



**Office of the Washington State Auditor**  
**Pat McCarthy**

## **Financial Statements and Federal Single Audit Report**

# **Housing Authority of the City of Othello**

**Adams County**

**For the period July 1, 2016 through June 30, 2017**

**Published March 19, 2018**

**Report No. 1020957**





## Office of the Washington State Auditor

**Pat McCarthy**

March 19, 2018

Board of Directors  
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,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy  
State Auditor  
Olympia, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### **Housing Authority of the City of Othello Adams County July 1, 2016 through June 30, 2017**

#### **SECTION I – SUMMARY OF AUDITOR’S RESULTS**

The results of our audit of the Housing Authority of the City of Othello are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### **Financial Statements**

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### **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 in accordance with 2 CFR 200.516(a).

### **Identification of Major Federal Programs:**

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

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

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Housing Authority qualified as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**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, 2016 through June 30, 2017**

Board of Directors  
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, 2017, 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 12, 2018. Our report includes a reference to other auditors who audited the financial statements of the Oasis Apartments Limited Partnership, as described in our report on the 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.

**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.

In addition, we noted certain matters that we communicated to the management of the Housing Authority in a separate letter dated March 12, 2018.

## **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.

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Pat McCarthy

State Auditor

Olympia, WA

March 12, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**Housing Authority of the City of Othello  
Adams County  
July 1, 2016 through June 30, 2017**

Board of Directors  
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) Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended June 30, 2017. The Housing Authority's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and the Uniform Guidance 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, 2017.

## **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 the Uniform Guidance, 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 the Uniform Guidance. 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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy  
State Auditor  
Olympia, WA

March 12, 2018

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Housing Authority of the City of Othello Adams County July 1, 2016 through June 30, 2017**

Board of Directors  
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, 2017, 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, which represents 10 percent, 20 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 Apartment 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, 2017, 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.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 16 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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The accompanying Financial Data Schedule is 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 12, 2018 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.

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Pat McCarthy

State Auditor

Olympia, WA

March 12, 2018

## **FINANCIAL SECTION**

### **Housing Authority of the City of Othello Adams County July 1, 2016 through June 30, 2017**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2017

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2017

Statement of Revenues, Expenses and Changes in Net Position – 2017

Statement of Cash Flows – 2017

Notes to Financial Statements – 2017

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Employer's Proportionate Share of the Net Pension Liability – PERS 1,  
PERS 2/3 – 2017

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2017

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2017

Notes to the Schedule of Expenditures of Federal Awards – 2017

Financial Data Schedule – 2017



**CITY OF OTHELLO HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

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, 2017.

**FINANCIAL HIGHLIGHTS**

- Overall financial position increased approximately \$9,000 from the prior year.
- The Authority assets and deferred outflows of resources, at fiscal year-end, exceeded liabilities and deferred inflows of resources by approximately \$4.6 million.
- Year-end cash and cash equivalents totaled approximately \$2 million of which about \$770,000 was restricted.
- Revenue increased from prior year by \$262,000. Rental revenue increased \$65,000 while Grants and Subsidies decreased by \$5,000.
- The Authority paid approximately \$556,000 of Salaries, Wages, and Benefits.

**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.

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
26	Units Cedar Park Apartments USDA 515 Senior
206	Beds Lugar Seguro
450	

**CITY OF OTHELLO HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2017**

**OVERVIEW OF THE CITY OF OTHELLO HOUSING AUTHORITY (CONTINUED)**

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.

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 plus deferred outflows and liabilities and deferred inflows, is 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.

**CITY OF OTHELLO HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2017**

**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.

	2017	2016
Current Assets	\$ 1,285,518	\$ 913,536
Capital Assets, Net of Depreciation	14,756,480	14,015,094
Other	777,948	789,884
Total Assets	<u>16,819,946</u>	<u>15,718,514</u>
Deferred Outflows of Resources	<u>107,030</u>	<u>76,771</u>
Current Liabilities	377,384	557,557
Noncurrent Liabilities	11,887,584	10,548,159
Total Liabilities	<u>12,264,968</u>	<u>11,105,716</u>
Deferred Inflows of Resources	<u>56,676</u>	<u>93,028</u>
Net Position:		
Net Investment in Capital Assets	3,188,423	3,783,773
Restricted	770,313	812,016
Unrestricted	646,596	752
Total Net Position	<u>\$ 4,605,332</u>	<u>\$ 4,596,541</u>

The Authority's total assets at June 30, 2017 were \$16,819,946, an increase of \$1,101,432 or 7% from June 30, 2016. The change in assets primarily consisted of additional investment and depreciation of capital assets.

*Cash and investments:*

Total cash and cash equivalents increased by approximately \$505,000 as of June 30, 2017. This is primarily due to the completion of construction and proceeds from long-term borrowing.

*Accounts receivable:*

Accounts receivable - Other decreased by approximately \$106,000 as of June 30, 2017. This decrease is due to a decrease in management fees receivable from Oasis Apartments Limited Partnership (OALP).

*Notes receivable:*

The note receivable from Oasis Apartments Limited Partnership was the same balance at December 2016 and June 2017, therefore the balances were eliminated on this year's statement.

**CITY OF OTHELLO HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2017**

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

*Land, structures, and equipment:*

This table summarizes the changes in capital assets between fiscal years. See Note 5 in the notes to financial statements.

	2017	2016	Change
Land	\$ 976,879	\$ 976,879	\$ -
Structures and Improvements	21,905,504	18,960,483	2,945,021
Equipment	1,081,610	906,446	175,164
Construction in Progress	-	1,759,332	(1,759,332)
Total	23,963,993	22,603,140	1,360,853
Accumulated Depreciation	(9,207,513)	(8,588,045)	(619,468)
Net Capital Assets	<u>\$ 14,756,480</u>	<u>\$ 14,015,095</u>	<u>\$ 741,385</u>

*Current liabilities:*

Accounts payable decreased by approximately \$90,000 as of June 30, 2017. This is due to Lugar Seguro project being completed.

Unearned revenue decreased by approximately \$10,000 as of June 30, 2017. This is due to fewer growers prepaying for beds at the Lugar Seguro farm workers project.

Accrued interest decreased by approximately \$7,000 as of June 30, 2017. This is primarily due to OALP paying down a note payable.

Tenant Security Deposits increased by approximately \$10,000 as of June 30, 2017. This is due increased tenant security deposits for all properties to cover damages from unit turn over.

Current maturities of long-term debt decreased by approximately \$1,000 as of June 30, 2017. This is due to timing of maturities on long-term debt.

*Long-term debt:*

During the year, the Authority incurred new long-term debt of \$1.5 million for construction of Lugar Seguro phase II. The Authority repaid notes payable in the amount of \$143,928, representing all long-term liability payments due by the Authority during the year. The outstanding debts of approximately \$11.6 million are secured by real estate or by first mortgages on real estate. For further information see Note 8 in the notes to the financial statements.

**CITY OF OTHELLO HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2017**

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

*Net Pension Liability:*

Net pension liability decreased by approximately \$3,000 as of June 30, 2017. This is due to the proportionate share the Authority has in the cost-sharing multiple-employer public employee defined benefit retirement plan administered by the Washington State Department of Retirement Systems. For further information see Note 6 in the notes to the financial statements.

*Deferred Outflows of Resources and Deferred Inflows of Resources:*

Deferred outflows primarily consist of pension contributions made after the measurement date for the net pension liability and differences between projected and actual earnings on pension plan investments, while deferred inflows mostly relate to changes in proportion and differences between contributions and proportionate share of contributions.

*Net position:*

The Authority's net position increased by \$8,791 during the fiscal year ended June 30, 2017.

**CITY OF OTHELLO HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2017**

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

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

	2017	2016
Operating Revenue:		
Rental Revenue	\$ 1,252,970	\$ 1,188,341
Management and Developer Fees	256,819	59,524
Revenue, Tenant - Other	32,636	32,805
Other	15,915	12,049
Total Operating Revenue	1,558,340	1,292,719
Nonoperating Revenue (Expense):		
Subsidies	608,430	613,534
Interest Income	8,154	9,157
Other	2,618	(223)
Total Nonoperating Revenue	619,202	622,468
Total Revenue	2,177,542	1,915,187
Operating Expenses:		
Wages and Benefits	555,555	579,999
Depreciation	627,746	508,926
Utilities	377,052	333,690
Taxes and Insurance	104,480	111,876
Maintenance Materials	112,321	102,277
Other	209,895	197,733
Total Operating Expenses	1,987,049	1,834,501
Nonoperating Expenses:		
Interest	181,702	175,750
Total Expenses	2,168,751	2,010,251
Income (Loss) Before Capital Distributions and Contributions	8,791	(95,064)
Capital Contributions, HUD Grant	-	24,198
Total	-	24,198
Changes in Net Position	8,791	(70,866)
Net Position - Beginning of Year	4,596,541	4,667,407
Net Position - End of Year	\$ 4,605,332	\$ 4,596,541

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

**CITY OF OTHELLO HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2017**

**RESULTS OF OPERATIONS**

Operating revenue of the Authority's activities is generated principally from rental revenue and management fees. In 2017, the Authority's operating revenue totaled \$1,558,340. Of this total, \$1,252,970 and \$256,816 were from rental revenue and management and developer fees, respectively. Operating expenses of the Authority's activities consist primarily of wages and depreciation. The total operating expenses were \$1,987,049, of which \$555,555 and \$627,746 were wages and depreciation, respectively. Nonoperating revenue consists primarily of subsidies. Total nonoperating revenue was \$619,202, of which \$608,430 was from subsidies.

The increase in net position for the year ended June 30, 2017, was \$8,791 compared to a decrease of \$70,866 for the year ended June 30, 2016. Factors contributing to these results included:

Operating revenue increased by approximately \$266,000 primarily due to an increase in rental revenue and developer fee.

Nonoperating revenue decreased by approximately \$3,000. This is primarily due to decreased subsidies.

Wages and benefits decreased by approximately \$24,000. This was primarily due to a decrease of \$70,000 for the adjustment made for pension expense.

Maintenance materials increased by approximately \$10,000. This is normal fluctuation for the Authority.

Taxes and Insurance decreased by approximately \$7,000. This is normal fluctuation for the Authority.

Utilities increased by approximately \$43,000 due to utility rate increases and more consumption of water with completion of Lugar Seguro Phase II.

**CITY OF OTHELLO HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2017**

***ECONOMIC OUTLOOK***

The change to the Authority's economic outlook was the completion of Lugar Seguro II in August of 2016 which added an additional 72 beds for seasonal farm workers. In the summer of 2016, the Othello Housing Authority added an additional 38 beds to the original 96 beds of the first phase of Lugar Seguro. The total number of beds located at Lugar Seguro is 206 beds.

The Othello Housing Authority is located within an economically stable rural community and has year round waiting lists for all units, except the Lugar Seguro seasonal farm worker project, which means units can be turned over as fast as maintenance can be completed. Therefore, revenue and expenses will continue to follow the same trends as seen over the past few years.

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**CITY OF OTHELLO HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents, Unrestricted	\$ 1,161,726
Cash, Restricted - Tenant Deposits	89,575
Accounts Receivable:	
Tenants, Less Allowance for Doubtful Accounts of \$4	678
Fraud, Less Allowance for Doubtful Accounts of \$4,599	10,186
Other	7,386
Interest Receivable	1,132
Prepaid Expenses	5,656
Inventories	9,179
Total Current Assets	<u>1,285,518</u>

**NONCURRENT ASSETS**

Capital Assets:		
Land, Structures, and Equipment, Net		14,756,480
Other Assets:		
Cash, Restricted	\$ 770,313	
Loan Fees, Net of Amortization of \$6,787	<u>7,635</u>	
Total Other Assets		<u>777,948</u>
Total Noncurrent Assets		<u>15,534,428</u>

**TOTAL ASSETS**

16,819,946

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows Related to Pensions	<u>107,030</u>
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*See accompanying Notes to Financial Statements.*

**CITY OF OTHELLO HOUSING AUTHORITY  
STATEMENT OF NET POSITION (CONTINUED)  
JUNE 30, 2017**

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts Payable - Trade		\$	57,794
Payroll Deductions			107
Unearned Revenue			17,511
Accrued Interest			10,785
Accrued Liabilities			9,390
Accrued Compensated Absences, Current			47,602
Tenant Security Deposits			89,575
Current Maturities of Long-Term Debt			144,620
Total Current Liabilities			<u>377,384</u>

**NONCURRENT LIABILITIES**

Long-Term Debt, Net of Current Maturities	\$	11,423,436	
Accrued Compensated Absences		15,867	
Net Pension Liability		<u>448,281</u>	
Total Noncurrent Liabilities			<u>11,887,584</u>

**TOTAL LIABILITIES**

12,264,968

**CONTINGENCIES**

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows Related to Pensions		<u>56,676</u>
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**NET POSITION**

Net Investment in Capital Assets	3,188,423	
Restricted	770,313	
Unrestricted	<u>646,596</u>	
<b>TOTAL NET POSITION</b>		<u><u>\$ 4,605,332</u></u>

**CITY OF OTHELLO HOUSING AUTHORITY**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN FUND NET POSITION**  
**YEAR ENDED JUNE 30, 2017**

**OPERATING REVENUE**

Rental Revenue	\$ 1,252,970
Management Fees	40,725
Revenue, Tenant Other	32,637
Other	15,915
Total Operating Revenue	<u>1,342,247</u>

**OPERATING EXPENSES**

Wages:		
Administrative	\$ 254,373	
Maintenance	252,492	
Compensated Absences	61,826	
Depreciation	627,746	
Sewer	129,046	
Administrative Costs	111,256	
Maintenance Materials	112,321	
Water	84,084	
Electricity	84,261	
Garbage Removal	77,057	
Insurance:		
Property Insurance	32,781	
Workmen's Compensation	21,903	
Liability Insurance	5,677	
Payment in Lieu of Taxes	44,117	
Office	23,875	
Auditing Fees	21,587	
Maintenance Contracts	16,731	
Travel	4,998	
Bad Debt, Tenant Rent	9,194	
Gas	2,606	
Amortization	1,087	
Employee Benefits	(13,137)	
Other Operating Expenses	<u>21,168</u>	
Total Operating Expenses		<u>1,987,049</u>

**OPERATING LOSS** (644,802)

*See accompanying Notes to Financial Statements.*

**CITY OF OTHELLO HOUSING AUTHORITY**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN FUND NET POSITION (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**NONOPERATING REVENUE (EXPENSE)**

HUD PHA Grants	\$ 271,298	
Other Government Grants	287,557	
Interest Subsidy, USDA	49,575	
Interest Income	8,153	
Other Income	223,322	
Loss on Disposal of Capital Assets	(4,610)	
Interest Expense	<u>(181,702)</u>	
Total Nonoperating Revenue		<u>\$ 653,593</u>

**CHANGE IN NET POSITION**

8,791

Net Position - Beginning of Year

4,596,541

**NET POSITION - END OF YEAR**

\$ 4,605,332

*See accompanying Notes to Financial Statements.*

**CITY OF OTHELLO HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Rents Received from Tenants		\$ 1,254,479
Cash Received from Other Operating Revenue		76,690
Cash Paid to and for Employees		(590,278)
Cash Paid to Suppliers and Employees		<u>(910,884)</u>
Net Cash Used by Operating Activities		(169,993)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Cash Payments Received from HUD	\$ 271,298	
Cash Payments Received from USDA	<u>337,132</u>	
Net Cash Provided by Noncapital Financing Activities		608,430

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

Principal Payments on Long-Term Debt	(143,928)	
Principal Payments on Notes Payable to Related Party	(6,989)	
Proceeds from Long-Term Borrowings	1,525,014	
Loan Fees Paid	5,473	
Capital Contributions	18,152	
Interest Paid	(188,906)	
Additions to Capital Assets	<u>(1,373,742)</u>	
Net Cash Used by Capital and Related Financing Activities		(164,926)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Rental and Other Activities	223,322	
Interest Received	<u>7,834</u>	
Net Cash Provided by Investing Activities		<u>231,156</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

504,667

Cash and Cash Equivalents - Beginning of Year

1,516,947

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 2,021,614

**CASH AND CASH EQUIVALENTS, UNRESTRICTED**

\$ 1,161,726

**CASH, RESTRICTED, TENANT DEPOSITS**

89,575

**CASH, RESTRICTED, NONCURRENT**

770,313

*See accompanying Notes to Financial Statements.*

\$ 2,021,614

**CITY OF OTHELLO HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS (CONTINUED)  
JUNE 30, 2017**

**RECONCILIATION OF LOSS FROM OPERATIONS TO NET**

**CASH USED BY OPERATING ACTIVITIES**

Loss from Operations		\$	(644,802)
Adjustments to Reconcile Loss from Operations to			
Net Cash Provided by Operating Activities:			
Depreciation and Amortization	\$	628,833	
(Increase) Decrease in Assets and Deferred Outflows:			
Accounts Receivable		87,920	
Prepaid Expenses		1,064	
Inventories		(1,366)	
Deferred Outflows		(30,259)	
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable		(89,474)	
Accrued Liabilities		(72,545)	
Unearned Revenue		(9,592)	
Net Pension Liability		(3,420)	
Deferred Inflows		(36,352)	
Total Adjustments			<u>474,809</u>
Net Cash Used by Operating Activities		\$	<u>(169,993)</u>

**SUPPLEMENTARY DISCLOSURES OF NONCASH CAPITAL ACTIVITIES**

During the year, the Authority disposed of capital assets with an original cost of \$12,888 and accumulated depreciation of \$8,278.

*See accompanying Notes to Financial Statements.*

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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 2017 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% 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, 2016 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, 2017**

**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.

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 is displayed in three components as follows:

*Net investment in capital assets* – this component of net position consists of all capital assets, reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements to those assets.

*Restricted net position* – this component of net position consists of restricted assets when constraints are placed on the asset by creditors, grantors, contributors, laws regulations, etc.

*Unrestricted net position* – this component of net position consists of resources that do not meet the definition of net investment capital assets or restricted net position.

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.

**Budgeting**

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



**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Deferred Outflows of Resources and Deferred Inflows of Resources**

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then.

**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 \$4,603 was necessary at June 30, 2017. Management regularly evaluates the customer balances to determine collectability. 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 on a consumption method.

**CITY OF OTHELLO HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets and Liabilities (Continued)**

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

	Balance June 30, 2016	Additions	Collections	Balance June 30, 2017
Oasis Apartments				
Limited Partnership	\$ 32,610	\$ -	\$ -	\$ 32,610
Total	<u>\$ 32,610</u>	<u>\$ -</u>	<u>\$ -</u>	32,610
Less: Current Portion				-
Total				<u>\$ 32,610</u>

This note receivable from the blended component unit was eliminated from the statement of net position along with the corresponding note.

- 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 \$10,704 (related to these contracts) at June 30, 2017 will be earned by November 15, 2017. The remaining amount in unearned revenue will be earned when consumed by tenants.

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets and Liabilities (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% 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 non-operating 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 non-operating revenue and expenses. Operating subsidies and grants are reported as non-operating 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*.

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pensions**

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

**NOTE 2 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

*Interest Rate Risk* – The Authority mostly invests in short-term (less than one year) investments.

*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% 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, 2017, the Authority did not have any temporary investments.

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

**CITY OF OTHELLO HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 RELATED-PARTY TRANSACTIONS**

OALP; a blended component unit, has made long-term borrowings from the Authority, with a principle balance of \$32,610, and accrued interest receivable balance of \$1,132, as of June 30, 2017. OALP's debt is payable annually from available net cash flow, including interest at 5%. The Authority received interest income of \$1,631 for the year ended June 30, 2017. The corresponding liability recorded by OALP consisted of a principle balance of \$32,610, and accrued interest payable balance of \$1,805, as of December 31, 2016. The 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, 2017, the unreimbursed costs payable to the Authority relative to expenses of OALP were \$6,982. The corresponding liability reported by OALP was \$6,075, as of December 31, 2016.

The Authority has entered into a management agreement with OALP. During 2017, the Authority earned management fees of \$15,262 from OALP. OALP recognized management fee expense of \$15,522, for the year ended December 31, 2016. At June 30, 2017, \$84,101 was due from OALP to the Authority. As of December 31, 2016, OALP reported management fees payable to the Authority of \$84,101. The management fee payable and receivable have been eliminated from the statement of net position.

**NOTE 4 CAPITAL ASSETS AND DEPRECIATION**

Land, structures, and equipment consist of the following at June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Structures and Improvements	\$ 18,960,483	\$ 2,945,021	\$ -	\$ 21,905,504
Equipment	906,446	188,052	(12,888)	1,081,610
Total Capital Assets Being Depreciated	19,866,929	3,133,073	(12,888)	22,987,114
Less: Accumulated Depreciation	(8,588,045)	(627,746)	8,278	(9,207,513)
Total Capital Assets Being Depreciated, Net	11,278,884	2,505,327	(4,610)	13,779,601
Capital Assets Not Being Depreciated:				
Land	976,879	-	-	976,879
Construction in Progress	1,759,332	1,285,404	(3,044,736)	-
Total Capital Assets Not Being Depreciated	2,736,211	1,285,404	(3,044,736)	976,879
Total Capital Assets, Net	<u>\$ 14,015,095</u>	<u>\$ 3,790,731</u>	<u>\$ (3,049,346)</u>	<u>\$ 14,756,480</u>

**CITY OF OTHELLO HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 CAPITAL ASSETS AND DEPRECIATION (CONTINUED)**

Component unit information included above:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Structures and Improvements	\$ 2,440,743	\$ 5,219	\$ -	\$ 2,445,962
Equipment	34,170	1,390		35,560
Total Capital Assets Being Depreciated	2,474,913	6,609	-	2,481,522
Less: Accumulated Depreciation	(861,176)	(67,508)		(928,684)
Total Capital Assets Being Depreciated, Net	1,613,737	(60,899)	-	1,552,838
Capital Assets Not Being Depreciated:				
Land	54,938	-	-	54,938
Total Capital Assets Not Being Depreciated	54,938	-	-	54,938
Total Capital Assets, Net	\$ 1,668,675	\$ (60,899)	\$ -	\$ 1,607,776

*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.

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 in the accompanying financial statements.

*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

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 5 PENSION PLANS**

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB 68 for the year 2017:

<u>Aggregate Pension Amounts - All Plans</u>	
Net Pension Liabilities	\$ 448,281
Net Pension Assets	-
Deferred Outflows of Resources	107,030
Deferred Inflows of Resources	56,676
Pension Benefit	(12,717)

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](http://www.drs.wa.gov).

**Public Employees' Retirement System (PERS)**

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

**PERS Plan 1** provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and nonduty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 5 PENSION PLANS (CONTINUED)**

*Contributions* – The **PERS Plan 1** member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

**PERS Plan 1**

Actual Contribution Rate	Employer	Employee
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	11.18%	6.00%

The Authority's actual contribution to the plan was \$24,452 for the year ending June 30, 2017

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

- With a benefit that is reduced by 3% for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5% 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.



**CITY OF OTHELLO HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5 PENSION PLANS (CONTINUED)**

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

*Contributions* – The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

**PERS Plan 2/3**

Actual Contribution Rate	Employer	Employee
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	11.18%	6.12%

The Authority's actual contribution to the plan was \$31,936 for the year ending June 30, 2017

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 5 PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (Continued)**

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

There were minor changes in methods and assumptions since the last valuation.

- The assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.

**Long-Term Expected Rate of Return**

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

**Discount Rate**

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

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

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 5 PENSION PLANS (CONTINUED)**

**Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2% and represents WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20.00%	1.70%
Domestic Equity	5.00%	4.40%
International Equity	15.00%	5.80%
Real Estate	37.00%	6.60%
Private Equity	23.00%	9.60%
Total	100%	

**Sensitivity of NPL**

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

Pension Trust	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
PERS 1	\$ 245,401	\$ 203,501	\$ 167,443
PERS 2/3	450,684	244,780	(127,422)
Total	\$ 696,085	\$ 448,281	\$ 40,021

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 5 PENSION PLANS (CONTINUED)**

**Pension Plan Fiduciary Net Position**

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

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

At June 30, 2017, the Authority reported a total pension liability of \$448,281 for its proportionate share of the net pension liabilities as follows:

Pension Trust	Liability
PERS 1	\$ 203,501
PERS 2/3	244,780
Total	<u>\$ 448,281</u>

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

Pension Trust	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.004586%	0.003789%	-0.000797%
PERS 2/3	0.005928%	0.004862%	-0.001066%

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

The collective net pension liability was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

**Pension Expense**

For the year ended June 30, 2017, the Authority recognized pension expense as follows:

Pension Trust	Pension Expense (Benefit)
PERS 1	\$ (31,270)
PERS 2/3	17,630
Fee	923
Total	<u>\$ (12,717)</u>

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 5 PENSION PLANS (CONTINUED)**

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources			Deferred Inflows of Resources		
	PERS 1	PERS 2/3	Total	PERS 1	PERS 2/3	Total
Differences Between Expected and Actual Experience	\$ -	\$ 13,034	\$ 13,034	\$ -	\$ 8,081	\$ 8,081
Changes of Assumptions	-	2,530	2,530	-	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	5,124	29,954	35,078	-	-	-
Changes in Proportion and Differences Between Housing Authority Contributions and Proportionate Share of Contributions	-	-	-	-	48,595	48,595
Housing Authority Contributions Subsequent to the Measurement Date	24,452	31,936	56,388	-	-	-
Total	<u>\$ 29,576</u>	<u>\$ 77,454</u>	<u>\$ 107,030</u>	<u>\$ -</u>	<u>\$ 56,676</u>	<u>\$ 56,676</u>

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Differences Between Projected and Actual Earnings on Plan Investments			
Year Ending June 30,	PERS 1	PERS 2/3	Total
2018	\$ (1,262)	\$ (18,742)	\$ (20,004)
2019	(1,262)	(15,853)	(17,115)
2020	4,706	11,344	16,050
2021	2,942	12,093	15,035
	<u>\$ 5,124</u>	<u>\$ (11,158)</u>	<u>\$ (6,034)</u>

**CITY OF OTHELLO HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 6 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.

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.

**CITY OF OTHELLO HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 6 PARTICIPATION IN HOUSING AUTHORITY RISK RETENTION POOL  
(CONTINUED)**

The HARRP board of directors did not award the Authority a “low loss ratio credit” during the year ended June 30, 2017.

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

**NOTE 7 LONG-TERM DEBT**

Long-term debt as of June 30, 2017, 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%. 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.

**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%, final payment due January 2034.

**CITY OF OTHELLO HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 LONG-TERM DEBT (CONTINUED)**

**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%, 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%, 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%, 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%, final payment due September 2035.

**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%, 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%, 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%, final payment due July 2034.



**CITY OF OTHELLO HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 LONG-TERM DEBT (CONTINUED)**

**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%, final payment due April 5, 2020.

**Note Payable to the Department of Commerce**

This note is secured by a first mortgage on the land and building located at 613 Seguro Lane and 615 Seguro Lane. The mortgage was originally issued in the amount of \$1,212,929 on April 28, 2015. Additional proceeds were received in the amount of \$1,525,014 on April 10, 2017, for a total of \$2,737,943. This mortgage has a zero percent interest rate. Principal is due in a single balloon payment in April 2055.

**Note Payable to Umpqua 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%, currently 6.22%. The variable interest rates for the loan shall not fall below 4.75%.

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7 LONG-TERM DEBT (CONTINUED)**

The following is a summary of the long-term debt transactions for the year ended June 30, 2017:

	Balances June 30, 2016	Additions	Reductions	Balances June 30, 2017	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	3,456,460	-	13,626	3,442,834	13,626
WCRA	544,741	-	16,125	528,616	17,312
USDA #1	799,968	-	21,073	778,895	22,318
USDA #2	312,549	-	8,234	304,315	8,720
USDA	169,833	-	1,094	168,739	1,154
HAC	420,435	-	14,825	405,610	15,427
Department of Commerce	656,883	-	28,753	628,130	23,649
Department of Commerce	475,989	-	11,823	464,166	11,811
Columbia Bank	288,969	-	8,469	280,500	9,136
Columbia Bank	68,875	-	16,692	52,183	17,772
Department of Commerce	1,212,929	1,525,014	-	2,737,943	-
Umpqua Bank	248,988	-	3,214	245,774	3,695
Total Long-Term Debt	10,186,970	1,525,014	143,928	11,568,056	144,620
Compensated Absences	15,405	462	-	15,867	-
Net Pension Liability	451,701	-	3,420	448,281	-
Total Long-Term Liabilities	<u>\$ 10,654,076</u>	<u>\$ 1,525,476</u>	<u>\$ 147,348</u>	<u>\$ 12,032,204</u>	<u>\$ 144,620</u>

Component unit Information included above:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Notes Payable:					
Department of Commerce	\$ 656,883	\$ -	\$ 28,753	\$ 628,130	\$ 23,649
Total Long-Term Debt	<u>\$ 656,883</u>	<u>\$ -</u>	<u>\$ 28,753</u>	<u>\$ 628,130</u>	<u>\$ 23,649</u>
Notes Payable, Related Party	39,599	-	6,989	32,610	-
Total Long-Term Debt and Related Party Notes	696,482	-	35,742	660,740	23,649
Total Long-Term Liabilities	<u>\$ 696,482</u>	<u>\$ -</u>	<u>\$ 35,742</u>	<u>\$ 660,740</u>	<u>\$ 23,649</u>

**CITY OF OTHELLO HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 LONG-TERM DEBT (CONTINUED)**

Minimum payments due are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 144,620	\$ 179,022
2019	151,100	172,560
2020	152,792	165,221
2021	143,304	159,372
2022	149,444	153,233
2023-2027	1,061,674	621,516
2028-2032	1,066,063	386,848
2033-2037	928,069	112,077
2038-2042	388,457	25,237
2043-2047	963,183	9,340
2048-2052	3,681,408	1,747
2053-2057	2,737,942	-
Total	<u>\$ 11,568,056</u>	<u>\$ 1,986,173</u>

**NOTE 8 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, 2017, these amounts total \$7,518,732.

**NOTE 9 SUBSEQUENT EVENTS**

On December 31, 2017, the Authority's tax credit partnership, Oasis Apartments Limited Partnership, finished and was closed.

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 10 MAJOR COMPONENT UNIT INFORMATION**

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

	Primary Government	Oasis	Eliminations	Combined
<b>Condensed Statement of Net Position:</b>				
Current Assets:				
Receivables, Component Unit	\$ 8,518	\$ -	\$ -	\$ 8,518
Other Current Assets	1,318,042	42,968	(84,010)	1,277,000
Total Current Assets	1,326,560	42,968	(84,010)	1,285,518
Noncurrent Assets:				
Receivables, Component Unit	32,610	-	(32,610)	-
Capital Assets	13,148,704	1,607,776	-	14,756,480
Other Assets	689,310	88,638	-	777,948
Total Noncurrent Assets	13,870,624	1,696,414	(32,610)	15,534,428
Total Assets	15,197,184	1,739,382	(116,620)	16,819,946
Deferred Outflow s Related to Pensions	107,030	-	-	107,030
Current Liabilities:				
Current Liabilities, Payable to Primary				
Government	-	95,296	-	95,296
Current Liabilities, Other	322,498	43,600	(84,010)	282,088
Total Current Liabilities	322,498	138,896	(84,010)	377,384
Noncurrent Liabilities:				
Noncurrent Liabilities, Payable to				
Primary Government	-	32,610	(32,610)	-
Noncurrent Liabilities, Other	10,834,822	604,481	-	11,439,303
Net Pension Liability	448,281	-	-	448,281
Total Noncurrent Liabilities	11,283,103	637,091	(32,610)	11,887,584
Total Liabilities	11,605,601	775,987	(116,620)	12,264,968
Deferred Inflow s Related to Pensions	56,676	-	-	56,676
Net Position:				
Net Investment in Capital Assets	2,208,777	979,646	-	3,188,423
Restricted, Expendable	681,675	88,638	-	770,313
Unrestricted	751,485	(104,889)	-	646,596
Total Net Position	\$ 3,641,937	\$ 963,395	\$ -	\$ 4,605,332

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 10 MAJOR COMPONENT UNIT INFORMATION (CONTINUED)**

	Primary Government	Oasis	Eliminations	Combined
<b>Condensed Statement of Cash Flows:</b>				
Net Cash Provided (Used) by:				
Operating Activities	\$ (192,591)	\$ 22,598	\$ -	\$ (169,993)
Noncapital Financing	608,430	-	-	608,430
Capital and Related Financing Activities	(134,401)	(30,525)	-	(164,926)
Investing Activities	240,162	(9,006)	-	231,156
Total	521,600	(16,933)	-	504,667
Beginning Cash and Cash Equivalent Balances	1,368,915	148,032	-	1,516,947
Ending Cash and Cash Equivalent Balances	<u>\$ 1,890,515</u>	<u>\$ 131,099</u>	<u>\$ -</u>	<u>\$ 2,021,614</u>

**CITY OF OTHELLO HOUSING AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017**

**SCHEDULE OF THE HOUSING AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**PERS # 1**

	2016	2015	2014	2013
Housing Authority's proportion of the net pension liability	0.003789%	0.004586%	0.004820%	0.005116%
Housing Authority's proportionate share of the net pension liability	203,501	239,890	242,810	298,941
Housing Authority's covered payroll	512,613	490,132	-	-
Housing Authority's proportionate share of the net pension liability as a percentage of its covered payroll	39.70%	48.94%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	57.03%	59.10%	61.19%	

**PERS # 2/3**

	2016	2015	2014	2013
Housing Authority's proportion of the net pension liability	0.004862%	0.005928%	0.006205%	0.006814%
Housing Authority's proportionate share of the net pension liability	244,780	211,811	125,425	290,959
Housing Authority's covered payroll	512,613	490,132	531,800	534,125
Housing Authority's proportionate share of the net pension liability as a percentage of its covered payroll	47.75%	43.22%	23.58%	54.47%
Plan fiduciary net position as a percentage of the total pension liability	85.82%	89.20%	93.29%	

**CITY OF OTHELLO HOUSING AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017**

**SCHEDULE OF THE HOUSING AUTHORITY CONTRIBUTIONS**

**PERS # 1**

	2016	2015	2014	2013
Contractually required contribution	24,452	23,379	21,334	13,269
Contributions in relation to the contractually required contribution	(24,452)	(23,379)	(21,334)	(13,269)
Contribution deficiency (excess)	-	-	-	-
Housing Authority's covered payroll	512,613	490,132	-	-
Contributions as a percentage of covered payroll	4.77%	4.77%	0.00%	0.00%

**PERS # 2/3**

	2016	2015	2014	2013
Contractually required contribution	31,936	30,535	26,214	26,441
Contributions in relation to the contractually required contribution	(31,936)	(30,535)	(26,214)	(26,441)
Contribution deficiency (excess)	-	-	-	-
Housing Authority's covered payroll	512,613	490,132	531,800	534,125
Contributions as a percentage of covered payroll	6.23%	6.23%	4.93%	4.95%

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

**Changes of assumptions:** There were minor changes in the assumptions for the Pension Plans.

\* Information is presented only for those years of which information is available

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2017

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	Passed through to Subrecipients	
Department of Housing and Urban Development Office of Public and Indian Housing	Public and Indian Housing	14.850	WA19P02600000116D	\$0.00	\$66,470.00			
	Public and Indian Housing	14.850	WA19P02600000117D	\$0.00	\$63,406.00			
			<b>Subtotal</b>	<b>\$0.00</b>	<b>\$129,876.00</b>	<b>\$129,876.00</b>	<b>\$0.00</b>	
Department of Housing and Urban Development Office of Public and Indian Housing	Public Housing Capital Fund	14.872	WA19P026501-16	\$0.00	\$63,580.00			
			<b>Subtotal</b>	<b>\$0.00</b>	<b>\$63,580.00</b>	<b>\$63,580.00</b>	<b>\$0.00</b>	
Department of Housing and Urban Development Office of Housing - Federal Housing Commissioner	Section 8 Housing Assistance Payments Program	14.195	WA25L00018	\$0.00	\$15,772.00			
	Section 8 Housing Assistance Payments Program	14.195	WA19M000109	\$0.00	\$62,070.00			
			<b>Subtotal</b>	<b>\$0.00</b>	<b>\$77,842.00</b>	<b>\$77,842.00</b>	<b>\$0.00</b>	
Department of Agriculture Rural Housing Service	Rural Rental Housing Loans	10.415	56001 549626707 01-5 02	\$0.00	\$304,315.41			
	Rural Rental Housing Loans	10.415	56001 549626707 01-5 01	\$0.00	\$778,894.57			
	Rural Rental Housing Loans	10.415	56001 549626707 02-7	\$0.00	\$168,738.85			
			<b>Subtotal</b>	<b>\$0.00</b>	<b>\$1,251,948.83</b>	<b>\$1,251,948.83</b>	<b>\$0.00</b>	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			
			<b>Subtotal</b>	<b>\$0.00</b>	<b>\$49,575.36</b>	<b>\$49,575.36</b>	<b>\$0.00</b>	Note 3
Total Federal Awards Expended				\$0.00	\$1,572,822.19	\$1,572,822.19	\$0.00	



**Housing Authority of the City of Othello**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**July 1, 2016 through June 30, 2017**

**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 \$1,251,948.83 as of June 30, 2017.

**NOTE 7 - INDIRECT COST RATE**

The Housing Authority of the City of Othello has not elected to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Submission Type: Audited/A-133	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	6.2 Component Units	Subtotal	Eliminations	TOTAL
Fiscal Year End: 06/30/2017	102,279	22,433	-	5,090	1,002,039	29,885	1,161,726	-	1,161,726
Cash - Unrestricted	-	-	-	-	-	-	-	-	-
Cash - Restricted - Modernization and D	-	-	-	-	-	-	-	-	-
Cash - Other Restricted	-	262,117	-	179,878	239,680	88,638	770,313	-	770,313
Cash - Tenant Security Deposits	15,868	35,299	-	7,095	18,737	12,576	89,575	-	89,575
Cash - Restricted for Payment of Current	-	-	-	-	-	-	-	-	-
Total Cash	118,147	319,849	0	192,063	1,260,456	131,099	2,021,614	0	2,021,614
Accounts Receivable - PHA Projects	-	-	-	-	-	-	-	-	-
Accounts Receivable - HUD Other Project	-	-	-	-	-	-	-	-	-
Accounts Receivable - Other Government	-	-	-	-	-	-	-	-	-
Accounts Receivable - Miscellaneous	7,002	-	-	-	84,485	-	91,487	(84,101)	7,386
Accounts Receivable - Tenants	23	109	-	43	-	507	682	-	682
Allow for doubtful accounts - Tenants	(1)	(2)	-	(1)	-	0	(4)	-	(4)
Allowance for Doubtful Accounts - Other	0	0	-	-	-	-	0	-	0
Notes & Mortgages Receivable - Current	-	-	-	-	-	-	-	-	-
Accounts Receivable - Fraud	11,420	1,576	-	1,789	-	-	14,785	-	14,785
Allowance for Doubtful accounts - Fraud	(4,597)	(1)	-	(1)	-	-	(4,599)	-	(4,599)
Accrued Interest Receivable	-	-	-	-	1,132	-	1,132	-	1,132
Total Receivables, net of allowances to	13,847	1,682	0	1,830	85,617	507	103,483	(84,101)	19,382
Investments - Unrestricted	-	-	-	-	-	-	-	-	-
Investments - Restricted	-	-	-	-	-	-	-	-	-
Investments - Restricted for Payment of	-	-	-	-	-	-	-	-	-
Prepaid expenses & Other assets	-	-	-	-	5,656	-	5,656	-	5,656
Inventories	6,678	-	-	-	2,501	-	9,179	-	9,179
Allowance for Obsolete Inventories	0	-	-	-	-	-	0	-	0
Interprogram Due From	43,159	-	-	-	457,206	-	500,365	(500,365)	0
Assets Held for Sale	-	-	-	-	-	-	-	-	-
Total Current Assets	181,831	321,531	0	193,893	1,811,436	131,606	2,640,297	(584,466)	2,055,831
Land	802,254	297,441	0	84,000	308,611	54,938	1,547,244	-	1,547,244
Buildings	3,593,172	2,914,038	0	1,076,340	11,300,912	2,369,653	21,254,115	-	21,254,115
Furniture, Equipment - Dwellings	178,606	91,857	0	18,184	458,291	35,560	782,498	-	782,498
Furniture, Equipment - Administration	122,483	5,333	0	2,870	173,141	0	303,827	-	303,827
Leasehold Improvements	-	-	-	-	-	76,309	76,309	-	76,309
Accumulated Depreciation	(3,163,128)	(1,142,058)	0	(353,641)	(3,620,002)	(928,684)	(9,207,513)	-	(9,207,513)
Construction in Progress	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Total Capital Assets, Net of Accumulated Depreciat	1,533,387	2,166,611	0	827,753	8,620,953	1,607,776	14,756,480	0	14,756,480
Notes & Mortgages Rec - Non-current	-	-	-	-	32,610	-	32,610	(32,610)	-
Notes, Loans, Mig Rec -Past Due	-	-	-	-	-	-	-	-	-
Grants Receivable - Non Current	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	7,635	-	7,635	-	7,635
Investments in Joint Ventures	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	1,533,387	2,166,611	0	827,753	8,661,198	1,607,776	14,796,725	(32,610)	14,764,115
Deferred Outflow of Resources	-	-	-	-	107,030	-	107,030	-	107,030
Total Assets and Deferred Outflow of Resources	1,715,218	2,488,142	0	1,021,646	10,579,664	1,739,382	17,544,052	(617,076)	16,926,976
Bank Overdraft	-	-	-	-	-	-	-	-	-
Accounts Payable <= 90 Days	8,313	8,759	-	3,453	31,166	6,103	57,794	-	57,794
Accounts Pay > 90 days - Past Due	-	-	-	-	-	-	-	-	0
Accrued Wage/Payroll Taxes Payable	-	-	-	-	107	-	107	-	107
Accrued Compensated Absences - Curr	47,602	-	-	-	-	-	47,602	-	47,602
Accrued Contingent Liability	-	-	-	-	-	-	-	-	0
Accrued Interest	-	5,805	-	161	3,014	1,805	10,785	-	10,785
Accounts Pay - HUD PHA Projects	-	-	-	-	-	-	-	-	0

[illegible]

91,900	Other	23,715	57,754	-	13,731	38,954	46,368	180,522	(68,179)	112,343
91,000	Total operating - Administrative	196,141	135,311	0	44,978	79,195	46,368	501,993	(68,179)	433,814
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	-	-	-	-	-	-	-	-	-
92,500	Total Tenant Services	0	0	0	0	0	0	0	0	0
93,100	Water	31,976	12,171	-	5,477	34,460	-	84,084	-	84,084
93,200	Electricity	8,981	13,347	-	4,882	37,699	19,352	84,261	-	84,261
93,300	Gas	724	-	-	-	1,883	-	2,607	-	2,607
93,400	Fuel	-	-	-	-	-	-	-	-	-
93,500	Labor	-	-	-	-	-	-	-	-	-
93,600	Sewer	25,473	35,339	-	9,838	45,151	13,245	129,046	-	129,046
93,700	Employee Benefit Cont. - Utilities	-	-	-	-	-	-	-	-	-
93,800	Other Utilities Expense	15,741	21,046	-	9,706	29,484	-	75,977	-	75,977
93,900	Total Utilities	82,895	81,903	0	29,903	148,677	32,597	375,975	0	375,975
94,100	Ordinary Maint & Oper - Labor	61,904	38,970	-	15,880	85,941	49,797	252,492	-	252,492
94,200	Ordinary Maint & Oper - Materials	34,972	25,816	-	6,847	44,686	-	112,321	-	112,321
94,300	Ordinary Maint and Operation Contracts	5,364	7,725	-	1,047	10,514	-	24,650	(7,920)	16,730
94,400	Employee Benefits - Maintenance	9,974	5,141	-	2,133	(47,023)	-	(29,775)	-	(29,775)
94,500	Total Maintenance	112,214	77,652	0	25,907	94,118	49,797	359,688	(7,920)	351,768
95,100	Protective Services - Labor	-	-	-	-	-	-	-	-	-
95,200	Protective Services - Other Contract Co	-	-	-	-	-	-	-	-	-
95,300	Protective Services - Other	540	-	-	-	540	-	1,080	-	1,080
95,400	Employee Benefit Cont. - Protective Serv	-	-	-	-	-	-	-	-	-
95,500	Total Protective Services	540	0	0	0	540	0	1,080	0	1,080
96,110	Property Insurance	6,459	8,935	-	2,601	9,606	5,180	32,781	-	32,781
96,120	Liability Insurance	1,492	985	-	287	1,301	1,612	5,677	-	5,677
96,130	Workmen's Compensation	4,600	6,133	-	1,752	7,009	2,409	21,903	-	21,903
96,140	All other insurance	-	-	-	-	-	-	-	-	-
96,100	Total Insurance Premiums	12,551	16,053	0	4,640	17,916	9,201	60,361	0	60,361
96,200	Other General Expenses	5,457	45	-	-	407	15,259	21,168	-	21,168
96,210	Compensated Absences	29,172	15,482	-	5,863	11,310	0	61,827	-	61,827
96,300	Payments in Lieu of Taxes	15,177	2,700	-	5,000	21,240	0	44,117	-	44,117
96,400	Bad Debt - Tenant Rent	5,214	1,188	-	378	-	-	6,780	-	6,780
96,500	Bad Debt Mortgages	-	-	-	-	-	-	-	-	-
96,600	Bad Debt - Other	-	-	-	-	-	-	-	-	-
96,800	Severance Expense	-	-	-	-	-	-	-	-	-
96,900	Total other general expenses	55,020	19,415	0	11,241	32,957	15,259	133,892	0	133,892
96,710	Interest of mortgage (or bonds) payable	-	128,105	-	19,172	7,202	11,548	166,027	-	166,027
96,720	Interest on notes payable (short and long term)	-	-	-	-	15,675	0	15,675	-	15,675
96,730	Amortization of bond issue costs	-	-	-	-	-	0	-	-	-
96,700	Total Interest Expense and Amortization cost	0	128,105	0	19,172	22,877	11,548	181,702	0	181,702
96,900	Total Operating Expenses	459,361	458,439	-	135,841	396,280	164,770	1,614,691	(76,099)	1,538,592
97,000	Excess Revenue over Operating Expenses	(12,751)	15,751	49,575	29,636	539,636	17,104	638,951	0	638,951
97,100	Extraordinary Maintenance	-	-	-	-	-	-	-	-	-
97,200	Casualty Losses - Non-capitalized	-	-	-	-	-	-	-	-	-
97,300	Housing Assistance Payments	-	-	-	-	-	-	-	-	-
97,350	HAP Portability-In	-	-	-	-	-	-	-	-	-
97,400	Depreciation Expense	94,477	104,287	-	31,085	330,389	67,508	627,746	-	627,746
97,500	Fraud losses	-	-	-	2,414	-	-	2,414	-	2,414
97,600	Capital Outlays - Government funds	-	-	-	-	-	-	-	-	-
97,700	Debt Princ Payment - Governmental funds	-	-	-	-	-	-	-	-	-
97,800	Dwelling Units Rent Expense	-	-	-	-	-	-	-	-	-
90,000	Total Expenses	553,838	562,726	0	169,340	726,669	232,278	2,244,851	(76,099)	2,168,752

10,010	Operating Transfers In	63,580	-	-	-	-	-	-	-	63,580	-	63,580
10,020	Operating Transfers Out	(63,580)	-	-	-	-	-	-	-	(63,580)	-	(63,580)
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	0	0
10,000	Excess (deficiency) of Operating Revenue	(107,228)	(38,961)	-	(3,863)	209,247	(50,404)	-	-	8,791	-	8,791
11,020	Required annual debt principal payments	0	61,351	0	8,512	45,366	30,287	-	-	145,516	-	145,516
11,030	Beginning Equity	1,733,371	(346,153)	-	(49,922)	2,245,446	1,013,799	-	-	4,596,541	-	4,596,541
11,040	Prior Period Adj. Equity Transfers, Cor	-	-	-	-	-	-	-	-	0	-	0
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	0	0
11,180	Housing assistance payments equity	-	-	-	-	-	-	-	-	-	-	-
11,190	Unit Months Available	660	924	-	252	684	372	-	-	2,892	-	2,892
11,210	Number of Unit Months Leased	642	893	-	241	668	357	-	-	2,801	-	2,801
11,270	Excess cash	63,665	-	-	-	-	-	-	-	63,665	-	63,665
11,610	Land Purchases	-	-	-	-	-	-	-	-	0	-	0
11,620	Building Purchases	-	-	-	-	-	-	-	-	0	-	0
11,630	Furniture & Equipment - Dwelling purchases	2,728	-	-	-	-	-	-	-	2728	-	2728
11,640	Furniture & Equipment - Administrative purchases	1,180	-	-	-	-	-	-	-	1180	-	1180
11,650	Leasehold Improvements purchases	-	-	-	-	-	-	-	-	0	-	0
11,660	Infrastructure purchases	0	-	-	-	-	-	-	-	0	-	0
13,510	CFFP Debt Service Payments	0	-	-	-	-	-	-	-	0	-	0
13,901	Replacement housing factor funds	0	-	-	-	-	-	-	-	0	-	0

## 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.

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Contact information for the State Auditor's Office	
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