## Washington State Auditor's Office

### Financial Statements and Federal Single Audit Report

# Housing Authority of the City of Othello

## Adams County

Audit Period
**July 1, 2012 through June 30, 2013**

**Report No. 1011402**

Issue Date
**March 10, 2014**

WASHINGTON
TROY KELLEY
STATE AUDITOR

# Washington State Auditor
# Troy Kelley

March 10, 2014

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,

Troy X. Kelley

**TROY KELLEY**
STATE AUDITOR

# Table of Contents

**Housing Authority of the City of Othello**
**Adams County**
**July 1, 2012 through June 30, 2013**

# Federal Summary

## Housing Authority of the City of Othello
## Adams County
## July 1, 2012 through June 30, 2013

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

## *FINANCIAL STATEMENTS*

An unmodified opinion was issued on the basic financial statements.

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

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

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

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

## *FEDERAL AWARDS*

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

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

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

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

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

***Identification of Major Programs:***

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

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

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

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

# Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**Housing Authority of the City of Othello**
**Adams County**
**July 1, 2012 through June 30, 2013**

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, 2013, 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 3, 2014. Our report includes a reference to other auditors who audited the financial statements of the Harvest Manor Credit Partnership and the Oasis Apartments Tax Credit Partnership, as described in our report on the Housing Authority's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Harvest Manor Tax Credit Partnership and the Oasis Apartments Tax Credit Partnership were not audited in accordance with *Government Auditing Standards*.

## *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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.  Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses.  However, material weaknesses may exist that have not been identified.

## *COMPLIANCE AND OTHER MATTERS*

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

The results of our tests 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.

Troy X. Kelley

**TROY KELLEY**
STATE AUDITOR

March 3, 2014

# Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

**Housing Authority of the City of Othello**
**Adams County**
**July 1, 2012 through June 30, 2013**

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) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The Housing Authority's major federal programs are identified in the accompanying Federal Summary.

### *Management's Responsibility*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Housing Authority's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## *REPORT ON INTERNAL CONTROL OVER COMPLIANCE*

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## *PURPOSE OF THIS REPORT*

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

Troy X. Kelley

**TROY KELLEY**
STATE AUDITOR

March 3, 2014

# Independent Auditor's Report on Financial Statements

**Housing Authority of the City of Othello**
**Adams County**
**July 1, 2012 through June 30, 2013**

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, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 11.

### *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 Harvest Manor Tax Credit Partnership, which represents 18 percent, 36 percent and 20 percent, or the Oasis Apartments Tax Credit Partnership, which represents 13 percent, 18 percent, and 16 percent, respectively, of the assets, net assets 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 Harvest Manor Tax Credit Partnership and the Oasis Apartments Tax Credit 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 Harvest Manor Tax Credit Partnership and the Oasis Apartments Tax Credit 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, 2013, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Financial Data Schedule and HUD form are supplementary information required by HUD. These schedules are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## *OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2014 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.

Troy X. Kelley

**TROY KELLEY**
STATE AUDITOR

March 3, 2014

# Financial Section

## Housing Authority of the City of Othello
## Adams County
## July 1, 2012 through June 30, 2013

### *REQUIRED SUPPLEMENTARY INFORMATION*



### *BASIC FINANCIAL STATEMENTS*



### *SUPPLEMENTARY AND OTHER INFORMATION*

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, 2013.

### *OVERVIEW OF THE CITY OF OTHELLO HOUSING AUTHORITY*

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

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

Lugar Seguro, a seasonal farm worker project experienced slow lease-up in previous years. However, with a large increase in the H2A program last year we are experiencing an encouraging increase in tenant lease-up.

The Housing Authority is currently constructing two duplexes in the Main Street III Project. It is hoped that construction lease-up will begin in December 2013. The projected total cost of the project is $366,700.

Our current portfolio is:

| | |
|---|---|
| 55 | Units HUD Public Housing |
| 42 | Units Harvest Manor LIHTC (blended component unit) |
| 31 | Units Oasis Apartments LIHTC (blended component unit) |
| 11 | Units Nonsubsidized Rental Housing |
| 52 | Units Lions Park Apartments USDA 515 |
| 22 | Units Parkview Apartments HUD 236 |
| 25 | Units Desert Haven LIHTC (manage only) |
| 26 | Units Cedar Park Apartments USDA 515 Senior |
| 20 | Units Lugar Seguro |
| 284 | |

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.

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

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

- The Authority-wide statements report the Authority's net position. Net position, the difference between the Authority's assets and liabilities, are one way to measure the Authority's financial position.

- The Authority does not believe there are any restrictions, commitments, or other limitations that would significantly affect the availability of fund resources for future use.

### *OVERVIEW OF THE AUTHORITY-WIDE FINANCIAL POSITION AND OPERATIONS*

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

| | 2013 | 2012 |
|---|---|---|
| Current Assets | $ 1,432,493 | $ 1,467,489 |
| Capital Assets, Net of Depreciation | 13,145,845 | 13,537,990 |
| Other | 1,044,672 | 1,075,551 |
| Total Assets | $ 15,623,010 | $ 16,081,030 |

| | 2013 | 2012 |
|---|---|---|
| Current Liabilities | $ 510,306 | $ 427,442 |
| Noncurrent Liabilities | 9,241,206 | 9,417,286 |
| Total Liabilities | $ 9,751,512 | $ 9,844,728 |

| | 2013 | 2012 |
|---|---|---|
| Net Position: | | |
| Invested in Capital Assets, Net of Related Debt | $ 4,143,439 | $ 4,387,330 |
| Restricted | 755,981 | 771,845 |
| Unrestricted | 972,078 | 1,077,127 |
| Total Net Position | $ 5,871,498 | $ 6,236,302 |

The Authority's total assets at June 30, 2013 were $15,623,010, a decrease of $458,020 or 2.8 percent from June 30, 2012. The change in assets primarily consisted of the depreciation of capital assets.

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

*Cash and investments:*

Total cash and cash equivalents decreased by approximately $83,000 as of June 30, 2013. This is primarily due to the purchase or improvements of capital assets and construction in progress.

*Accounts receivable:*

Accounts receivable - Other increased by approximately $16,000 as of June 30, 2013. This is primarily due to an increase in management fees receivable from related parties.

*Current liabilities:*

Accounts payable increased by approximately $25,000 as of June 30, 2013. This is primarily due to the timing of payments in lieu of taxes.

Payroll deductions decreased by approximately $9,000 because quarterly payroll taxes were calculated and paid before June 30, 2013.

Deferred revenue increased by approximately $37,000 as of June 30, 2013. This is primarily due to amounts pre-paid on grower contracts with Lugar Seguro, our farmworker project.

*Land, structures, and equipment:*

Net land, structures, and equipment decreased by $392,145, primarily due to depreciation expense. For further information see Note 5 in the notes to financial statements.

Net land, structures, and equipment includes $46,484 of accumulated construction in progress expenses related to the Main Street III Project. The anticipated completion date is December 2013 and the projected total cost of the project is $366,700. For further information see Note 10 in the notes to the financial statements.

*Long-term debt:*

During the year, the Authority did not incur any new long-term debt other than as discussed in the next paragraph. The Authority repaid notes payable in the amount of $154,338, representing all long-term liability payments due by the Authority during the year. For further information see Note 8 in the notes to the financial statements.

In March 2013 the Authority secured financing for the Main Street III Project. The construction loan was approved for $256,000. Total advances as of June 30, 2013 were $5,406 for a loan fee. For further information see Notes 8 and 10 in the notes to the financial statements.

*Net position:*

The Authority's net position decreased by $364,804, or 5.9 percent, during fiscal year ended June 30, 2013.

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

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

| | 2013 | 2012 |
|---|---|---|
| Operating Revenue: | | |
| Rental Revenue | $ 1,053,626 | $ 999,498 |
| Management Fees | 79,677 | 76,801 |
| Revenue, Tenant - Other | 29,501 | 23,887 |
| Other | 5,880 | 3,870 |
| Total Operating Revenue | 1,168,684 | 1,104,056 |
| Nonoperating Revenue: | | |
| Subsidies | 570,416 | 628,610 |
| Interest Income | 10,729 | 15,314 |
| Other | 25,438 | 5,826 |
| Total Nonoperating Revenue | 606,583 | 649,750 |
| Total Revenue | $ 1,775,267 | $ 1,753,806 |

| Operating Expenses: | 2013 | 2012 |
|---|---|---|
| Wages and Benefits | $ 595,738 | $ 576,025 |
| Depreciation | 554,860 | 560,139 |
| Utilities | 275,539 | 262,580 |
| Maintenance Materials | 151,418 | 126,450 |
| Taxes and Insurance | 120,652 | 115,820 |
| Other | 257,492 | 280,161 |
| Total Operating Expenses | 1,955,699 | 1,921,175 |
| Nonoperating Expenses: | | |
| Interest | 191,427 | 199,491 |
| Total Expenses | 2,147,126 | 2,120,666 |
| Loss Before Capital Distributions and Contributions | (371,859) | (366,860) |
| Capital Contributions, HUD Grant | 7,055 | 22,330 |
| Changes in Net Position | (364,804) | (344,530) |
| Net Position, Beginning of Year | 6,236,302 | 6,580,832 |
| Net Position, End of Year | $ 5,871,498 | $ 6,236,302 |

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

### *RESULTS OF OPERATIONS*

Operating revenue of the Authority's activities are generated principally from rental revenue and management fees. In 2013, the Authority's operating revenue totaled $1,168,684. Of this total, $1,053,626 and $79,677 were from rental revenue and management fees, respectively. Operating expenses of the Authority's activities consist primarily of wages and depreciation. The total operating expenses were $1,955,699, of which $595,738 and $554,860 were wages and depreciation, respectively. Nonoperating revenue consists primarily of subsidies. Total nonoperating revenue was $606,583, of which $570,416 was from subsidies.

Changes in fund net position for the year ended June 30, 2013, were $(364,804) compared to $(344,530) for the year ended June 30, 2012. Factors contributing to these results included:

Operating revenue increased by approximately $64,600 primarily due to a $54,000 increase in rental revenue. The rental revenue increased approximately $10,000 because fewer tenants are qualifying for rental assistance due to increases in their annual income. The remaining $44,000 increase in rental revenue was due to increased occupancy at Lugar Seguro, our farm labor housing facility.

Nonoperating revenue decreased by approximately $43,000 due to three different factors. The subsidies decreased by $58,000 because tenants qualified for less assistance. Interest income decreased by $5,000. However, other income increased by approximately $20,000 due to a one-time payment from Desert Haven of $17,200 for a painting project.

Wages and benefits increased by approximately $20,000. Over $10,000 of the increase is because two temporary employees were hired to complete the Desert Haven painting project mentioned in the above paragraph.

Utilities increased by approximately $13,000 due to rate increases that were phased in over a two-year period. Most of this increase was due to a $9,000 increase in sewer charges. These increases were anticipated by OHA.

Maintenance materials increased by $32,000. The increase (approximately $5,000 for Harvest Manor, $5,000 for Lions Park, $6,000 for Cedar Park, $4,000 for Parkview, $4,000 for HUD, $5,000 for Lugar Seguro, $2,000 for Main St., and $1,000 for Master) is attributed to aging properties with increased maintenance needs. Wear and tear and an unusually high unit turnover rate also contributed to the increase.

Capital grants decreased by approximately $15,000. This is a natural fluctuation. The Authority completed some minor capital improvement projects during the previous year.

<u>*Contact Information*</u>:

David S. Anderson, Executive Director
335 N. 3rd Avenue
Othello, WA 99344
509-488-3527

## CITY OF OTHELLO HOUSING AUTHORITY
## STATEMENT OF NET POSITION
## JUNE 30, 2013
**(SEE ACCOUNTANTS' COMPILATION REPORT)**

### ASSETS

| | | |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and Cash Equivalents, Unrestricted | | $ 1,230,299 |
| Cash, Restricted - Tenant Deposits | | 54,061 |
| Accounts Receivable: | | |
| Tenants, Less Allowance for Doubtful Accounts of $4 | | 2,423 |
| Other | | 96,068 |
| Capital Fund | | 5,804 |
| Fraud, Less Allowance for Doubtful Accounts of $8,198 | | 7,600 |
| Interest Receivable | | 20,620 |
| Inventories | | 9,718 |
| Prepaid Expenses | | 5,158 |
| Current Portion of Notes Receivable, Harvest Manor Limited Partnership | | 742 |
| Total Current Assets | | 1,432,493 |
| **NONCURRENT ASSETS** | | |
| Notes Receivable: | | |
| Harvest Manor Limited Partnership, Net of Current Portion | $ 98,243 | |
| Oasis Apartments Limited Partnership | 39,599 | |
| Total Notes Receivable | | 137,842 |
| Capital Assets: | | |
| Land, Structures, and Equipment, Net | | 13,145,845 |
| Other Assets: | | |
| Cash, Restricted | 750,176 | |
| Developer Fee Receivable, Oasis Apartments Limited Partnership | 50,068 | |
| Land, Held for Investment | 87,364 | |
| Loan Fees | 19,222 | |
| Total Other Assets | | 906,830 |
| Total Noncurrent Assets | | 14,190,517 |
| Total Assets | | $15,623,010 |

*See accompanying Notes to Financial Statements.*

# CITY OF OTHELLO HOUSING AUTHORITY
## STATEMENT OF NET POSITION (CONTINUED)
## JUNE 30, 2013
### (SEE ACCOUNTANTS' COMPILATION REPORT)

| | | |
|---|---|---|
| **LIABILITIES AND NET POSITION** | | |
| **CURRENT LIABILITIES** | | |
| Accounts Payable - Trade | | $ 66,735 |
| Payroll Deductions | | 967 |
| Deferred Revenue | | 47,478 |
| Accrued Interest | | 28,032 |
| Accrued Liabilities | | 77,074 |
| Accrued Compensated Absences, Current | | 55,261 |
| Tenant Security Deposits | | 54,061 |
| Other Current Liabilities | | 13,960 |
| Current Maturities of Long-Term Debt to Related Parties | | 720 |
| Current Maturities of Long-Term Debt | | 166,018 |
| Total Current Liabilities | | 510,306 |
| **NONCURRENT LIABILITIES** | | |
| Long-Term Debt, Net of Current Maturities | $ 8,836,389 | |
| Loans Payable Noncurrent | 192,396 | |
| Notes Payable, Related Parties, Net of Current Maturities | 138,218 | |
| Developer Fee | 55,783 | |
| Accrued Compensated Absences | 18,420 | |
| Total Noncurrent Liabilities | | 9,241,206 |
| Total Liabilities | | 9,751,512 |
| **CONTINGENCIES** | | |
| **NET POSITION** | | |
| Investment in Capital Assets, Net of Related Debt | 4,143,439 | |
| Restricted | 755,981 | |
| Unrestricted | 972,078 | |
| Total Net Position | | 5,871,498 |
| Total Liabilities and Net Position | | $15,623,010 |

*See accompanying Notes to Financial Statements.*

## CITY OF OTHELLO HOUSING AUTHORITY
## STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN FUND NET POSITION
## YEAR ENDED JUNE 30, 2013
**(SEE ACCOUNTANTS' COMPILATION REPORT)**

| | | |
|---|---|---|
| **OPERATING REVENUE** | | |
| Rental Revenue | | $ 1,053,626 |
| Management Fees | | 79,677 |
| Revenue, Tenant Other | | 29,501 |
| Other | | 5,880 |
| Total Operating Revenue | | 1,168,684 |
| **OPERATING EXPENSES** | | |
| Depreciation | $ 554,860 | |
| Wages: | | |
| Administrative | 277,069 | |
| Maintenance | 210,521 | |
| Compensated Absences | 50,257 | |
| Administrative Costs | 175,045 | |
| Maintenance Materials | 151,419 | |
| Electricity | 86,577 | |
| Sewer | 84,402 | |
| Payment in Lieu of Taxes | 66,281 | |
| Employee Benefits | 57,891 | |
| Water | 56,221 | |
| Insurance: | | |
| Property Insurance | 28,827 | |
| Workmen's Compensation | 17,481 | |
| Liability Insurance | 8,063 | |
| Garbage Removal | 46,919 | |
| Office | 17,437 | |
| Auditing Fees | 15,914 | |
| Maintenance Contracts | 10,342 | |
| Travel | 9,398 | |
| Gas | 1,424 | |
| Bad Debt, Tenant Rent | 1,371 | |
| Amortization | 1,368 | |
| Tenant Services | 677 | |
| Advertising | 422 | |
| Legal | 125 | |
| Other Operating Expenses | 25,388 | |
| Total Operating Expenses | | 1,955,699 |
| **OPERATING LOSS** | | (787,015) |

*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, 2013
**(SEE ACCOUNTANTS' COMPILATION REPORT)**

| | | |
|---|---|---|
| **NONOPERATING REVENUE (EXPENSE)** | | |
| Other Government Grants | $ 268,366 | |
| HUD PHA Grants | 252,475 | |
| Interest Subsidy, USDA | 49,575 | |
| Interest Income | 10,729 | |
| Other Income | 25,951 | |
| Loss on Disposal of Capital Assets | (513) | |
| Interest Expense | (191,427) | |
| Total Nonoperating Revenue | | 415,156 |
| **LOSS BEFORE CAPITAL DISTRIBUTIONS AND CONTRIBUTIONS** | | (371,859) |
| **CAPITAL CONTRIBUTIONS, HUD GRANT** | | 7,055 |
| **CHANGE IN NET POSITION** | | (364,804) |
| Net Position - Beginning of Year | | 6,236,302 |
| **NET POSITION - END OF YEAR** | | $ 5,871,498 |

*See accompanying Notes to Financial Statements.*

**CITY OF OTHELLO HOUSING AUTHORITY**
**STATEMENT OF CASH FLOWS**
**YEAR ENDED JUNE 30, 2013**
**(SEE ACCOUNTANTS' COMPILATION REPORT)**

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Rents Received from Tenants | | $ 1,095,330 |
| Cash Received from Other Operating Revenue | | 86,971 |
| Cash Paid to Suppliers and Employees | | (1,364,002) |
| Net Cash Used by Operating Activities | | (181,701) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| Cash Payments Received from HUD | $ 246,671 | |
| Cash Payments Received from USDA | 317,941 | |
| Net Cash Provided by Noncapital Financing Activities | | 564,612 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Principal Payments on Long-Term Debt | (153,618) | |
| Principal Payments on Notes Payable to Related Party | (720) | |
| Payment of Developer Fee Payable to Related Party | (12,882) | |
| Capital Contributions | 7,055 | |
| Interest Paid | (189,862) | |
| Additions to Capital Assets | (163,228) | |
| Net Cash Used by Capital and Related Financing Activities | | (513,255) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Collections of Note Receivable, Related Party | 698 | |
| Collections of Developer Fee | 12,156 | |
| Rent Collected on Land and Equipment Investment | 25,951 | |
| Interest Received | 8,749 | |
| Net Cash Provided by Investing Activities | | 47,554 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | (82,790) |
| Cash and Cash Equivalents - Beginning of Year | | 2,117,326 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | | $ 2,034,536 |
| **CASH AND CASH EQUIVALENTS, UNRESTRICTED** | | $ 1,230,299 |
| **CASH, RESTRICTED, TENANT DEPOSITS** | | 54,061 |
| **CASH, RESTRICTED, NONCURRENT** | | 750,176 |
| | | $ 2,034,536 |

*See accompanying Notes to Financial Statements.*

| | | |
|---|---|---|
| **RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES** | | |
| Loss from Operations | | $ (787,015) |
| Adjustments to Reconcile Loss from Operations to Net Cash Used by Operating Activities: | | |
| Depreciation and Amortization | $ 556,228 | |
| Increase in Assets: | | |
| Accounts Receivable | (16,471) | |
| Prepaid Expenses | (556) | |
| Inventories | (921) | |
| Increase in Liabilities: | | |
| Accounts Payable | 25,598 | |
| Accrued Liabilities | 3,827 | |
| Deferred Revenue | 37,608 | |
| Total Adjustments | | 605,313 |
| Net Cash Used by Operating Activities | | $ (181,702) |

## SUPPLEMENTARY DISCLOSURES OF NONCASH CAPITAL ACTIVITIES

During the year, the Authority paid a $5,406 loan fee with direct financing.

During the year, the Authority disposed of capital assets with an original cost of $15,604 and accumulated depreciation of $15,091.

During the year, the Authority traded capital assets with an original cost of $2,114 and accumulated depreciation of $2,014.

*See accompanying Notes to Financial Statements.*

## 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 Harvest Manor Limited Partnership (HMLP) and Oasis Apartments Limited Partnership (OALP) (the Partnerships). As general partner, the Authority controls the day-to-day operations of the Partnerships. Subsequent to the year ended June 30, 2002, the Authority made the determination that HMLP and OALP should be considered blended components. Because the resources, exclusively, or almost exclusively, benefit the Authority by providing services indirectly, the Partnerships are considered blended component units, and are included in the Authority's 2013 financial statements.

The HMLP and 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 projects must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits. In addition, HMLP has executed an Extended Low-Income Housing Covenant for Low-Income Housing Tax Credits which requires the utilization of the project pursuant to Section 42 for a minimum of 37 years, even if disposition of the project by HMLP occurs.

There are a variety of transactions that occur between the General Partner (the Authority) and the Partnerships, including the payment of a management fee by the Partnerships to the General Partner of 5.6 percent of gross rental collections. In addition, there are a variety of receivables and payables between the Partnerships. Due to the Partnerships being legally separate units, transactions occurring between the Partnerships and the Authority have not been eliminated in the accompanying statements. In addition, the Partnerships are on a calendar year and, as a result, their December 31, 2012 statements are included in these statements, which results in a variety of timing differences between the Partnerships and the Authority.

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

### 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.

### 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) and applicable rules prescribed by the Department of Agriculture, Farmers Home Administration (USDA-RD).

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

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

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

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

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

### Budgeting

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

### Long-Term Debt

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

### Assets and Liabilities

1) Temporary investments – See Note 3.

2) Receivables – Tenant accounts receivable consist of amounts owed for rent and miscellaneous other charges as noted on the rental register. Receivables are carried at original amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. In the opinion of management, an allowance of $8,202 was necessary at June 30, 2013. Management regularly evaluates the customer balances to determine collectibility. A receivable is considered to be past due when payment is extended beyond the stated agreement. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

3) Inventories – Inventories are valued at the lower of cost (first-in, first-out) or market value. Maintenance supplies and office supplies are generally used within a relatively short period of time and are, therefore, expensed when purchased. An excess maintenance material inventory is maintained and updated annually.

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

| | Balances June 30, 2012 | Additions | Collections | Balances June 30, 2013 |
|---|---|---|---|---|
| Harvest Manor Limited Partnership | $ 99,683 | $ - | $ 698 | $ 98,985 |
| Oasis Apartments Limited Partnership | 39,599 | - | - | 39,599 |
| Total | $ 139,282 | $ - | $ 698 | 138,584 |
| Less: Current Portion | | | | (742) |
| Total | | | | $ 137,842 |

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

**Assets and Liabilities (Continued)**

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) Deferred 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. Deferred Revenue of $36,000 (related to these contracts) at June 30, 2013 will be earned by November 8, 2013.

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 exempt employees is payable upon resignation, retirement, or death. Sick leave may accumulate up to 180 days and may be cashed out at 25 percent of the accumulated accrual upon resignation, retirement, or death. Vacation accrues at various rates based on length of employment. Sick pay accrues at one day per month of employment for full-time employees. In addition, employees are allowed two personal days annually, which are not allowed to accumulate, nor be cashed out. Regular part-time employees accrue compensated absences on a pro rata basis.

10) Other accrued liabilities – These accounts consist of accrued employee withholding and employee benefits.

11) Restricted net position – Includes HUD security deposit funds, tenant deposits, and required replacement reserves.

12) Long-term debt – See Note 8.

**Revenue and Expenses**

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

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

**Operating Revenue and Expenses**

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

**Donations and Nonexchange Transactions**

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

## NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

## NOTE 3 DEPOSITS AND INVESTMENTS

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

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

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

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

The Authority considers all investments purchased with an original maturity of greater than three months to be temporary investments. As of June 30, 2013, the Authority did not have any temporary investments.

## NOTE 4 RELATED-PARTY TRANSACTIONS

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

HMLP and OALP have made long-term borrowings from the Authority, with a principle balance of $98,985 and $39,599, respectively, and accrued interest receivable balance of $-0- and $20,620, respectively, as of June 30, 2013. HMLP's debt is payable in semi-annual payments of $3,439, including interest at 6.21 percent. OALP's debt is payable annually from available net cash flow, including interest at 5 percent. The Authority received interest income of $8,160 for the year ended June 30, 2013. The corresponding liability recorded by HMLP and OALP consisted of a principle balance of $99,339 and $39,599, respectively, and accrued interest payable balance of $-0- and $20,620, respectively, as of December 31, 2012.

The Authority, through its general accounting program, pays certain costs of HMLP and OALP and is reimbursed for such costs. At June 30, 2013, the unreimbursed costs payable to the Authority relative to expenses of HMLP and OALP were $29,995 and $8,116, respectively. The corresponding liability reported by HMLP and OALP was $9,585 and $6,587, respectively, as of December 31, 2012.

The Authority owns the land occupied by the HMLP project and leases the land to the Partnership. The Authority collected rent of $5,622 for the year ended June 30, 2013. HMLP recognized lease expense of $5,406 as of December 31, 2012.

The Authority previously acted as the general contractor for the OALP and HMLP projects and earned developer fees relative to this service. As of June 30, 2013, $50,068 was due from OALP to the Authority. As of December 31, 2012, OALP reported a development fee payable to the Authority of $55,783.

The Authority has entered into management agreements with HMLP and OALP. During 2013, the Authority earned management fees of $40,017 from these entities. HMLP and OALP recognized management fee expense of $25,184 and $15,079, respectively, as of December 31, 2012. At June 30, 2013, $57,957 was due from OALP to the Authority. As of December 31, 2012, HMLP and OALP reported management fees payable to the Authority of $10,784 and $57,957, respectively.

## NOTE 5 CAPITAL ASSETS AND DEPRECIATION

Land, structures, and equipment consist of the following at June 30, 2013:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital Assets Being Depreciated: | | | | |
| Structures and Improvements | $ 18,255,336 | $ 82,176 | $ - | $ 18,337,512 |
| Equipment | 802,677 | 34,568 | (17,618) | 819,627 |
| Total Capital Assets Being Depreciated | 19,058,013 | 116,744 | (17,618) | 19,157,139 |
| Less: Accumulated Depreciation | (6,409,538) | (554,860) | 17,105 | (6,947,293) |
| Total Capital Assets Being Depreciated, Net | 12,648,475 | (438,116) | (513) | 12,209,846 |
| Capital Assets Not Being Depreciated: | | | | |
| Land | 889,515 | - | - | 889,515 |
| Construction in Progress | - | 46,484 | - | 46,484 |
| Total Capital Assets Not Being Depreciated | 889,515 | 46,484 | - | 935,999 |
| Total Capital Assets, Net | $ 13,537,990 | $ (391,632) | $ (513) | $ 13,145,845 |

Component Unit information included above:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital Assets Being Depreciated: | | | | |
| Structures and Improvements | $ 6,623,571 | $ 42,645 | $ - | $ 6,666,216 |
| Equipment | 160,254 | 1,170 | | 161,424 |
| Total Capital Assets Being Depreciated | 6,783,825 | 43,815 | - | 6,827,640 |
| Less: Accumulated Depreciation | (2,330,537) | (192,275) | | (2,522,812) |
| Total Capital Assets Being Depreciated, Net | 4,453,288 | (148,460) | - | 4,304,828 |
| Capital Assets Not Being Depreciated: | | | | |
| Land | 54,938 | - | - | 54,938 |
| Total Capital Assets Not Being Depreciated | 54,938 | - | - | 54,938 |
| Total Capital Assets, Net | $ 4,508,226 | $ (148,460) | $ - | $ 4,359,766 |

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

## NOTE 5 CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

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

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

| | |
|---|---|
| Equipment | 5-10 years |
| Improvements | 25 years |
| Structures | 10-40 years |

## NOTE 1 PENSION PLANS

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

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

*Plan Description:*

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; employees of district and municipal courts; and employees of local governments. Approximately 50 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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

**NOTE 6 PENSION PLANS (CONTINUED)**

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

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

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2012, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

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

PERS Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

The monthly benefit is subject to a minimum for retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. If a survivor option is chosen, the benefit is reduced. Plan 1 members retiring from inactive status prior to the age of 65 may also receive actuarially reduced benefits. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

## NOTE 6 PENSION PLANS (CONTINUED)

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

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

The survivor of a PERS Plan 1 member who dies after having earned ten years of service credit has the option, upon the member's death, of either a monthly survivor benefit or the lump sum of contributions plus interest.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. The surviving spouse or eligible child(ren) of a PERS Plan 2 member who dies after having earned ten years of service credit has the option of either a monthly benefit or a lump sum payment of the member's contributions plus interest.

## NOTE 6 PENSION PLANS (CONTINUED)

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 investments are made in the same portfolio as that of the PERS 2/3 defined benefit plan.

For DRS' fiscal year 2012, PERS Plan 3 employee contributions were $95.2 million, and plan refunds paid out were $66.2 million.

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

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

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

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

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

## NOTE 6 PENSION PLANS (CONTINUED)

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions.

PERS Plan 2 and Plan 3 members who become totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible child(ren), may request interruptive military service credit.

PERS Plan 2 and Plan 3 members can purchase up to 24 months of service credit lost because of an on-the-job injury.

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

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

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

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

## NOTE 6 PENSION PLANS (CONTINUED)

Members who chose to participate would: accrue service credit at the higher multiplier beginning with the date of their election; be subject to the benefit cap of 75 percent of AFC; stop contributing to the Judicial Retirement Account (JRA); pay higher contributions; and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; not be subject to a benefit cap; continue to participate in JRA, if applicable; continue to pay contributions at the regular PERS rate; and never be a participant in the JBM Program.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM Program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the highest multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,184 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2011:

| | |
|---|---|
| Retirees and Beneficiaries Receiving Benefits | 79,363 |
| Terminated Plan Members Entitled to But Not Yet Receiving Benefits | 29,925 |
| Active Plan Members Vested | 105,578 |
| Active Plan Members Nonvested | 46,839 |
| Total | 261,705 |

**Funding Policy**

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. Two of the options are graduated rates dependent on the employee's age.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

## NOTE 6 PENSION PLANS (CONTINUED)

**Funding Policy (Continued)**

The required contribution rates expressed as a percentage of current-year covered payroll, as of June 30, 2013, are as follows:

| | PERS Plan 1 | PERS Plan 2 |
|---|---|---|
| Employer | 7.21% | 7.21% |
| Employee | 6.00 | 4.64 |

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

| Year Ending June 30, | PERS Plan 1 | PERS Plan 2 |
|---|---|---|
| 2013 | $ - | $ 37,586 |
| 2012 | - | 36,275 |
| 2011 | - | 28,608 |

## NOTE 7 PARTICIPATION IN HOUSING AUTHORITY RISK RETENTION POOL

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

City of Othello Housing Authority (OHA) 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), 55 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 92 members in the states of Washington, Oregon, Nevada, and California. Thirty-six of the 92 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.

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

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.

The HARRP board of directors did not award the Authority a "low loss ratio credit" during the year ended June 30, 2013.

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

## NOTE 8 LONG-TERM DEBT

Long-term debt as of June 30, 2013, consisted of the following:

**Note Payable to the Department of Commerce**

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

## NOTE 8 LONG-TERM DEBT (CONTINUED)

**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 due 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 due October 2048.

**Note Payable to the Department of Commerce**

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

**Note Payable to the Washington Community Reinvestment Association (WCRA)**

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

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

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

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

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

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

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

## NOTE 8 LONG-TERM DEBT (CONTINUED)

**Note Payable to the Housing Assistance Council (HAC)**

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

**Note Payable to the Department of Commerce (Component Unit)**

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

**Note Payable to the Department of Commerce (Component Unit)**

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

**Note Payable to Columbia Bank**

This note is secured by a first mortgage on the land and building located at 730 E. Ash. The mortgage was originally issued in the amount of $354,600 on June 18, 2004. Principal and interest payments are due in monthly installments of $2,391, including interest at 7.0 percent, final payment due July 2034.

**Note Payable to Columbia Bank**

This note is secured by a first mortgage on the land and building located at 713 S. 7th. The mortgage was originally issued in the amount of $139,548 on April 1, 2011. Principal and interest payments are due in monthly installments of $1,747, including interest at 7.0 percent, final payment due April 5, 2020.

**Note Payable to Columbia Bank**

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

## NOTE 8 LONG-TERM DEBT (CONTINUED)

**Note Payable to Sterling Savings Bank**

This note is secured by a first mortgage on the land and building located at 919, 929, 939, and 949 E Main Street. The mortgage was originally approved for $256,000 on March 14, 2013. Total advances as of June 30, 2013 were $5,406 for the loan fee. Monthly interest only payments are scheduled through January 15, 2014, the variable interest rate is the Wall Street Journal Prime Rate plus 3.25 percent, currently 4.75 percent. Principal and interest payments shall be due in monthly installments of $1,569 beginning February 15, 2014 and ending December 15, 2023, with a final balloon payment due January 15, 2024. The variable interest rate charged from January 16, 2014 through the end of the loan is the Weekly Average Rate for 5 year fixed rate swaps per Federal Reserve Statistical Release H.15 plus 4.44 percent, currently 5.4 percent, the variable interest rates for the loan shall not fall below 4.75 percent.

The following is a summary of the long-term debt transactions for the year ended June 30, 2013:

| | Balances June 30, 2012 | Additions | Reductions | Balances June 30, 2013 | 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 | 3,510,962 | - | 13,625 | 3,497,337 | 13,626 |
| WCRA | 598,915 | - | 12,137 | 586,778 | 13,030 |
| USDA #1 | 873,153 | - | 16,754 | 856,399 | 17,742 |
| USDA #2 | 341,142 | - | 6,546 | 334,596 | 6,932 |
| USDA | 173,665 | - | 882 | 172,783 | 931 |
| HAC | 474,172 | - | 12,643 | 461,529 | 13,156 |
| Department of Commerce | 747,156 | - | 21,999 | 725,157 | 22,275 |
| Department of Commerce | 534,564 | - | 11,237 | 523,327 | 11,350 |
| Columbia Bank | 317,373 | - | 6,378 | 310,995 | 6,887 |
| Columbia Bank | 125,077 | - | 12,619 | 112,458 | 13,442 |
| Columbia Bank | 116,528 | - | 38,741 | 77,787 | 41,341 |
| Sterling Savings Bank | - | 5,406 | 100 | 5,306 | 5,306 |
| Total Long-Term Debt | 9,343,058 | 5,406 | 153,661 | 9,194,803 | 166,018 |
| Notes Payable, Related Parties | 139,615 | - | 677 | 138,938 | 720 |
| Total Long-Term Debt and Related Parties' Notes | 9,482,673 | 5,406 | 154,338 | 9,333,741 | 166,738 |
| Developer Fee Payable | 68,665 | - | 12,882 | 55,783 | - |
| Compensated Absences | 15,725 | 2,695 | - | 18,420 | - |
| Total Long-Term Liabilities | $9,567,063 | $ 8,101 | $ 167,220 | $9,407,944 | $ 166,738 |

## NOTE 8 LONG-TERM DEBT (CONTINUED)

Component Unit Information included above:

| | Balances June 30, 2012 | Additions | Reductions | Balances June 30, 2013 | Due Within One Year |
|---|---|---|---|---|---|
| Notes Payable: | | | | | |
| Department of Commerce | $ 747,156 | $ - | $ 21,999 | $ 725,157 | $ 22,275 |
| Department of Commerce | 534,564 | - | 11,237 | 523,327 | 11,350 |
| Total Long-Term Debt | 1,281,720 | - | 33,236 | 1,248,484 | 33,625 |
| Notes Payable, Related Parties | 139,615 | - | 677 | 138,938 | 720 |
| Total Long-Term Debt and Related Parties' Notes | 1,421,335 | - | 33,913 | 1,387,422 | 34,345 |
| Developer Fee Payable | 68,665 | - | 12,882 | 55,783 | - |
| Total Long-Term Liabilities | $1,490,000 | $ - | $ 46,795 | $1,443,205 | $ 34,345 |

Minimum payments due are as follows:

| Year Ending June 30, | Principal | Interest |
|---|---|---|
| 2014 | $ 166,738 | $ 196,717 |
| 2015 | 161,511 | 187,922 |
| 2016 | 130,278 | 181,417 |
| 2017 | 135,919 | 175,777 |
| 2018 | 141,845 | 169,852 |
| 2019-2023 | 736,215 | 754,776 |
| 2024-2028 | 895,550 | 584,311 |
| 2029-2033 | 1,136,195 | 361,139 |
| 2034-2038 | 780,500 | 127,309 |
| 2039-2043 | 388,639 | 32,636 |
| 2044-2048 | 1,054,213 | 16,359 |
| 2049-2051 | 3,606,138 | 653 |
| Total | $9,333,741 | $2,788,868 |

## NOTE 9 CONTINGENCIES

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

## NOTE 9 CONTINGENCIES (CONTINUED)

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, 2013, these amounts total $4,835,292.

## NOTE 10 CONSTRUCTION IN PROGRESS AND RELATED COMMITMENTS

Construction in progress represents expenses to date on the Main Street III Project whose authorizations total $366,700. Of the committed balance of $320,216, the Authority has secured available financing of $250,594, the remaining $69,622 will be paid from the Authority's existing cash reserves.

## NOTE 11 MAJOR COMPONENT UNIT INFORMATION

The component units operate residential rental housing for low-income tenants.

| | Primary Government | Oasis | Harvest Manor | Combined |
|---|---|---|---|---|
| **Condensed Statement of Net Position:** | | | | |
| Current Assets: | | | | |
| Receivables, Component Units | $ 117,430 | $ - | $ - | $ 117,430 |
| Other Current Assets | 1,165,202 | 54,302 | 95,559 | 1,315,063 |
| Total Current Assets | 1,282,632 | 54,302 | 95,559 | 1,432,493 |
| Noncurrent Assets: | | | | |
| Receivables, Component Units | 187,910 | - | | 187,910 |
| Capital Assets | 8,786,079 | 1,852,892 | 2,506,874 | 13,145,845 |
| Other Assets | 612,254 | 85,232 | 159,276 | 856,762 |
| Total Noncurrent Assets | 9,586,243 | 1,938,124 | 2,666,150 | 14,190,517 |
| Total Assets | $10,868,875 | $ 1,992,426 | $ 2,761,709 | $15,623,010 |
| Current Liabilities: | | | | |
| Current Liabilities, Payable to Primary Government | $ - | $ 85,164 | $ 21,089 | $ 106,253 |
| Current Liablities, Other | 332,302 | 37,313 | 34,438 | 404,053 |
| Total Current Liabilities | 332,302 | 122,477 | 55,527 | 510,306 |
| Noncurrent Liabilites: | | | | |
| Noncurrent Liabilities, Payable to Primary Government | - | 95,382 | 98,619 | 194,001 |
| Noncurrent Liablities, Other | 7,832,346 | 702,882 | 511,977 | 9,047,205 |
| Total Noncurrent Liabilities | 7,832,346 | 798,264 | 610,596 | 9,241,206 |
| Total Liabilities | $ 8,164,648 | $ 920,741 | $ 666,123 | $ 9,751,512 |

## NOTE 11 MAJOR COMPONENT UNIT INFORMATION (CONTINUED)

| | Primary Government | Oasis | Harvest Manor | Combined |
|---|---|---|---|---|
| **Condensed Statement of Net Position (Continued):** | | | | |
| Net Position: | | | | |
| Net Invested in Capital Assets, Net of Related Debt | $ 1,032,157 | $ 1,127,735 | $ 1,983,547 | $ 4,143,439 |
| Restricted, Expendable | 521,241 | 78,989 | 155,751 | 755,981 |
| Unrestricted | 1,150,829 | (135,039) | (43,712) | 972,078 |
| Total Net Position | $ 2,704,227 | $ 1,071,685 | $ 2,095,586 | $ 5,871,498 |
| **Condensed Statement of Revenues, Expenses** and Changes in Fund Net Position: | | | | |
| Operating Revenue: | | | | |
| Rental Revenue | $ 639,568 | $ 179,487 | $ 234,571 | $ 1,053,626 |
| Management Fees | 79,677 | - | - | 79,677 |
| Revenue, Tenant Other | 29,501 | - | - | 29,501 |
| Other | 5,880 | - | - | 5,880 |
| Total Operating Revenue | 754,626 | 179,487 | 234,571 | 1,168,684 |
| Operating Expenses | 1,069,805 | 137,003 | 194,031 | 1,400,839 |
| Depreciation | 362,584 | 65,394 | 126,882 | 554,860 |
| Total Operating Expenses | 1,432,389 | 202,397 | 320,913 | 1,955,699 |
| Operating Loss | (677,763) | (22,910) | (86,342) | (787,015) |
| Nonoperating Revenue (Expense): | | | | |
| Other Government Grants | 268,366 | - | - | 268,366 |
| HUD PHA Grants | 252,475 | - | - | 252,475 |
| Interest Subsidy, USDA | 49,575 | - | - | 49,575 |
| Other Income | 26,544 | 8,542 | 1,081 | 36,167 |
| Interest Expense | (166,874) | (13,006) | (11,547) | (191,427) |
| Total Nonoperating Revenue (Expense) | 430,086 | (4,464) | (10,466) | 415,156 |
| Capital Contributions, HUD Grant | 7,055 | - | - | 7,055 |
| Change in Net Position | (337,430) | (27,374) | (96,808) | (364,804) |
| Net Position - Beginning of Year | 2,944,849 | 1,099,059 | 2,192,394 | 6,236,302 |
| Net Position - End of Year | $ 2,704,227 | $ 1,071,685 | $ 2,095,586 | $ 5,871,498 |

## NOTE 11 MAJOR COMPONENT UNIT INFORMATION (CONTINUED)

| | Primary Government | Oasis | Harvest Manor | Combined |
|---|---|---|---|---|
| **Condensed Statement of Cash Flows:** | | | | |
| Net Cash Provided (Used) by: | | | | |
| Operating Activities | $ (254,554) | $ 40,185 | $ 32,668 | $ (181,701) |
| Noncapital Financing | 564,612 | - | - | 564,612 |
| Capital and Related Financing Activities | (466,459) | (34,882) | (11,914) | (513,255) |
| Investing Activities | 67,698 | (9,605) | (10,539) | 47,554 |
| Total | (88,703) | (4,302) | 10,215 | (82,790) |
| Beginning Cash and Cash Equivalent Balances | 1,740,205 | 136,496 | 240,625 | 2,117,326 |
| Ending Cash and Cash Equivalent Balances | $ 1,651,502 | $ 132,194 | $ 250,840 | $ 2,034,536 |

HOUSING AUTHORITY OF THE CITY OF OTHELLO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Schedule 16

For The Year Ended June 30, 2013

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| Grantor/ Pass-Through Grantor/ Program Title | CFDA Number | Other Identification Number | Current Year Expenditures | Notes |
| **U.S. Dept of Housing & Urban Development - Office of Public and Indian Housing** | | | | |
| HUD Public Housing | 14.850 | WA19P02600000112D | 48,754.00 | |
| HUD Public Housing | 14.850 | WA19P02600000113D | 54,896.00 | |
| **Total HUD Public and Indian Housing** | | | **103,650.00** | |
| Capital Fund | 14.872 | WA19P026501-11 | 2,799.40 | |
| Capital Fund | 14.872 | WA19P026501-12 | 73,871.94 | |
| **Total Capital Fund** | | | **76,671.34** | |
| **U.S. Department Of Housing And Urban Development - Office of Housing-Federal Housing Commissioner** | | | | |
| Section 8 Housing Assistance Payment Program - S | 14.195 | WA25L00018 | 25,569.00 | |
| Section 8 Housing Assistance Payment Program - S | 14.195 | WA19M000109 | 53,640.00 | |
| **Total Section 8 HAP Program - Special Allocations** | | | **79,209.00** | |
| **Total US Dept of HUD** | | | **180,321.34** | |
| **USDA Rural Development** | | | | |
| Rural Rental Housing Loan | 10.415 | 56001 549626707 01-5 03 | 334,596.00 | Note 5 |
| Rural Rental Housing Loan | 10.415 | 56001 549626707 01-5 02 | 856,399.00 | Note 5 |
| Rural Rental Housing Loan | 10.415 | 56001 549626707 02-7 | 172,783.00 | Note 5 |
| **Total Rural Rental Housing Loan** | | | **1,363,778.00** | |
| Rural Rental Housing Loan - Subsidy Credit | 10.415 | 56001 549626707 01-5 03 | 12,326.52 | Note 3 |
| Rural Rental Housing Loan - Subsidy Credit | 10.415 | 56001 549626707 01-5 02 | 31,549.68 | Note 3 |
| Rural Rental Housing Loan - Subsidy Credit | 10.415 | 56001 549626707 02-7 | 5,699.16 | Note 3 |
| **Total Rural Rental Housing Loan** | | | **49,575.36** | |
| **Total USDA Rental Assistance** | | | **1,413,353.36** | |
| **TOTAL FEDERAL AWARDS EXPENDED** | | | **1,672,883.70** | |

**Housing Authority of the City of Othello**
**Notes to the Schedule of Expenditures of Federal Awards**
**July 1, 2012 through June 30, 2013**

## 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 to reduce the effective interest rate of the loan. The Housing Authority records interest expense separate from the subsidy credit.

## NOTE 4 – UNITED STATE DEPARTMENT OF AGRICULTURE

The Housing Authority has three USDA Rural Rental Housing Loans outstanding with balances totaling $1,363,778.78 as of June 30, 2013.

## NOTE 5 - DEPARTMENT OF COMMERCE

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

| | Submission Type: Unaudited/A-133 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fiscal Year End: 06/30/2013 | Project Total | 10.427 Rural Rental Assistance Payments | 10.415 Rural Rental Housing Loans | 14.195 Section 8 Housing Assistance Payments Program Special Allocations | 1 Business Activities | 6 Component Units | Subtotal | Eliminations | TOTAL |
| 111 | Cash - Unrestricted | 145,717 | 53,968 | - | 35,757 | 857,076 | 137,781 | 1,230,299 | - | 1,230,299 |
| 112 | Cash - Restricted - Modernization and D | - | - | - | - | - | - | - | - | - |
| 113 | Cash - Other Restricted | - | 274,003 | - | 168,417 | 73,016 | 234,740 | 750,176 | - | 750,176 |
| 114 | Cash - Tenant Security Deposits | 7,963 | 28,913 | - | 5,447 | 1,225 | 10,513 | 54,061 | - | 54,061 |
| 115 | Cash - Restricted for Payment of Curren | - | - | - | - | - | - | - | - | - |
| 100 | Total Cash | 153,680 | 356,884 | 0 | 209,621 | 931,317 | 383,034 | 2,034,536 | 0 | 2,034,536 |
| | | | | | | | | | | |
| 121 | Accounts Receivable - PHA Projects | - | - | - | - | - | - | - | - | - |
| 122 | Accounts Receivable - HUD Other Project | 5,804 | - | - | - | - | - | 5,804 | - | 5,804 |
| 124 | Accounts Receivable - Other Government | - | - | - | - | - | - | - | - | - |
| 125 | Accounts Receivable - Miscellaneous | 19,894 | - | - | - | 76,174 | - | 96,068 | - | 96,068 |
| 126 | Accounts Receivable - Tenants | 667 | 75 | - | 108 | 10 | 1,567 | 2,427 | - | 2,427 |
| 126.1 | Allow for doubtful accounts - Tenants | (1) | (1) | - | (1) | (1) | 0 | (4) | - | (4) |
| 126.2 | Allowance for Doubtful Accounts - Other | 0 | 0 | - | - | 0 | - | 0 | - | 0 |
| 127 | Notes & Mortgages Receivable - Current | - | - | - | - | 742 | - | 742 | - | 742 |
| 128 | Accounts Receivable - Fraud | 15,397 | 401 | - | - | - | - | 15,798 | - | 15,798 |
| 128.1 | A/R Fraud | (8,197) | (1) | - | - | - | - | (8,198) | - | (8,198) |
| 129 | Accrued Interest Receivable | - | - | - | - | 20,620 | - | 20,620 | - | 20,620 |
| 120 | Total Receivables, net of allowances fo | 33,564 | 474 | 0 | 107 | 97,545 | 1,567 | 133,257 | 0 | 133,257 |
| | | | | | | | | | | |
| 131 | Investments - Unrestricted | - | - | - | - | - | - | - | - | - |
| 132 | Investments - Restricted | - | - | - | - | - | - | - | - | - |
| 135 | Investments - Restricted for Payment of | - | - | - | - | - | - | - | - | - |
| 142 | Prepaid expenses & Other assets | - | - | - | - | 5,158 | - | 5,158 | - | 5,158 |
| 143 | Inventories | 8,788 | - | - | - | 930 | - | 9,718 | - | 9,718 |
| 143.1 | Allowance for Obsolete Inventories | 0 | - | - | - | 0 | - | 0 | - | 0 |
| 144 | Interprogram Due From | 38,314 | 129 | - | - | 166,428 | - | 204,871 | (204,871) | 0 |
| 145 | Assets Held for Sale | - | - | - | - | - | - | - | - | - |
| 150 | Total Current Assets | 234,346 | 357,487 | 0 | 209,728 | 1,201,378 | 384,601 | 2,387,540 | (204,871) | 2,182,669 |
| | | | | | | | | | | |
| 161 | Land | 790,081 | 297,441 | 0 | 84,000 | 221,247 | 54,938 | 1,447,707 | - | 1,447,707 |
| 162 | Buildings | 3,586,668 | 2,827,039 | 0 | 995,321 | 3,704,076 | 6,589,907 | 17,703,011 | - | 17,703,011 |
| 163 | Furniture, Equipment - Dwellings | 185,094 | 78,802 | 0 | 14,148 | 103,895 | 161,424 | 543,363 | - | 543,363 |
| 164 | Furniture, Equipment - Administration | 115,418 | 8,679 | 0 | 4,197 | 147,970 | 0 | 276,264 | - | 276,264 |
| 165 | Leasehold Improvements | - | - | - | - | - | 76,309 | 76,309 | - | 76,309 |
| 166 | Accumulated Depreciation | (2,827,017) | (742,076) | 0 | (238,334) | (617,054) | (2,522,812) | (6,947,293) | - | (6,947,293) |
| 167 | Construction in Progress | - | - | - | - | 46,484 | - | 46,484 | - | 46,484 |
| 168 | Infastructure | - | - | - | - | - | - | - | - | - |
| 160 | Total Capital Assets, Net of Accumulated Depreciat | 1,850,244 | 2,469,885 | - | 859,332 | 3,606,618 | 4,359,766 | 13,145,845 | 0 | 13,145,845 |
| | | | | | | | | | | |
| 171 | Notes & Mortgages Rec - Non-current | - | - | - | - | 137,842 | - | 137,842 | - | 137,842 |
| 172 | Notes, Loans, Mtg Rec -Past Due | - | - | - | - | - | - | - | - | - |
| 173 | Grants Receivable - Non Current | - | - | - | - | - | - | - | - | - |
| 174 | Other Assets | - | - | - | - | 146,886 | 9,768 | 156,654 | - | 156,654 |
| 176 | Investments in Joint Ventures | - | - | - | - | - | - | - | - | - |
| 180 | Total Non-Current Assets | 1,850,244 | 2,469,885 | 0 | 859,332 | 3,891,346 | 4,369,534 | 13,440,341 | 0 | 13,440,341 |
| | | | | | | | | | | |
| 190 | Total Assets | 2,084,590 | 2,827,372 | 0 | 1,069,060 | 5,092,724 | 4,754,135 | 15,827,881 | (204,871) | 15,623,010 |
| | | | | | | | | | | |
| 311 | Bank Overdraft | - | - | - | - | - | - | - | - | - |
| 312 | Accounts Payable <= 90 Days | 6,297 | 25,671 | - | 12,471 | 8,718 | 13,578 | 66,735 | - | 66,735 |
| 313 | Accounts Pay > 90 days - Past Due | - | - | - | - | - | - | - | - | 0 |
| 321 | Accrued Wage/Payroll Taxes Payable | - | - | - | - | 967 | - | 967 | - | 967 |
| 322 | Accrued Compensated Absences - Curr | 55,261 | - | - | - | - | - | 55,261 | - | 55,261 |
| 324 | Accrued Contingent Liability | - | - | - | - | - | - | - | - | 0 |
| 325 | Accrued Interest | - | 7,026 | - | 239 | 147 | 20,620 | 28,032 | - | 28,032 |
| 331 | Accounts Pay - HUD PHA Projects | - | - | - | - | - | - | - | - | 0 |
| 332 | Accounts Pay - PHA Projects | - | - | - | - | - | - | - | - | 0 |
| 333 | Accounts Pay - Other Government | - | - | - | - | - | - | - | - | 0 |

| | Submission Type: Unaudited/A-133 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fiscal Year End: 06/30/2013 | Project Total | 10.427 Rural Rental Assistance Payments | 10.415 Rural Rental Housing Loans | 14.195 Section 8 Housing Assistance Payments Program Special Allocations | 1 Business Activities | 6 Component Units | Subtotal | Eliminations | TOTAL |
| 341 | Tenant Security Deposits | 7,963 | 28,913 | - | 5,447 | 1,225 | 10,513 | 54,061 | - | 54,061 |
| 342 | Deferred Revenue | 564 | 1,392 | - | 139 | 37,469 | 7,914 | 47,478 | - | 47,478 |
| 343 | Current Maturities of LT debt | - | 51,791 | - | 6,887 | 73,715 | 33,625 | 166,018 | - | 166,018 |
| 344 | Current Port LTD - Operating Borrowings | - | - | - | - | - | - | - | - | - |
| 345 | Other Current Liabilities | - | - | - | - | - | 13,960 | 13,960 | - | 13,960 |
| 346 | Accrued Liabilities Other | - | - | - | - | - | 77,074 | 77,074 | - | 77,074 |
| 347 | Interprogram Due To | 24,881 | 23,817 | - | 5,978 | 150,195 | - | 204,871 | (204,871) | - |
| 348 | Loan Liability - Current | - | - | - | - | - | 720 | 720 | - | 720 |
| 310 | Total Current Liabilities | 94,966 | 138,610 | 0 | 31,161 | 272,436 | 178,004 | 715,177 | (204,871) | 510,306 |
| | | | | | | | | | | |
| 351 | Long-Term Debt net of current | - | 2,920,450 | - | 1,081,907 | 3,619,173 | 1,214,859 | 8,836,389 | - | 8,836,389 |
| 352 | Long Term Debt, net of current operatin | - | - | - | - | - | - | - | - | - |
| 353 | Noncurrent Liabilities - Other | - | - | - | - | - | 55,783 | 55,783 | - | 55,783 |
| 354 | Accrued Compensation non-current | 18,420 | - | - | - | - | - | 18,420 | - | 18,420 |
| 355 | Loan liability - non current | - | - | - | - | 192,396 | 138,218 | 330,614 | - | 330,614 |
| 356 | FASB 5 Liabilities | - | - | - | - | - | - | - | - | - |
| 357 | Accrued pension and OPEB Liabilities | - | - | - | - | - | - | - | - | - |
| 350 | Total Noncurrent Liabilities | 18,420 | 2,920,450 | 0 | 1,081,907 | 3,811,569 | 1,408,860 | 9,241,206 | - | 9,241,206 |
| | | | | | | | | | | |
| 300 | Total Liabilities | 113,386 | 3,059,060 | 0 | 1,113,068 | 4,084,005 | 1,586,864 | 9,956,383 | (204,871) | 9,751,512 |
| | | | | | | | | | | |
| 508.1 | Invested in Captal Assets,net of debt | 1,850,244 | (502,356) | - | (229,462) | (86,269) | 3,111,282 | 4,143,439 | - | 4,143,439 |
| 511.1 | Restricted Net Assets | 5,804 | 274,003 | 0 | 168,417 | 73,017 | 234,740 | 755,981 | - | 755,981 |
| 512.1 | Unrestricted Net Assets | 115,156 | (3,335) | 0 | 17,037 | 1,021,971 | (178,751) | 972,078 | - | 972,078 |
| 513 | Total Equity/Net Assets | 1,971,204 | (231,688) | 0 | (44,008) | 1,008,719 | 3,167,271 | 5,871,498 | 0 | 5,871,498 |
| | | | | | | | | | | |
| 600 | Total Liabilities and Equity/Net Assets | 2,084,590 | 2,827,372 | 0 | 1,069,060 | 5,092,724 | 4,754,135 | 15,827,881 | (204,871) | 15,623,010 |
| | | | | | | | | | | |
| 70,300 | Net Tenant Revenue | 184,876 | 173,697 | - | 74,923 | 206,072 | 414,058 | 1,053,626 | - | 1,053,626 |
| 70,400 | Tenant Revenue - Other | 3,692 | 16,943 | - | 4,192 | 4,674 | - | 29,501 | - | 29,501 |
| 70,500 | Total Tenant Revenue | 188,568 | 190,640 | 0 | 79,115 | 210,746 | 414,058 | 1,083,127 | 0 | 1,083,127 |
| | | | | | | | | | | |
| 70,600 | HUD PHA Operating Grants | 173,266 | - | - | 79,209 | - | - | 252,475 | - | 252,475 |
| 70,610 | Capital Grants | 7,055 | - | - | - | - | - | 7,055 | - | 7,055 |
| 70,710 | Management fee | - | - | - | - | - | - | - | - | - |
| 70,720 | Asset Management fee | - | - | - | - | - | - | - | - | - |
| 70,730 | Book-keeping fee | - | - | - | - | - | - | - | - | - |
| 70,740 | Front line service fee | - | - | - | - | - | - | - | - | - |
| 70,750 | Other fees | - | - | - | - | - | - | - | - | - |
| 70,700 | Total fee revenue | - | - | - | - | - | - | 0 | 0 | 0 |
| | | | | | | | | | | |
| 70,800 | Other Government Grants | - | 268,366 | - | - | - | - | 268,366 | - | 268,366 |
| 71,100 | Investment Income - Unrestricted | 137 | 6 | - | - | 577 | 9,524 | 10,244 | - | 10,244 |
| 71,200 | Mortgage Interest Income | - | - | - | - | - | - | - | - | - |
| 71,300 | Proceeds from the dispositions of Asset | - | - | - | - | - | - | - | - | - |
| 71,310 | Cost of Sale of Assets | - | - | - | - | - | - | - | - | - |
| 71,400 | Fraud Recovery | 5,880 | - | - | - | - | - | 5,880 | - | 5,880 |
| 71,500 | Other Revenue | 10,210 | - | 49,575 | - | 167,260 | - | 227,045 | (71,842) | 155,203 |
| 71,600 | Gain or Loss from Sale of Capital Assets | (345) | (168) | - | - | - | - | (513) | - | (513) |
| 72,000 | Investment Income - Restricted | 2 | 282 | - | 87 | 15 | 99 | 485 | - | 485 |
| 70,000 | Total Revenue | 384,773 | 459,126 | 49,575 | 158,411 | 378,598 | 423,681 | 1,854,164 | (71,842) | 1,782,322 |
| | | | | | | | | | | |
| 91,100 | Adminstrative Salaries | 152,603 | 57,282 | - | 22,735 | 44,449 | - | 277,069 | - | 277,069 |
| 91,200 | Auditing Fees | 5,014 | 7,000 | - | 3,200 | 700 | - | 15,914 | - | 15,914 |
| 91,300 | Management Fee | - | - | - | - | - | - | - | - | - |
| 91,400 | Advertising and marketing | 128 | 250 | - | - | 44 | - | 422 | - | 422 |
| 91,500 | Employee Benefit Contributions - Admin | 24,298 | 6,856 | - | 3,078 | 2,772 | - | 37,004 | - | 37,004 |
| 91,600 | Office Expenses | 4,972 | 7,344 | - | 1,487 | 3,634 | - | 17,437 | - | 17,437 |
| 91,700 | Legal Expense | 125 | - | - | - | - | - | 125 | - | 125 |

| | Submission Type: Unaudited/A-133 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fiscal Year End: 06/30/2013 | Project Total | 10.427 Rural Rental Assistance Payments | 10.415 Rural Rental Housing Loans | 14.195 Section 8 Housing Assistance Payments Program Special Allocations | 1 Business Activities | 6 Component Units | Subtotal | Eliminations | TOTAL |
| 91,800 | Travel | 5,631 | 316 | - | 596 | 2,855 | - | 9,398 | - | 9,398 |
| 91,810 | Allocated Overhead | - | - | - | - | - | - | - | - | - |
| 91,900 | Other | 20,572 | 63,183 | - | 15,820 | 26,699 | 114,061 | 240,335 | (63,922) | 176,413 |
| 91,000 | Total operating - Administrative | 213,343 | 142,231 | 0 | 46,916 | 81,153 | 114,061 | 597,704 | (63,922) | 533,782 |
| | | | | | | | | | | |
| 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 | 677 | - | - | - | - | - | 677 | - | 677 |
| 92,500 | Total tenant Services | 677 | 0 | 0 | 0 | 0 | 0 | 677 | 0 | 677 |
| | | | | | | | | | | |
| 93,100 | Water | 25,071 | 10,668 | - | 4,795 | 15,687 | - | 56,221 | - | 56,221 |
| 93,200 | Electricity | 6,638 | 11,869 | - | 4,700 | 18,243 | 45,127 | 86,577 | - | 86,577 |
| 93,300 | Gas | 505 | - | - | - | 919 | - | 1,424 | - | 1,424 |
| 93,400 | Fuel | - | - | - | - | - | - | - | - | - |
| 93,500 | Labor | - | - | - | - | - | - | - | - | - |
| 93,600 | Sewer | 17,398 | 24,137 | - | 6,619 | 14,930 | 21,318 | 84,402 | - | 84,402 |
| 93,700 | Employee Benefit Cont - Utilities | - | - | - | - | - | - | - | - | - |
| 93,750 | HAP Portability-In | - | - | - | - | - | - | - | - | - |
| 93,800 | Other Utilities Expense | 13,740 | 17,219 | - | 8,588 | 7,372 | - | 46,919 | - | 46,919 |
| 93,000 | Total Utilities | 63,352 | 63,893 | 0 | 24,702 | 57,151 | 66,445 | 275,543 | - | 275,543 |
| | | | | | | | | | | |
| 94,100 | Ordinary Maint & Oper - Labor | 76,527 | 36,655 | - | 14,139 | 38,666 | 44,534 | 210,521 | - | 210,521 |
| 94,200 | Ordinary Maint & Oper - Materials | 30,885 | 25,992 | - | 10,470 | 19,007 | 65,065 | 151,419 | - | 151,419 |
| 94,300 | Ordinary Maint and Operation Contracts | 6,152 | 4,806 | - | 240 | 7,064 | - | 18,262 | (7,920) | 10,342 |
| 94,500 | Employee Benefits - Maintenance | 12,182 | 4,391 | - | 1,915 | 2,399 | - | 20,887 | - | 20,887 |
| 94,000 | Total Maintenance | 125,746 | 71,844 | 0 | 26,764 | 67,136 | 109,599 | 401,089 | (7,920) | 393,169 |
| | | | | | | | | | | |
| 95,100 | Protective Services - Labor | - | - | - | - | - | - | - | - | - |
| 95,200 | Protective Services - Other Contract Co | - | - | - | - | - | - | - | - | - |
| 95,300 | Protective Services - Other | - | - | - | - | - | - | - | - | - |
| 95,500 | Employee Benefit Cont. - ProtectiveServ | - | - | - | - | - | - | - | - | - |
| 95,000 | Total Protective Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | |
| 96,110 | Property Insurance | 5,197 | 7,183 | - | 2,091 | 2,924 | 11,432 | 28,827 | - | 28,827 |
| 96,120 | Liability Insurance | 1,677 | 890 | - | 259 | 786 | 4,451 | 8,063 | - | 8,063 |
| 96,130 | Workmen's Compensation | 3,671 | 4,894 | - | 1,399 | 2,797 | 4,720 | 17,481 | - | 17,481 |
| 96,140 | All other insurance | - | - | - | - | - | - | - | - | - |
| 96,100 | Total Insurance Premiums | 10,545 | 12,967 | 0 | 3,749 | 6,507 | 20,603 | 54,371 | 0 | 54,371 |
| | | | | | | | | | | |
| 96,200 | Other General Expenses | 3,707 | 21 | - | - | 1,642 | 20,018 | 25,388 | - | 25,388 |
| 96,210 | Compensated Absences | 28,564 | 11,484 | - | 4,547 | 5,662 | 0 | 50,257 | - | 50,257 |
| 96,300 | Payments in Lieu of Taxes | 14,346 | 18,710 | - | 10,110 | 23,115 | 0 | 66,281 | - | 66,281 |
| 96,400 | Bad Debt - Tenant Rent | 615 | 562 | - | - | (114) | 308 | 1,371 | - | 1,371 |
| 96,500 | Bad Debt Mortgages | - | - | - | - | - | - | - | - | - |
| 96,600 | Bad Debt - Other | - | - | - | - | - | - | - | - | - |
| 96,800 | Severance Expense | - | - | - | - | - | - | - | - | - |
| 96,000 | Total other general expenses | 47,232 | 30,777 | 0 | 14,657 | 30,305 | 20,326 | 143,297 | 0 | 143,297 |
| | | | | | | | | | | |
| 96,710 | Interest of mortgage (or bonds) payable | - | 139,092 | - | 22,435 | 5,347 | 24,553 | 191,427 | - | 191,427 |
| 96,720 | Interest on notes payable (short and long term) | - | - | - | - | - | 0 | - | - | - |
| 96,730 | Amortization of bond issue costs | - | - | - | - | - | 0 | - | - | - |
| 96,700 | Total Interest Expense and Amortization cost | - | 139,092 | - | 22,435 | 5,347 | 24,553 | 191,427 | 0 | 191,427 |
| | | | | | | | | | | |
| 96,900 | Total Operating Expenses | 460,895 | 460,804 | 0 | 139,223 | 247,599 | 355,587 | 1,664,108 | (71,842) | 1,592,266 |
| | | | | | | | | | | |
| 97,000 | Excess Revenue over Operating Expenses | (76,122) | (1,678) | 49,575 | 19,188 | 130,999 | 68,094 | 190,056 | 0 | 190,056 |

| | Submission Type: Unaudited/A-133 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fiscal Year End: 06/30/2013 | Project Total | 10.427 Rural Rental Assistance Payments | 10.415 Rural Rental Housing Loans | 14.195 Section 8 Housing Assistance Payments Program Special Allocations | 1 Business Activities | 6 Component Units | Subtotal | Eliminations | TOTAL |
| 97,100 | Extraordinary Maintenance | - | - | - | - | - | - | - | - | - |
| 97,200 | Casualty Losses - Non-capitalized | - | - | - | - | - | - | - | - | - |
| 97,300 | Housing Assistance Payments | - | - | - | - | - | - | - | - | - |
| 97,350 | HAP Portability-In | - | - | - | - | - | - | - | - | - |
| 97,400 | Depreciation Expense | 111,282 | 100,057 | - | 27,167 | 124,078 | 192,276 | 554,860 | - | 554,860 |
| 97,500 | Fraud losses | - | - | - | - | - | - | - | - | - |
| 97,600 | Capital Outlays - Government funds | - | - | - | - | - | - | - | - | - |
| 97,700 | Debt Princ Payment - Govermental funds | - | - | - | - | - | - | - | - | - |
| 97,800 | Dwelling Units Rent Expense | - | - | - | - | - | - | - | - | - |
| 90,000 | Total Expenses | 572,177 | 560,861 | 0 | 166,390 | 371,677 | 547,863 | 2,218,968 | (71,842) | 2,147,126 |
| | | | | | | | | | | |
| 10,010 | Operating Transfers In | 69,616 | - | - | - | - | - | 69,616 | - | 69,616 |
| 10,020 | Operating Tranfers Out | (69,616) | - | - | - | - | - | (69,616) | - | (69,616) |
| 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 tranfer out | - | - | - | - | - | - | - | - | 0 |
| 10,093 | Transfers between Programs and AMPs in | - | 49,575 | - | - | - | - | 49,575 | - | 49,575 |
| 10,094 | Transfers between Programs and AMPs out | - | - | (49,575) | - | - | - | (49,575) | - | (49,575) |
| 10,100 | Total Other Financing Sources | 0 | 49,575 | (49,575) | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | |
| 10,000 | Excess (defiency) of Operating Revenue | (187,404) | (52,160) | - | (7,979) | 6,921 | (124,182) | (364,804) | 0 | (364,804) |
| | | | | | | | | | | |
| 11,020 | Required annual debt principal payments | - | 48,960 | - | 6,742 | 61,033 | 33,181 | 149,916 | - | 149,916 |
| 11,030 | Beginning Equity | 2,158,608 | (179,528) | - | (36,029) | 1,001,798 | 3,291,453 | 6,236,302 | - | 6,236,302 |
| 11,040 | Prior Period Adj, Equity Transfers, Cor | - | - | - | - | - | - | - | - | - |
| 11,050 | Changes in compensated Absence balance | - | - | - | - | - | - | - | - | - |
| 11,060 | Changes in Contingent Liability Balance | - | - | - | - | - | - | - | - | - |
| 11,070 | Changes in Unrecognized Pension Transit | - | - | - | - | - | - | - | - | - |
| 11,080 | Changes in Special Term/ Severance Bene | - | - | - | - | - | - | - | - | - |
| 11,090 | Changes in Allow - Dwelling Rents | - | - | - | - | - | - | - | - | - |
| 11,100 | Changes in Allow for - Other | - | - | - | - | - | - | - | - | - |
| 11,170 | Administrative fee equity | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | |
| 11,180 | Housing assistance payments equity | - | - | - | - | - | - | - | - | - |
| 11,190 | Unit Months Available | 660 | 924 | | 252 | 144 | 924 | 2,904 | - | 2,904 |
| 11,210 | Number of Unit Months Leased | 654 | 911 | | 248 | 144 | 911 | 2,868 | - | 2,868 |
| 11,270 | Excess cash | 92,185 | | | | | | 92,185 | - | 92,185 |
| 11,610 | Land Purchases | 0 | - | | - | - | - | 0 | - | 0 |
| 11,620 | Building Purchases | 7,055 | | | - | - | - | 7,055 | - | 7,055 |
| 11,630 | Furniture & Equipment - Dwelling purchases | 0 | - | - | - | - | - | 0 | - | 0 |
| 11,640 | Furniture & Equipment - Administrative purchases | 0 | - | - | - | - | - | 0 | - | 0 |
| 11,650 | Leasehold Improvements purchases | 0 | - | - | - | - | - | 0 | - | 0 |
| 11,660 | Infastructure purchases | 0 | - | - | - | - | - | 0 | - | 0 |
| 13,510 | CFFP Debt Service Payments | 0 | - | - | - | - | - | 0 | - | 0 |
| 13,901 | Replacement housing factor funds | 0 | - | - | - | - | - | 0 | - | 0 |

# Actual Modernization Cost Certificate

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

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

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

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

**Do not send this form to the above address.**

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

| HA Name: | Modernization Project Number: |
|---|---|
| Housing Authority of the City of Othello | WA19PO26501-11 |

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

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

| | |
|---|---|
| A. Original Funds Approved | $ 95,030 |
| B. Funds Disbursed | $ 95,030 |
| C. Funds Expended (Actual Modernization Cost) | $ 95,030 |
| D. Amount to be Recaptured (A–C) | $ |
| E. Excess of Funds Disbursed (B-C) | $ |

2. That all modernization work in connection with the Modernization Grant has been completed;
3. That the entire Actual Modernization Cost or liabilities therefor incurred by the HA have been fully paid;
4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work; and
5. That the time in which such liens could be filed has expired.

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

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

Signature of Executive Director & Date:

X

Dal Stan 4-22-13

**For HUD Use Only**

**The Cost Certificate is approved for audit:**

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

X [signature] Date: 05-14-2013

**The audited costs agree with the costs shown above:**

Verified: (Designated HUD Official)

X Date:

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

X Date:

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

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

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

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

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

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

| | |
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