,538	2,210	-	31,748
Total Capital Assets Being Depreciated	2,459,952	5,303	-	2,465,255
Less: Accumulated Depreciation	(661,998)	(66,201)	-	(728,199)
Total Capital Assets Being Depreciated, Net	1,797,954	(60,898)	-	1,737,056
Capital Assets Not Being Depreciated:				
Land	54,938	-	-	54,938
Total Capital Assets Not Being Depreciated	54,938	-	-	54,938
Total Capital Assets, Net	<u>\$ 1,852,892</u>	<u>\$ (60,898)</u>	<u>\$ -</u>	<u>\$ 1,791,994</u>

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

General policies – Assets with costs in excess of \$300, including capital leases and major repairs that increase useful lives, are capitalized and depreciated. Maintenance, repairs, and minor renewals are accounted for as expenditures or expenses when incurred. Assets retired, replaced, or otherwise disposed of are eliminated from the asset accounts and the related amounts of accumulated depreciation are eliminated from the accumulated depreciation accounts. Because of the HUD mandated conversion to accounting principles generally accepted in the United States of America, 1999 was the first year to record depreciation, including prior year accumulated depreciation.

During the year ended June 30, 2014, the Authority incurred and capitalized \$3,206 of interest related to construction costs.

The Authority has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the Authority has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable account group or fund.

Depreciable capital assets – Capital assets of the Authority are capitalized and depreciated using the straight-line method over the useful life of the asset as follows:

Equipment	5-10 Years
Improvements	25 Years
Structures	10-40 Years

NOTE 6 PENSION PLANS

Substantially all of the Authority's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit 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. The following disclosures are made pursuant to GASB Statements 27, *Accounting for Pensions by State and Local Government Employers*, and 50, *Pension Disclosures, an Amendment of GASB Statements 25 and 27*.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 PENSION PLANS (CONTINUED)

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

Plan Description:

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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.

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 exercised 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 Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 PENSION PLANS (CONTINUED)

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may 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. The benefit 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, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit 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. Plan 1 members may elect to receive an optional 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 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. The AFC is the monthly average of the 60 consecutive highest-paid service months. 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 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.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 PENSION PLANS (CONTINUED)

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, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 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 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

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 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 PENSION PLANS (CONTINUED)

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, and were hired before May 1, 2013, 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.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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 members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who, 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 the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 PENSION PLANS (CONTINUED)

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Nonvested	<u>44,273</u>
Total	<u><u>263,347</u></u>

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS 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. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

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 June 30, 2014, are as follows:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>
Employer	9.21%	9.21%
Employee	6.00	4.92

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 PENSION PLANS (CONTINUED)

Funding Policy (Continued)

Both the Authority and the employees made the required contributions. The Authority's required contributions for the years ended June 30, were as follows:

<u>Year Ending June 30.</u>	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>
2014	\$ -	\$ 48,478
2013	-	37,586
2012	-	36,275

NOTE 7 PARTICIPATION IN HOUSING AUTHORITY RISK RETENTION POOL

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

City of Othello Housing Authority is a member of the Housing Authorities Risk Retention Pool (HARRP). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), fifty-five public housing authorities in the states of Washington, Oregon, and California originally formed HARRP in March 1987. HARRP was created for the purposes of providing a pooling mechanism for jointly purchasing insurance, jointly self insuring, and/or jointly contracting for risk management services. HARRP currently has a total of ninety-two members in the states of Washington, Oregon, Nevada, and California. Thirty-six of the ninety-two members are Washington public housing entities.

New members originally contract for a three-year term and, thereafter, automatically renew on an annual basis. Members may quit (after completion of the three year commitment) upon giving notice to HARRP prior to their renewal date. HARRP can terminate the members after giving a sixty (60) day notice prior to the renewal date. Termination does not relieve a former member from its unresolved losses incurred during membership.

General and Automobile Liability coverages are written on an occurrence basis, without member deductibles. Errors & Omissions coverage (which includes Employment Practices Liability) is written on a claims made basis, and the members are responsible for 10 percent of the incurred costs of the claims. (Due to special underwriting circumstances, some members may be subject to a greater E&O co-payment.) The Property coverage offered by HARRP is on a replacement cost basis with deductibles ranging from \$1,000 to \$25,000. Fidelity coverage, with limits of \$100,000 (with options up to \$500,000) for employee dishonesty and forgery or alteration and \$10,000 for theft are also provided, with deductibles the same as Property.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 PARTICIPATION IN HOUSING AUTHORITY RISK RETENTION POOL (CONTINUED)

Coverage limits for General Liability, Errors & Omissions, and Property are \$2,000,000 per occurrence and \$2,000,000 annual aggregate. (Some members have chosen greater Property limits for higher valued properties.) Limits for Automobile Liability are \$1,000,000/\$1,000,000.

HARRP self insures the full layer of coverage for liability lines (\$2,000,000 per occurrence and \$2,000,000 annual aggregate). There is no purchased reinsurance above this limit. For property, HARRP retains \$2,000,000 and \$63,000,000 of reinsurance from St. Paul/Travelers Insurance Company for a combined total of \$65,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

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

HARRP is fully funded by member assessments that are adjusted annually by the HARRP board on the basis of independent actuarial studies. These assessments cover loss, loss adjustment expenses, reinsurance, and other administrative expenses. HARRP does not have the right to assess the membership for any shortfall in its funding. Such shortfalls are made up through future rate adjustments.

The HARRP board of directors did not award the Authority a "low loss ratio credit" during the year ended June 30, 2014.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 8 LONG-TERM DEBT

Long-term debt as of June 30, 2014, consisted of the following:

Note Payable to the Department of Commerce

This note is secured by a first mortgage on the land and building located at 1150 S. Sylvan and 830 E. Ash. The mortgage was originally issued in the amount of \$192,396 on December 31, 1999. Principal and interest payments are due in annual installments, including interest at 1 percent. Payments are deferred until 2024, and the final payment is due December 2049.

Note Payable to the Department of Commerce

This note is secured by a first mortgage on the land and building located at 730 E. Ash. The mortgage was originally issued in the amount of \$777,800 on June 1, 2004. This mortgage has a zero percent interest rate. Principal is due in a single balloon payment in November 2044.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8 LONG-TERM DEBT (CONTINUED)

Note Payable to the Department of Commerce

This note is secured by a mortgage on the land and building located at 525 Cedar Blvd. The mortgage was originally issued for \$560,155. This mortgage has a zero percent interest rate. Principal is due in a single balloon payment in October 2048.

Note Payable to the Department of Commerce

This note is secured by a first mortgage on the land and building located at 2214 West Sielaff. The mortgage was originally issued in the amount of \$3,531,400 on January 24, 2011. This mortgage has a zero percent interest rate. Principal payments are due in quarterly installments of \$3,406. There is a final balloon payment of \$3,003,406 due October 31, 2049.

Note Payable to the Washington Community Reinvestment Association (WCRA)

This note is secured by a first mortgage on the land and building located at 125 N. 10th. The mortgage was originally issued in the amount of \$673,100 on December 1, 2003. Principal and interest payments are due in monthly installments of \$4,535, including interest at 7.125 percent, final payment due January 2034.

Note Payable to the United States Department of Agriculture (USDA)

This note is secured by a mortgage on the land and building located at 125 N. 10th. The mortgage was originally issued in the amount of \$982,652 on December 1, 2003. Principal and interest payments are due in monthly installments of \$5,544, including interest at 5.75 percent, with a balloon payment of approximately \$183,000 due December 2033.

Note Payable to the United States Department of Agriculture (USDA)

This note is secured by a mortgage on the land and building located at 125 N. 10th. The mortgage was originally issued in the amount of \$383,923 on December 1, 2003. Principal and interest payments are due in monthly installments of \$2,166, including interest at 5.75 percent, with a balloon payment of approximately \$71,000 due December 2033.

Note Payable to the United States Department of Agriculture (USDA)

This note is secured by a mortgage on the land and building located at 525 Cedar Blvd. The mortgage was originally issued in the amount of \$176,643 on July 31, 2008. Principal and interest payments are due in monthly installments of \$850, including interest at 5.375 percent, with a balloon payment of approximately \$125,000 due July 2039.

Note Payable to the Housing Assistance Council (HAC)

This note is secured by a first mortgage on the land and building located at 525 Cedar Blvd. The mortgage was originally issued in the amount of \$520,000 on July 31, 2008. Principal and interest payments are due in quarterly installments of \$7,855, including interest at 4 percent, final payment due September 2035.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8 LONG-TERM DEBT (CONTINUED)

Note Payable to the Department of Commerce (Component Unit)

This note is secured by a first mortgage on OALP rental property. The mortgage was originally issued in the amount of \$898,000 on November 1, 2002. Principal and interest payments are due in quarterly payments of \$8,257, including interest at 1.5 percent, with a balloon payment of approximately \$31,000 due October 2038.

Note Payable to the Department of Commerce

This note is secured by a first mortgage on the land and building located at 1150 Sylvan Dr. The mortgage was originally issued in the amount of \$650,000 on April 22, 1998. Principal and interest payments are due in annual payments of \$16,583, including interest at 1 percent, final payment due December 2050.

Note Payable to Columbia Bank

This note is secured by a first mortgage on the land and building located at 730 E. Ash. The mortgage was originally issued in the amount of \$354,600 on June 18, 2004. Principal and interest payments are due in monthly installments of \$2,391, including interest at 7 percent, final payment due July 2034.

Note Payable to Columbia Bank

This note is secured by a first mortgage on the land and building located at 713 S. 7th. The mortgage was originally issued in the amount of \$139,548 on April 1, 2011. Principal and interest payments are due in monthly installments of \$1,747, including interest at 7 percent, final payment due April 5, 2020.

Note Payable to Columbia Bank

This note is secured by a first mortgage on the land and building located at 2214 West Sielaff Lane. The mortgage was originally issued in the amount of \$404,500 on November 12, 2010. Principal and interest payments are due in monthly installments of \$3,790, including interest at 6.75 percent, final payment due May 5, 2015.

Note Payable to Umpqua Bank (formerly Sterling Savings Bank)

This note is secured by a first mortgage on the land and building located at 919, 929, 939, and 949 E. Main Street. The mortgage was originally approved for \$256,000 on March 14, 2013. Principal and interest payments are due in monthly installments of \$1,569 until December 15, 2023, with a final balloon payment due January 15, 2024. The variable interest rate is the Weekly Average Rate for 5 year fixed rate swaps per Federal Reserve Statistical Release H.15 plus 4.44 percent, currently 6.22 percent. The variable interest rates for the loan shall not fall below 4.75 percent.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8 LONG-TERM DEBT (CONTINUED)

The following is a summary of the long-term debt transactions for the year ended June 30, 2014:

	Balances June 30, 2013	Additions	Reductions	Balances June 30, 2014	Due Within One Year
Notes Payable:					
Department of Commerce	\$ 192,396	\$ -	\$ -	\$ 192,396	\$ -
Department of Commerce	777,800	-	-	777,800	-
Department of Commerce	560,155	-	-	560,155	-
Department of Commerce	3,497,337	-	13,626	3,483,711	13,626
WCRA	586,778	-	13,030	573,748	13,989
USDA #1	856,399	-	17,742	838,657	18,790
USDA #2	334,596	-	6,931	327,665	7,341
USDA	172,783	-	931	171,852	983
HAC	461,529	-	13,156	448,373	13,691
Department of Commerce	725,157	-	22,389	702,768	22,611
Department of Commerce	523,327	-	11,350	511,977	11,463
Columbia Bank	310,995	-	6,851	304,144	7,392
Columbia Bank	112,458	-	13,536	98,922	14,414
Columbia Bank	77,787	-	41,490	36,297	36,297
Umpqua Bank	5,306	250,594	1,097	254,803	3,172
Total Long-Term Debt	9,194,803	250,594	162,129	9,283,268	163,769
Compensated Absences	18,420	-	2,948	15,472	-
Total Long-Term Liabilities	<u>\$9,213,223</u>	<u>\$ 250,594</u>	<u>\$ 165,077</u>	<u>\$9,298,740</u>	<u>\$ 163,769</u>

Component unit Information included above:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Notes Payable:					
Department of Commerce	\$ 725,157	\$ -	\$ 22,389	\$ 702,768	\$ 22,611
Total Long-Term Debt	<u>\$ 725,157</u>	<u>\$ -</u>	<u>\$ 22,389</u>	<u>\$ 702,768</u>	<u>\$ 22,611</u>

**CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 LONG-TERM DEBT (CONTINUED)

Minimum payments due are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 163,769	\$ 197,460
2016	132,728	190,912
2017	138,527	185,115
2018	144,620	179,022
2019	151,082	172,560
2020-2024	978,105	758,060
2025-2029	926,131	519,997
2030-2034	1,351,607	276,891
2035-2039	530,799	84,882
2040-2044	181,625	13,630
2045-2049	1,000,175	6,260
2050-2051	3,584,100	328
Total	<u>\$ 9,283,268</u>	<u>\$ 2,585,117</u>

NOTE 9 CONTINGENCIES

The Authority participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in request for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Housing Authority management believes that such disallowances, if any, will be immaterial.

Periodically the Authority receives funding from the State of Washington Department of Commerce that is used to purchase and construct land and buildings. The Department of Commerce maintains the right to be reimbursed for this funding if the Authority is in violation of any terms or conditions of the contracts. At year-end, the Authority's management is not aware of any violations of Department of Commerce requirements. As of June 30, 2014, these amounts total \$4,821,666.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10 MAJOR COMPONENT UNIT INFORMATION

The component unit operates residential rental housing for low-income tenants.

	Primary Government	Oasis	Eliminations	Combined
Condensed Statement of Net Position:				
Current Assets:				
Receivables, Component Unit	\$ 94,910	\$ -	\$ -	\$ 94,910
Other Current Assets	1,011,940	49,647	-	1,061,587
Total Current Assets	1,106,850	49,647	-	1,156,497
Noncurrent Assets:				
Receivables, Component Unit	83,951	-	(83,951)	-
Capital Assets	11,383,177	1,791,994	-	13,175,171
Other Assets	625,475	87,475	-	712,950
Total Noncurrent Assets	12,092,603	1,879,469	(83,951)	13,888,121
Total Assets	<u>\$13,199,453</u>	<u>\$ 1,929,116</u>	<u>\$ (83,951)</u>	<u>\$15,044,618</u>
Current Liabilities:				
Current Liabilities, Payable to Primary				
Government	\$ -	\$ 93,880	\$ -	\$ 93,880
Current Liabilities, Other	322,933	36,442	-	359,375
Total Current Liabilities	322,933	130,322	-	453,255
Noncurrent Liabilities:				
Noncurrent Liabilities, Payable to				
Primary Government	-	83,951	(83,951)	-
Noncurrent Liabilities, Other	8,454,814	680,157	-	9,134,971
Total Noncurrent Liabilities	8,454,814	764,108	(83,951)	9,134,971
Total Liabilities	<u>\$ 8,777,747</u>	<u>\$ 894,430</u>	<u>\$ (83,951)</u>	<u>\$ 9,588,226</u>
Net Position:				
Net Invested in Capital Assets	\$ 2,802,676	\$ 1,089,226	\$ -	\$ 3,891,902
Restricted, Expendable	614,108	81,488	-	695,596
Unrestricted	1,004,922	(136,028)	-	868,894
Total Net Position	<u>\$ 4,421,706</u>	<u>\$ 1,034,686</u>	<u>\$ -</u>	<u>\$ 5,456,392</u>

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10 MAJOR COMPONENT UNIT INFORMATION (CONTINUED)

	Primary Government	Oasis	Eliminations	Combined
Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position:				
Operating Revenue:				
Rental Revenue	\$ 956,259	\$ 173,733	\$ -	\$ 1,129,992
Management Fees	57,023	-	-	57,023
Revenue, Tenant Other	34,447	-	-	34,447
Other	3,462	-	-	3,462
Total Operating Revenue	1,051,191	173,733	-	1,224,924
Operating Expenses	1,241,339	141,076	-	1,382,415
Depreciation	491,615	66,201	-	557,816
Total Operating Expenses	1,732,954	207,277	-	1,940,231
Operating Loss	(681,763)	(33,544)	-	(715,307)
Nonoperating Revenue (Expense):				
Other Government Grants	261,674	-	-	261,674
HUD PHA Grants	260,917	-	-	260,917
Interest Subsidy, USDA	49,575	-	-	49,575
Other Income	2,649	9,162	-	11,811
Interest Expense	(177,968)	(12,617)	-	(190,585)
Total Nonoperating Revenue (Expense)	396,847	(3,455)	-	393,392
Capital Contributions, HUD Grant	7,340	-	-	7,340
Capital Distributions to Partners	(46,865)	-	-	(46,865)
Total	(39,525)	-	-	(39,525)
Change in Net Position	(324,441)	(36,999)	-	(361,440)
Net Position - Beginning of Year	4,746,147	1,071,685	-	5,817,832
Net Position - End of Year	\$ 4,421,706	\$ 1,034,686	\$ -	\$ 5,456,392
Condensed Statement of Cash Flows:				
Net Cash Provided (Used) by:				
Operating Activities	\$ (223,813)	\$ 38,480	\$ -	\$ (185,333)
Noncapital Financing	531,105	-	-	531,105
Capital and Related Financing Activities	(604,536)	(33,820)	-	(638,356)
Investing Activities	22,738	(7,803)	-	14,935
Total	(274,506)	(3,143)	-	(277,649)
Beginning Cash and Cash Equivalent Balances	1,877,650	132,194	-	2,009,844
Ending Cash and Cash Equivalent Balances	\$ 1,603,144	\$ 129,051	\$ -	\$ 1,732,195

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11 GOVERNMENT MERGER

Effective July 1, 2013, the Authority, as the continuing government, absorbed its former component unit, Harvest Manor Limited Partnership due to dissolution of the partnership. Harvest Manor Limited Partnership was reported as a blended component unit of the Authority from its formation in 1997 through June 30, 2013. The initial opening balances of the Authority's assets, liabilities, and net position, as of the beginning of the period, were determined on the basis of the carrying values reported in the separate financial statements of the Authority and Harvest Manor as of June 30, 2013, as follows:

	Primary Government & Component Unit	Harvest Manor	Total	Adjustments	Total
ASSETS					
Current Assets	\$ 1,172,225	\$ 227,054	\$ 1,399,279	\$ -	\$ 1,399,279
Capital Assets	10,638,972	2,473,992	13,112,964	-	13,112,964
Other Assets	881,525	3,475	885,000	-	885,000
Total Assets	<u>\$ 12,692,722</u>	<u>\$ 2,704,521</u>	<u>\$ 15,397,243</u>	<u>\$ -</u>	<u>\$ 15,397,243</u>
LIABILITIES					
Current Liabilities	\$ 454,779	\$ 10,294	\$ 465,073	\$ -	\$ 465,073
Noncurrent Liabilities	8,591,011	523,327	9,114,338	-	9,114,338
Total Liabilities	<u>\$ 9,045,790</u>	<u>\$ 533,621</u>	<u>\$ 9,579,411</u>	<u>\$ -</u>	<u>\$ 9,579,411</u>
NET POSITION					
Net Invested in Capital Assets	\$ 2,159,892	\$ 1,950,665	\$ 4,110,557	\$ -	\$ 4,110,557
Restricted, Expendable	600,231	135,062	735,293	-	735,293
Unrestricted	886,809	85,173	971,982	-	971,982
Total Net Position	<u>\$ 3,646,932</u>	<u>\$ 2,170,900</u>	<u>\$ 5,817,832</u>	<u>\$ -</u>	<u>\$ 5,817,832</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended

June 30, 2014

1	2	3	4	5			6
Federal Agency Name / Pass Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Footnote Reference
				From Pass- Through Awards	From Direct Awards	Total	
Department of Housing and Urban Development Office of Public and Indian Housing	Public and Indian Housing	14.850	WA19P02600000113D	\$0.00	\$51,808.00		
	Public and Indian Housing	14.850	WA19P02600000114D	\$0.00	\$62,462.00		
	Subtotal			\$0.00	\$114,270.00	\$114,270.00	
Department of Housing and Urban Development Office of Public and Indian Housing	Public Housing Capital Fund	14.872	WA19P026501-12	\$0.00	\$1,147.00		
	Public Housing Capital Fund	14.872	WA19P026501-13	\$0.00	\$70,137.00		
	Subtotal			\$0.00	\$71,284.00	\$71,284.00	
Department of Housing and Urban Development Office of Housing - Federal Housing Commissioner	Section 8 Housing Assistance Payments Program	14.195	WA25L00018	\$0.00	\$26,294.00		
	Section 8 Housing Assistance Payments Program	14.195	WA19M000109	\$0.00	\$56,409.00		
	Subtotal			\$0.00	\$82,703.00	\$82,703.00	
Department of Agriculture Rural Housing Service	Rural Rental Housing Loans	10.415	56001 549626707 01-5 02	\$0.00	\$327,664.48		
	Rural Rental Housing Loans	10.415	56001 549626707 01-5 01	\$0.00	\$838,656.99		
	Rural Rental Housing Loans	10.415	56001 549626707 02-7	\$0.00	\$171,852.39		
	Subtotal			\$0.00	\$1,338,173.86	\$1,338,173.86	Note 5
Department of Agriculture Rural Housing Service	Rural Rental Housing Loans - Subsidy Credit	10.415	56001 549626707 01-5 02	\$0.00	\$12,326.52		
	Rural Rental Housing Loans - Subsidy Credit	10.415	56001 549626707 01-5 01	\$0.00	\$31,549.68		
	Rural Rental Housing Loans - Subsidy Credit	10.415	56001 549626707 02-7	\$0.00	\$5,699.16		
	Subtotal			\$0.00	\$49,575.36	\$49,575.36	Note 3
Total Federal Awards Expended				\$0.00	\$1,656,006.22	\$1,656,006.22	

Housing Authority of the City of Othello
Notes to the Schedule of Expenditures of Federal Awards
July 1, 2013 through June 30, 2014

NOTE 1 – BASIS OF ACCOUNTING

The Housing Authority prepares the Schedule of Expenditures of Federal Awards on the same basis of accounting as the Housing Authority's financial statements. The Housing Authority uses the accrual basis of accounting for all programs receiving federal financial assistance.

NOTE 2 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal portion of the program costs. Entire program costs, including the Housing Authority's portion, may be more than shown.

NOTE 3 – RURAL RENTAL HOUSING LOAN SUBSIDY CREDIT

The Rural Housing Service provides the Rural Rental Housing Loan. Subsidy Credit for Lions Park Apartments and Cedar Park Apartments to reduce the effective interest rate of the loan. The Housing Authority records interest expense separate from the subsidy credit.

NOTE 5 – UNITED STATE DEPARTMENT OF AGRICULTURE

The Housing Authority has three USDA Rural Rental Housing Loans outstanding with balances totaling \$1,338,173.86 as of June 30, 2014.

NOTE 6 - DEPARTMENT OF COMMERCE

The Housing Authority received a recoverable grant in the amount of \$777,800 as of October 1, 2004. If terms and conditions of contract have been met at the end of the deferral period on September 2, 2044, this recoverable grant will convert to a full grant, with no expectation of repayment.

	Submission Type: Unaudited/A-133		10,427 Rural Rental Assistance Payments	10,415 Rural Rental Housing Loans	14,195 Section 8 Housing Assistance Payments Program Special Allocations	1 Business Activities	6 Component Units	Subtotal	Eliminations	TOTAL
	Fiscal Year End: 06/30/2014	Project Total	19,608	-	16,920	839,385	41,683	975,219	-	975,219
111	Cash - Unrestricted	-	-	-	-	-	-	-	-	-
112	Cash - Restricted - Modernization and D	-	-	-	-	-	-	-	-	-
113	Cash - Other Restricted	-	279,139	-	126,217	208,763	81,488	695,597	-	695,597
114	Cash - Tenant Security Deposits	10,486	30,769	-	5,106	9,138	5,880	61,379	-	61,379
115	Cash - Restricted for Payment of Current	-	-	-	-	-	-	-	-	-
100	Total Cash	68,109	329,516	0	148,243	1,057,276	129,051	1,732,195	0	1,732,195
121	Accounts Receivable - PHA Projects	-	-	-	-	-	-	-	-	-
122	Accounts Receivable - HUD Other Project	-	-	-	-	-	-	-	-	-
124	Accounts Receivable - Other Government	-	-	-	-	-	-	-	-	-
125	Accounts Receivable - Miscellaneous	6,808	-	-	-	64,512	-	71,320	-	71,320
126	Accounts Receivable - Tenant	527	368	-	763	607	2,084	4,349	-	4,349
126.1	Allow for doubtful accounts - Tenant	(1)	(2)	-	(1)	(2)	0	(6)	-	(6)
126.2	Allowance for Doubtful Accounts - Other	0	-	-	-	0	-	0	-	0
127	Notes & Mortgages Receivable - Current	-	-	-	-	-	-	-	-	-
128	Accounts Receivable - Fraud	13,597	2,446	-	-	-	-	16,043	-	16,043
128.1	A/R Fraud	(8,197)	(1)	-	-	-	-	(8,198)	-	(8,198)
129	Accrued Interest Receivable	-	-	-	-	23,590	-	23,590	-	23,590
120	Total Receivables, net of allowances for	12,734	2,811	0	762	88,707	2,084	107,098	0	107,098
131	Investments - Unrestricted	-	-	-	-	-	-	-	-	-
132	Investments - Restricted	-	-	-	-	-	-	-	-	-
135	Investments - Restricted for Payment of	-	-	-	-	-	-	-	-	-
142	Prepaid expenses & Other assets	-	-	-	-	4,930	-	4,930	-	4,930
143	Inventories	7,021	-	-	-	850	-	7,871	-	7,871
143.1	Allowance for Obsolete Inventories	0	-	-	-	0	-	0	-	0
144	Interprogram Due From	42,083	83	-	-	17,603	-	59,769	(59,769)	0
145	Assets Held for Sale	-	-	-	-	-	-	-	-	-
150	Total Current Assets	129,947	332,410	0	149,005	1,169,366	131,135	1,911,863	(59,769)	1,852,094
161	Land	795,681	297,441	0	84,000	308,611	54,938	1,540,671	-	1,540,671
162	Buildings	3,589,122	2,843,837	0	1,061,281	8,368,039	2,357,198	18,219,477	-	18,219,477
163	Furniture, Equipment - Dwellings	185,426	81,453	0	15,343	294,257	31,748	608,227	-	608,227
164	Furniture, Equipment - Administration	111,189	7,449	-	5,367	157,427	-	281,432	-	281,432
165	Leasehold Improvements	-	-	-	-	-	76,309	76,309	-	76,309
166	Accumulated Depreciation	(2,921,154)	(841,757)	0	(265,727)	(2,794,108)	(728,199)	(7,550,945)	-	(7,550,945)
167	Construction in Progress	-	-	-	-	-	-	-	-	-
168	Infrastructure	-	-	-	-	-	-	-	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	1,760,264	2,388,423	-	900,264	6,334,226	1,791,994	13,175,171	0	13,175,171
171	Notes & Mortgages Rec - Non-current	-	-	-	-	39,599	-	39,599	(39,599)	0
172	Notes, Loans, Mtg Rec - Past Due	-	-	-	-	-	-	-	-	-
173	Grants Receivable - Non Current	-	-	-	-	-	-	-	-	-
174	Other Assets	-	-	-	-	55,718	5,987	61,705	(44,352)	17,353
176	Investments in Joint Ventures	-	-	-	-	-	-	-	-	-
180	Total Non-Current Assets	1,760,264	2,388,423	0	900,264	6,429,543	1,797,981	13,276,475	(83,951)	13,192,524
200	Deferred Outflow of Resources	-	-	-	-	-	-	-	-	-
290	Total Assets and Deferred Outflow of Resources	1,890,211	2,720,833	0	1,049,269	7,598,909	1,929,116	15,188,338	(143,720)	15,044,618
311	Bank Overdraft	-	-	-	-	-	-	-	-	-
312	Accounts Payable <= 90 Days	847	3,763	-	186	18,483	3,232	28,511	-	28,511
313	Accounts Pay > 90 days - Past Due	-	-	-	-	-	-	-	-	-
321	Accrued Wage/Payroll Taxes Payable	-	-	-	-	947	-	947	-	947
322	Accrued Compensated Absences - Curr	46,415	-	-	-	-	-	46,415	-	46,415
324	Accrued Contingent Liability	-	-	-	-	-	-	-	-	-
325	Accrued Interest	-	5,154	-	233	3,818	22,600	31,805	-	31,805
331	Accounts Pay - HUD PHA Projects	-	-	-	-	-	-	-	-	-
332	Accounts Pay - PHA Projects	-	-	-	-	-	-	-	-	-

		Project Total	10,427 Rural Rental Assistance Payments	10,415 Rural Rental Housing Loans	14,195 Section 8 Housing Assistance Payments Program Special Allocations	1 Business Activities	6 Component Units	Subtotal	Eliminations	TOTAL
333	Fiscal Year End: 06/30/2014	-	-	-	-	-	-	-	-	-
341	Accounts Pay - Other Government	10,486	30,769	-	5,106	9,138	5,880	61,379	-	61,379
342	Tenant Security Deposits	1,413	2,490	-	422	42,105	1,685	48,115	-	48,115
343	Unearned Revenue	-	54,794	-	7,392	78,972	22,611	163,769	-	163,769
344	Current Maturities of LT debt	-	-	-	-	-	-	-	-	-
345	Current Port LTD - Operating Borrowings	-	-	-	-	-	-	-	-	-
346	Other Current Liabilities	-	-	-	-	-	-	-	-	-
347	Accrued Liabilities Other	332	33,991	-	5,560	19,886	74,314	74,314	-	74,314
348	Interprogram Due To	-	-	-	-	-	-	59,769	(59,769)	0
310	Loan Liability - Current	-	-	-	-	-	-	-	-	-
310	Total Current Liabilities	59,493	130,961	0	18,899	173,349	130,322	513,024	(59,769)	453,255
351	Long-Term Debt net of current	-	-	-	-	-	-	-	-	-
352	Long Term Debt, net of current operatin	-	-	-	-	-	-	-	-	-
353	Noncurrent Liabilities - Other	-	2,865,656	-	1,074,552	4,499,134	680,157	9,119,499	-	9,119,499
354	Accrued Compensation non-current	15,472	-	-	-	-	44,352	44,352	(44,352)	0
355	Loan liability - non current	-	-	-	-	-	-	15,472	-	15,472
356	FASB 5 Liabilities	-	-	-	-	-	39,599	39,599	(39,599)	0
357	Accrued pension and OPEB Liabilities	-	-	-	-	-	-	-	-	-
350	Total Noncurrent Liabilities	15,472	2,865,656	0	1,074,552	4,499,134	764,108	9,218,922	(83,951)	9,134,971
300	Total Liabilities	74,965	2,996,617	0	1,093,451	4,672,483	894,430	9,731,946	(143,720)	9,588,226
400	Deferred Inflow of Resources	-	-	-	-	-	-	-	-	-
508.4	Net Investment in Capital Assets	1,760,263	(532,028)	-	(181,681)	1,756,122	1,089,226	3,891,902	-	3,891,902
511.4	Restricted Net Position	-	279,140	-	126,217	208,752	81,488	695,597	-	695,597
512.4	Unrestricted Net Position	54,983	(22,896)	0	11,282	961,552	(136,028)	868,893	-	868,893
513	Total Equity/Net Position	1,815,246	(275,784)	0	(44,182)	2,926,426	1,034,686	5,456,392	0	5,456,392
600	Total Liabilities, Deferred Inflows of Resources and Equ	1,890,211	2,720,833	0	1,049,269	7,598,909	1,929,116	15,188,338	(143,720)	15,044,618
70,300	Net Tenant Revenue	193,784	175,246	-	72,691	514,538	173,733	1,129,992	-	1,129,992
70,400	Tenant Revenue - Other	3,418	17,826	0	5,921	7,282	-	34,447	-	34,447
70,500	Total Tenant Revenue	197,202	193,072	0	78,612	521,820	173,733	1,164,439	0	1,164,439
70,600	HUD PHA Operating Grants	178,214	-	-	82,703	-	-	260,917	-	260,917
70,610	Capital Grants	-	-	-	-	-	-	7,340	-	7,340
70,710	Management fee	7,340	-	-	-	-	-	-	-	-
70,720	Asset Management fee	-	-	-	-	-	-	-	-	-
70,730	Book-keeping fee	-	-	-	-	-	-	-	-	-
70,740	Front line service fee	-	-	-	-	-	-	-	-	-
70,750	Other fees	-	-	-	-	-	-	-	-	-
70,700	Total fee revenue	-	-	-	-	-	-	0	0	0
70,800	Other Government Grants	-	261,674	-	-	-	-	261,674	-	261,674
71,100	Investment Income - Unrestricted	45	3	-	-	364	9,110	9,522	-	9,522
71,200	Mortgage Interest Income	-	-	-	-	-	-	-	-	-
71,300	Proceeds from the dispositions of Asset	-	-	-	-	-	-	-	-	-
71,310	Cost of Sale of Assets	-	-	-	-	-	-	-	-	-
71,400	Fraud Recovery	3,462	-	-	-	-	-	3,462	-	3,462
71,500	Other Revenue	10,200	-	49,575	-	142,390	-	202,165	(93,313)	108,852
71,600	Gain or Loss from Sale of Capital Assets	-	(378)	-	-	-	-	(378)	-	(378)
72,000	Investment Income - Restricted	2	282	-	41	36	52	413	-	413
70,000	Total Revenue	396,465	454,653	49,575	161,356	664,610	182,895	1,909,554	(93,313)	1,816,241
91,100	Administrative Salaries	152,564	56,791	-	22,525	54,798	-	286,678	-	286,678
91,200	Auditing Fees	4,900	4,500	-	1,200	11,449	-	22,049	-	22,049
91,300	Management Fee	-	-	-	-	-	-	-	-	-
91,310	Book-keeping fee	-	-	-	-	-	-	-	-	-
91,400	Advertising and marketing	-	299	-	-	-	-	661	-	661
91,500	Employee Benefit Contributions - Admin	23,664	4,157	-	2,456	5,441	-	35,718	-	35,718

		Project Total	10,427 Rural Rental Assistance Payments	10,415 Rural Rental Housing Loans	14,195 Section 8 Housing Assistance Payments Program Special Allocations	1 Business Activities	6 Component Units	Subtotal	Eliminations	TOTAL
91,600	Fiscal Year End: 06/30/2014	5,803	8,177	-	1,424	7,154	-	22,558	-	22,558
91,700	Office Expenses	-	-	-	-	11,967	-	11,967	-	11,967
91,800	Legal Expense	1,172	455	-	263	1,723	-	3,613	-	3,613
91,810	Travel	-	-	-	-	-	-	-	-	-
91,810	Allocated Overhead	-	-	-	-	-	-	-	-	-
91,900	Other	13,904	61,858	-	12,944	59,318	41,808	189,832	(79,546)	110,286
91,000	Total operating - Administrative	202,007	136,237	0	40,812	152,212	41,808	573,076	(79,546)	493,530
92,000	Asset Management Fee	-	-	-	-	-	-	-	-	-
92,100	Tenant Services - Salaries	-	-	-	-	-	-	-	-	-
92,200	Relocation Costs	-	-	-	-	-	-	-	-	-
92,300	Employee Benefit Cont. - Tenant Service	-	-	-	-	-	-	-	-	-
92,400	Tenant Services - Other	217	-	-	-	-	-	217	-	217
92,500	Total tenant Services	217	0	0	0	0	0	217	0	217
93,100	Water	26,993	10,753	-	4,796	28,070	-	70,612	-	70,612
93,200	Electricity	8,355	12,640	-	4,780	26,760	17,528	70,063	-	70,063
93,300	Gas	680	-	-	-	3,106	-	3,786	-	3,786
93,400	Fuel	-	-	-	-	-	-	-	-	-
93,500	Labor	-	-	-	-	-	-	-	-	-
93,600	Sewer	19,138	26,552	-	7,392	31,967	9,951	95,000	-	95,000
93,700	Employee Benefit Cont. - Utilities	-	-	-	-	-	-	-	-	-
93,800	Other Utilities Expense	13,755	18,307	-	8,588	22,794	-	63,444	-	63,444
93,000	Total Utilities	68,921	68,252	0	25,556	112,697	27,479	302,905	-	302,905
94,100	Ordinary Maint & Oper - Labor	73,492	36,378	-	14,021	76,377	47,179	247,447	-	247,447
94,200	Ordinary Maint & Oper - Materials	29,457	17,421	-	9,214	35,886	-	91,978	-	91,978
94,300	Ordinary Maint and Operation Contracts	7,516	5,002	-	1,711	19,749	-	11,829	(7,920)	11,829
94,500	Employee Benefits - Maintenance	11,398	2,664	-	1,529	7,908	-	23,499	-	23,499
94,000	Total Maintenance	121,863	61,465	0	24,864	127,282	47,179	382,673	(7,920)	374,753
95,100	Protective Services - Labor	-	-	-	-	-	-	-	-	-
95,200	Protective Services - Other Contract Co	-	-	-	-	-	-	-	-	-
95,300	Protective Services - Other	-	-	-	-	-	-	-	-	-
95,500	Employee Benefit Cont. - ProtectiveServ	-	-	-	-	-	-	-	-	-
95,000	Total Protective Services	0	0	0	0	0	0	0	0	0
96,110	Property Insurance	5,746	7,943	-	2,313	4,388	5,315	25,705	-	25,705
96,120	Liability Insurance	2,191	1,076	-	313	9,428	589	13,597	-	13,597
96,130	Workmen's Compensation	5,390	7,186	-	2,053	8,212	2,823	25,664	-	25,664
96,140	All other Insurance	-	-	-	-	-	-	-	-	-
96,100	Total Insurance Premiums	13,327	16,205	0	4,679	22,028	8,727	64,966	0	64,966
96,200	Other General Expenses	3,398	275	-	-	55,282	15,883	74,838	(5,847)	68,991
96,210	Compensated Absences	26,962	9,337	-	4,025	14,371	-	54,695	-	54,695
96,300	Payments in Lieu of Taxes	12,529	18,710	-	10,110	23,322	-	64,671	-	64,671
96,400	Bad Debt - Tenant Rent	1,241	1,391	-	404	1,516	-	4,552	-	4,552
96,500	Bad Debt Mortgages	-	-	-	-	-	-	-	-	-
96,600	Bad Debt - Other	-	-	-	-	-	-	-	-	-
96,800	Severance Expense	-	-	-	-	-	-	-	-	-
96,000	Total other general expenses	44,130	29,713	0	14,539	94,491	15,883	198,756	(5,847)	192,909
96,710	Interest of mortgage (or bonds) payable	-	-	-	21,841	13,684	12,617	183,027	-	183,027
96,720	Interest on notes payable (short and long term)	-	134,885	-	-	7,558	-	7,558	-	7,558
96,730	Amortization of bond issue costs	-	-	-	-	-	-	-	-	-
96,700	Total Interest Expense and Amortization cost	0	134,885	0	21,841	21,242	12,617	190,585	0	190,585
96,900	Total Operating Expenses	450,465	446,757	0	132,311	529,952	153,693	1,713,178	(93,313)	1,619,865
97,000	Excess Revenue over Operating Expenses	(54,000)	7,896	49,575	29,045	134,658	29,202	196,376	0	196,376
97,100	Extraordinary Maintenance	-	-	-	-	-	-	-	-	-

	Fiscal Year End: 06/30/2014	Project Total	10,427 Rural Rental Assistance Payments	10,415 Rural Rental Housing Loans	14,195 Section 8 Housing Assistance Payments Program Special Allocations	1 Business Activities	6 Component Units	Subtotal	Eliminations	TOTAL
97,200	Casualty Losses - Non-capitalized	-	-	-	-	-	-	-	-	-
97,300	Housing Assistance Payments	-	-	-	-	-	-	-	-	-
97,350	HAP Portability-In	-	-	-	-	-	-	-	-	-
97,400	Depreciation Expense	101,958	101,567	-	29,219	258,871	66,201	557,816	-	557,816
97,500	Fraud losses	-	-	-	-	-	-	-	-	-
97,600	Capital Outlays - Government funds	-	-	-	-	-	-	-	-	-
97,700	Debt Princ Payment - Governmental funds	-	-	-	-	-	-	-	-	-
97,800	Dwelling Units Rent Expense	-	-	-	-	-	-	-	-	-
90,000	Total Expenses	552,423	548,324	0	161,530	788,823	219,894	2,270,994	(93,313)	2,177,681
10,010	Operating Transfers In	63,944	-	0	-	-	-	63,944	-	63,944
10,020	Operating Transfers Out	(63,944)	0	-	-	-	-	(63,944)	-	(63,944)
10,030	Operating Tran from/to Prim Gov't	-	-	-	-	-	-	-	-	0
10,040	Operating Transfers from/to Comp Unit	-	-	-	-	-	-	-	-	0
10,070	Extraordinary Items (net gain/loss)	-	-	-	-	-	-	-	-	0
10,080	Special Items, Net Gain/Loss	-	-	-	-	-	-	-	-	0
10,091	Inter-AMP excess cash transfer in	-	-	-	-	-	-	-	-	0
10,092	Inter-AMP excess cash transfer out	-	-	-	-	-	-	-	-	0
10,093	Transfers between Programs and AMPs in	-	49,575	-	-	-	-	49,575	-	49,575
10,094	Transfers between Programs and AMPs out	-	-	(49,575)	-	-	-	(49,575)	-	(49,575)
10,100	Total Other Financing Sources	0	49,575	(49,575)	0	0	0	0	0	0
10,000	Excess (deficiency) of Operating Revenue	(155,958)	(44,096)	0	(174)	(124,213)	(36,999)	(361,440)	0	(361,440)
11,020	Required annual debt principal payments	0	51,791	0	6,887	74,811	22,275	155,764	-	155,764
11,030	Beginning Equity	1,971,204	(231,688)	0	(44,008)	1,008,719	0	2,704,227	-	2,704,227
11,040	Prior Period Adj. Equity Transfers, Cor	0	-	-	-	2,041,920	1,071,685	3,113,605	-	3,113,605
11,050	Changes in compensated Absence balance	-	-	-	-	-	-	-	-	-
11,060	Changes in Contingent Liability Balance	-	-	-	-	-	-	-	-	-
11,070	Changes in Unrecognized Pension Transit	-	-	-	-	-	-	-	-	-
11,080	Changes in Special Term/ Severance Bene	-	-	-	-	-	-	-	-	-
11,090	Changes in Allow - Dwelling Rents	-	-	-	-	-	-	-	-	-
11,100	Changes in Allow for - Other	-	-	-	-	-	-	-	-	-
11,170	Administrative fee equity	0	0	0	0	0	0	0	0	0
11,180	Housing assistance payments equity	-	-	-	-	-	-	-	-	-
11,190	Unit Months Available	660	924	-	252	656	372	2,864	-	2,864
11,210	Number of Unit Months Leased	649	912	-	241	630	361	2,793	-	2,793
11,270	Excess cash	25,894	-	-	-	-	-	25,895	-	25,895
11,610	Land Purchases	0	-	-	-	-	-	0	-	0
11,620	Building Purchases	5,600	-	-	-	-	-	5,600	-	5,600
11,630	Furniture & Equipment - Dwelling purchases	-	-	-	-	-	-	-	-	-
11,640	Furniture & Equipment - Administrative purchases	1,740	-	-	-	-	-	1,740	-	1,740
11,650	Leasehold improvements purchases	0	-	-	-	-	-	0	-	0
11,660	Infrastructure purchases	0	-	-	-	-	-	0	-	0
13,510	CFPP Debt Service Payments	0	-	-	-	-	-	0	-	0
13,901	Replacement housing factor funds	0	-	-	-	-	-	0	-	0

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:

Modernization Project Number:

City of Othello Housing Authority

WA 19P026501-12

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	\$ 84,610
B. Funds Disbursed	\$ 84,610
C. Funds Expended (Actual Modernization Cost)	\$ 84,610
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 Debra 1-27-14

For HUD Use Only

The Cost Certificate is approved for audit:

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

X [Signature]

Date:

07-03-2014

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)

X

Date:

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

X

Date:

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. 1/31/2014)

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

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HA Name:

Housing Authority of the City of Othello

Modernization Project Number:

WA19PO26501-10

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	\$ 109,628
B. Funds Disbursed	\$ 109,628
C. Funds Expended (Actual Modernization Cost)	\$ 109,628
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 *Dee A* 8-14-12

For HUD Use Only

The Cost Certificate is approved for audit:

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

X *for yathleen K. Guel*

Date:

8/30/12

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

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	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
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