



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Housing Authority of Thurston County

For the period July 1, 2018 through June 30, 2019

Published January 30, 2020

Report No. 1025463





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

January 30, 2020

Board of Commissioners
Housing Authority of Thurston County
Olympia, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Housing Authority of Thurston County's financial statements and compliance with federal laws and regulations.

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style.

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Housing Authority of Thurston County July 1, 2018 through June 30, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.871	Housing Voucher Cluster – Section 8 Housing Choice Vouchers

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Housing Authority of Thurston County **July 1, 2018 through June 30, 2019**

Board of Commissioners
Housing Authority of Thurston County
Olympia, 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 Thurston County, as of and for the year ended June 30, 2019, 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 December 20, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



Pat McCarthy

State Auditor

Olympia, WA

December 20, 2019

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

**Housing Authority of Thurston County
July 1, 2018 through June 30, 2019**

Board of Commissioners
Housing Authority of Thurston County
Olympia, Washington

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

We have audited the compliance of the Housing Authority of Thurston County, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended June 30, 2019. The Housing Authority's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain

reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

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

Pat McCarthy

State Auditor

Olympia, WA

December 20, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Housing Authority of Thurston County July 1, 2018 through June 30, 2019

Board of Commissioners
Housing Authority of Thurston County
Olympia, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Housing Authority of Thurston County, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 14.

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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of Thurston County, as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The accompanying Financial Data Schedule form is supplementary information required by HUD. These schedules are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019 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.



Pat McCarthy

State Auditor

Olympia, WA

December 20, 2019

FINANCIAL SECTION

Housing Authority of Thurston County July 1, 2018 through June 30, 2019

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2019

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2019

Statement of Revenues, Expenses and Changes in Net Position – 2019

Statement of Cash Flows – 2019

Notes to Financial Statements – 2019

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2019

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2019

Schedule of Changes in Total OPEB Liability and Related Ratios – 2019

Ratio of Total OPEB Liability to Covered Employee Payroll – 2019

Notes to Required Supplementary Information – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2019

Notes to the Schedule of Expenditures of Federal Awards – 2019

Financial Data Schedule – 2019

HOUSING AUTHORITY OF THURSTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

As management of the Housing Authority of Thurston County ("Housing Authority"), we offer readers of the Housing Authority's financial statements this narrative overview and analysis of the financial activities of the Housing Authority for the year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the Housing Authority's financial statements and notes to financial statements.

Overview of the Housing Authority of Thurston County

The Housing Authority's mission is to provide decent, safe, and affordable housing and services to persons with disabilities, low income and at-risk individuals and families in Thurston County. The Housing Authority's goal is to assist individuals and families to secure or maintain long-term permanent housing. To this end, our programs and developments goals are to increase affordable housing opportunities by creating or supporting efforts which preserve residential areas, promote the rehabilitation of housing and enhance the development of communities.

The Housing Authority carries out its goals through the administration of Federal tenant-based rental voucher programs and project based rental subsidies for nine non-profit providers of supportive housing; the direct ownership of housing units; and case management services to help people attain housing stability.

Management estimates that the Housing Authority assists about 5,000 people, with about 4,000 through rent subsidies and 1,000 through Housing Authority properties that offer below-market rate rents. Approximately 70% of the households receiving a rent subsidy are elderly and/or disabled.

The largest Federal program the Authority administers is the Section 8 Housing Choice Voucher (HCV) program. The program does not fund HCV at a level sufficient to support all income eligible households; funding also does not reflect the increase in market rents. With funding relative flat, the rising rents require increasingly large subsidies for each household on the program. The end result is that fewer households receive subsidy.

To absorb the funding inconsistency, the Authority has diversified its resources to absorb minor short falls, to maintain high levels of client and landlord service, and to create additional affordable housing.

The Authority's approach to diversifying its resources has been to develop locally financed projects to bring added capacity to serve the community. Since early 1990's, the Authority has acquired existing or built new housing developments utilizing a combination of local, State, and Federal funds to augment traditional financing. This approach enables the Authority to price units to not only assist the participants of the HCV program but also enables those households living below the area median income levels to find more affordable units. The Authority's model evolved to a level where the Authority can develop units with some independence from the uncertainty and restrictive nature of many governmental housing finance programs

HOUSING AUTHORITY OF THURSTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Financial Highlights

- On June 30, 2019, the Housing Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources (net position) by \$18.0 million. Of this amount, \$2.250 million (unrestricted net position) may be used to meet the Housing Authority's ongoing obligations to citizens and creditors.
- The Housing Authority's cash and cash equivalents balances decreased from the previous year by \$502,800 and totaled \$4,260,283 at the end of the fiscal year. This decrease is primarily due to the construction of two triplex units, acquisition of land adjacent to the Olympia Crest apartments, 4 new roofs on existing complexes and implementation of a new enterprise software system. These expenditures are offset by the \$1.1 million of cash generated by 531 rental apartments that are priced below market rates but to the extent possible are mixed income communities. The Authority discourages concentration of poverty and stigmatization that could be felt by a person due to living in a property. Through a combination of prudent purchases, development, and management along with the mixed income nature of the properties they generate positive cash flow. The positive cash flow from the properties enables the Authority to build additional units. Two triplex units will be completed in August, 2019 and potentially 30 more units in fiscal year end 2020 in large measure using internally generated funds.
- Capital assets increased in 2019 by \$2,319,945. In August, 2019, the Authority completed two new triplexes in Lacey, WA. As of the June 30, 2019 the balance in construction in progress for the new triplexes is \$1,480,735. The Authority also purchase a parcel of land adjacent to the Olympia Crest apartments for \$612,500.
- Total revenues for the year ended June 30, 2019 of \$23.3 million increased from the prior year by \$1.1 million. Total expenses for the year of \$21.9 million resulted in an increase of \$1.1 million compared to the prior year. The increases in revenues and expenses are primarily due to Housing Choice Voucher program. The increase in change in net position for the year ended June 30, 2019 is \$49,486. A prior period adjustment of \$38,444 reduced the prior year Net Position. The prior period adjustment was required to reclassify an amount previously included in capital grants that should have been included in other note payable. For additional information see Note 14.

Overview of the Financial Statements

The Authority's Financial Statements consist of two parts – Management's Discussion and Analysis (this section) and the Financial Statements. The Financial Statements include the government-wide Financial Statements and Notes to the Financial Statements. The Authority is a stand-alone governmental entity engaged only in business type activities.

The Financial Statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows. The Financial Statements report

HOUSING AUTHORITY OF THURSTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

information about the Authority as a whole using accounting methods similar to those used by private sector companies.

- Statement of Net Position -- reports the Authority's current financial resources (short-term spendable resources) with capital assets, deferred outflows of resources, current liabilities, long-term debt obligations, deferred inflows of resources and net position are broken into the following three category.
 - **Net investment in capital assets** consist of all capital assets, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets
 - **Restricted** consists of restricted assets when constraints are placed on the assets by creditors (such as debt covenants), grantors, contributors, laws, or regulations.
 - **Unrestricted** consists of unrestricted assets that do not meet the definition of net investment in capital assets.
- Statement of Revenues, Expenses, and Changes in Net Position -- reports the Authority's operating and non-operating revenues by major source, along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows -- reports the Housing Authority's cash flows from operating, investing, and capital and non-capital financing activities.
- Finally, the Notes provide additional information that is essential to a full understanding of the data provided and are an integral part of the Financial Statements.

HOUSING AUTHORITY OF THURSTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Financial Analysis of the Housing Authority

The following table summarizes net assets at June 30, 2019 and 2018:

CONDENSED STATEMENT OF NET POSITION

Assets	<u>2019</u>	<u>2018</u>
Current assets	\$ 5,745,275	\$ 6,427,820
Capital assets – net	28,522,495	27,003,389
Other noncurrent assets	<u>1,073,333</u>	<u>1,097,205</u>
Total assets	<u>35,341,103</u>	<u>35,528,414</u>
 Deferred Outflows of Resources	 <u>298,553</u>	 <u>258,354</u>
 Liabilities		
Current liabilities	1,606,932	1,647,943
Non-current liabilities	<u>15,691,871</u>	<u>16,175,438</u>
Total liabilities	<u>17,298,803</u>	<u>17,823,381</u>
 Deferred Inflows of Resources	 <u>354,577</u>	 <u>258,509</u>
 Net Position		
Net investment in capital assets	15,588,337	14,023,570
Restricted for housing assistance payments	148,133	120,061
Unrestricted	<u>2,249,806</u>	<u>2,561,247</u>
Total net position	<u>\$17,986,276</u>	<u>\$16,704,878</u>

The Housing Authority's 2019 current assets exceed current liabilities by \$4.2 million, for a current ratio of 3.62. The current ratio is a measure of the ability to pay debts as they become due.

The Housing Authority has \$940,394 in cash that is restricted for tenant security deposits, client escrow deposits, Down Payment Assistance revolving loan fund and to pay Mainstream program rental assistance.

Capital assets, before depreciation, increased by \$2,319,945 primarily due to the construction in progress of \$1,480,735 for the development of two, triplex units in Lacey, WA and the acquisition of land adjacent to the Olympia Crest apartments for \$612,500.

Deferred outflows of resources of \$298,553, deferred inflows of resources of \$354,577 and net pension liability of \$834,136 are directly related to the reporting for pensions. For details of these balances see Note 9 - State Sponsored Pension Plans.

HOUSING AUTHORITY OF THURSTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

The following table summarizes changes in net position for the year ended June 30, 2019 and 2018:

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Revenues	<u>2019</u>	<u>2018</u>
Operating revenue-tenant rental revenue	\$ 5,170,399	\$ 4,993,562
Operating revenue - other	73,003	97,676
Investment income	93,696	57,974
Operating grants - federal	17,644,614	16,585,456
Operating grants - state and local	46,000	2,797
Non-operating capital grants	104,548	109,513
Non-operating misc. income	<u>121,850</u>	<u>263,193</u>
Total revenues	<u>23,254,110</u>	<u>22,110,171</u>
Expenses		
Housing assistance payments	15,718,818	14,608,638
Salaries, benefits and taxes	2,139,545	2,133,334
Maintenance and operations	2,226,410	2,213,515
Other operating expenses	560,826	582,216
Depreciation	<u>800,839</u>	<u>790,019</u>
Total Operating Expenses	21,446,438	20,327,722
Interest expense	<u>487,830</u>	<u>512,093</u>
Total Non-operating Expenses	<u>487,830</u>	<u>512,093</u>
Total expenses	<u>21,934,268</u>	<u>20,839,815</u>
Change in net position	<u>1,319,842</u>	<u>1,270,356</u>
Prior Period Adjustment	(38,444)	(573,483)
Net position , beginning of year	<u>16,704,878</u>	<u>16,008,005</u>
Net position , end of year	<u>\$ 17,986,276</u>	<u>\$ 16,704,878</u>

The Housing Authority's operating revenues increased \$1,254,525 or 5.79% from the prior year, while operating expenses increased \$1,118,716 or 5.50% resulting in an increase in net operating income of \$135,810 or 10.05%. As detailed below, nearly the all of the increased in expenses is due to increased rental subsidy payments to support vulnerable families.

Revenues are derived from various sources with approximately 76.94% received either directly from the U.S. Department of Housing and Urban Development (HUD) or indirectly through the state and local governments from HUD and other Federal agencies, 0.2% received from state and local agencies, 22.54% generated from rental of Housing Authority-owned properties, and 0.32% from other sources.

HOUSING AUTHORITY OF THURSTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

The Housing Authority's most significant expenses are salaries, employee benefits and taxes, housing assistance payments, and maintenance and operations.

Salaries expense increased 6.30% over the prior year and was 7.63% of operating revenue for the year ended June 30, 2019. The increase is due to changes in positions and new staff.

Employee benefits and taxes, representing 1.70% of operating revenues for the year ended June 30, 2019, decreased 20.05% from the prior year, primarily due adjustment to Other Post-Employment Benefits (OPEB) liability in accordance with GASB 75.

Housing assistance payments, representing 68.54% of operating revenues, increased 7.60% from the prior year primarily due to an increase in the average cost of unit months leased in the Housing Choice Voucher program (HCV) and additional units leased. The HCV program is on a calendar year end. The second half of the 2018 contract and the first half of the 2019 contract are included in the Housing Authority's fiscal year end June 30, 2019. The Housing Authority is given a budget authority by the Federal government with a ceiling on both dollars and unit months leased in the contract year. In order to maximize the number of clients assisted within the budget limits, participation is monitored and projected on a monthly basis for the contract year. If the projections indicate less than 100% utilization, clients are added from the wait list. If projections of participation indicate the program will exceed the amount budgeted, no new participants are added and normal attrition reduces the units and dollars spent to allowed levels. For the second half of the 2018 contract, the projections indicated a need to increase the number of participants in order to achieve 100% of the budgeted amounts for the year and maximize the level of support for the community. As a result of efforts to add participants at the end of calendar year 2018, the projections for 2019 indicted the program could be over budget and no new participants were added during the first half of 2019. The result is an increase in housing assistance payments for the HCV program for the fiscal year end June 30, 2019 over 2018 of \$1,195,243.

Capital asset and debt administration

Capital assets

Detailed information regarding the Housing Authority's capital assets may be found in Note 4 to the financial statements. The following table summarizes the changes in capital assets between fiscal years 2018 and 2019:

	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>Net Change</u>
Land	\$ 6,588,292	\$ 6,588,293	\$ 1
Buildings and improvements	29,016,636	29,208,726	192,090
Equipment	896,407	1,025,559	129,152
Construction in progress	<u>112,254</u>	<u>2,110,956</u>	<u>1,998,702</u>
Totals	36,613,589	38,933,534	2,319,945
Accumulated depreciation	<u>(9,610,200)</u>	<u>(10,411,039)</u>	<u>(800,839)</u>
Capital assets, net	<u>\$ 27,003,389</u>	<u>\$ 28,522,495</u>	<u>\$ 1,519,106</u>

Construction-in-progress represents expenditures as of June 30, 2019 on a new development located on the corner of 14th Avenue SE and Golf Club Road in Lacey, Washington. On December 29, 2011 and October 28, 2016, the Authority purchased two single family homes located adjacent

HOUSING AUTHORITY OF THURSTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

to two other triplexes owned by the Authority. The total purchase price for the single-family homes was \$288,357 that were at or near the end of practical lives. The homes were demolished in April of 2018 to make way for a new triplex development on each site. The construction is estimated to cost \$1,755,282 of which the Authority will contribute \$684,641 of unrestricted cash reserves, finance \$650,000 with a local financial institution, and federal and state grants totaling \$420,641. The construction is scheduled to be completed in August 2019. These units will complete a development that was in large measure intended to eliminate neighborhood plight and to encourage further neighborhood improvements. In addition, on January 16, 2019, the Housing Authority purchased land adjacent to Olympia Crest Apartments in Olympia, Washington. The property, referred to as Olympia Crest III will be used to build between 24 and 30 units.

The Housing Authority has a preventative maintenance program to preserve the value and extend the life of its housing assets. The Housing Authority invested \$655,253 in repairs, maintenance, and minor capital replacements for its buildings and equipment during the recent fiscal year. The Housing Authority sets aside cash in capital replacement reserves for future expenditures.

Long-term Debt

The Housing Authority typically issues various types of debt obligations, including installment notes, deferred notes and revenue bonds to finance the acquisition and construction of assets. Detailed information regarding the Housing Authority's outstanding long-term debt may be found in Note 8 to the financial statements. At June 30, 2019 the Housing Authority had deferred loans payable and net long-term debt outstanding in the amount of \$13.0 million.

In October, 2003, the Housing Authority entered into a contract with the Washington State Department of Community Trade and Economic Development (DCTED) to administer a revolving fund. As of June 30, 2019, the Housing Authority has assisted 47 families with their first-time home purchases and the balance at year end is \$1,476,032. Detailed information regarding the Housing Authority's outstanding long-term liability may be found in Note 7 to the financial statements.

Contacting the Housing Authority's Financial Management

The financial report is designed to provide a general overview of the Housing Authority's finances for all those with an interest. Questions concerning any of the information should be addressed to the Executive Director of the Housing Authority of Thurston County. The Housing Authority's offices are located at 1206 12th Avenue SE, Olympia, Washington 98501. The telephone number is (360) 753-8292.

HOUSING AUTHORITY OF THURSTON COUNTY

STATEMENT OF NET POSITION

June 30, 2019

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 4,260,283
Accounts receivable	428,621
Mortgage receivable - current portion	15,972
Restricted cash and cash equivalents	940,394
Other current assets	100,005
Total current assets	<u>5,745,275</u>

NONCURRENT ASSETS:

Capital assets	
Land	6,588,293
Construction in progress	2,110,956
Depreciable assets	
Building and improvements	29,208,726
Equipment	1,025,559
Less accumulated depreciation	(10,411,039)
Total capital assets-net	<u>28,522,495</u>
Mortgage receivable	<u>1,073,333</u>
Total noncurrent assets	<u>29,595,828</u>
Total assets	<u>\$ 35,341,103</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	<u>\$ 298,553</u>
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LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 294,035
Accrued compensated absences	180,408
Current portion of total OPEB liability	18,384
Current portion of long-term debt	708,305
Payable from restricted assets:	
Tenant security deposits	241,742
Escrow deposits payable	164,058
Total current liabilities	<u>1,606,932</u>

LONG-TERM LIABILITIES:

Revolving loan fund	1,476,032
Other notes payable	1,891,479
Long-term debt--net	10,334,374

Net pension liability	834,136
Total OPEB liability	<u>1,155,850</u>
Total long-term liabilities	<u>15,691,871</u>
Total liabilities	<u>17,298,803</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>354,577</u>
	<u>NET POSITION</u>
Net investment in capital assets	15,588,337
Restricted for housing assistance payments	148,133
Unrestricted	2,249,806
Total net position	<u>\$ 17,986,276</u>

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

HOUSING AUTHORITY OF THURSTON COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the year ended June 30, 2019

OPERATING REVENUES:

Tenant rental revenue	\$ 5,170,399
Commercial rental revenue	48,000
Federal program grants	17,644,614
State and local program grants	46,000
Miscellaneous income	25,003
Total operating revenues	<u>22,934,016</u>

OPERATING EXPENSES:

Salaries	1,750,495
Employee benefits & taxes	389,050
Housing assistance payments	15,718,818
Maintenance & operations	2,226,410
Professional services	56,000
Insurance	99,325
Operating expenses	405,500
Depreciation	800,839
Total operating expenses	<u>21,446,438</u>
Operating income (loss)	<u>1,487,579</u>

NON-OPERATING REVENUES (EXPENSES):

Interest income	93,696
Interest expense	(487,830)
Miscellaneous income	121,850
Net non-operating revenues (expenses)	<u>(272,285)</u>

CAPITAL CONTRIBUTIONS:

Capital grants revenue	<u>104,548</u>
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CHANGE IN NET POSITION

1,319,842

NET POSITION, beginning of year

16,704,878

PRIOR PERIOD ADJUSTMENT-Correction of an error

(38,444)

NET POSITION, beginning of year restated

16,666,434

NET POSITION, end of year

\$ 17,986,276

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

HOUSING AUTHORITY OF THURSTON COUNTY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers and funders	\$ 22,924,979
Cash payments to suppliers for goods and services	(18,607,393)
Cash payments to employees for services	(2,438,623)
Net cash used by operating activities	<u>1,878,964</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Payments received on DPA Mortgages	21,300
Other Receipts	83,406
Net cash provided by non-capital financing activities	<u>104,706</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal paid on revenue bonds and other debt	(670,008)
Interest paid on revenue bonds and other debt	(476,746)
Capital Contributions	104,548
Proceeds on revenue bonds and other debt	613,261
Purchases of property and equipment	(2,319,945)
Net cash used by capital and related financing activities	<u>(2,748,888)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income received	89,223
Net cash provided by investing activities	<u>89,223</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (675,996)

CASH AND CASH EQUIVALENTS, at beginning of year 5,876,672
CASH AND CASH EQUIVALENTS, at end of year \$ 5,200,676

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED)
BY OPERATING ACTIVITIES:**

Operating income (loss)	\$ 1,487,579
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	800,839
Changes in assets and liabilities:	
Increase in operating accounts receivable	3,579
Increase in operating other current assets	4,945
Decrease in accounts payable	(127,563)
Increase in accrued compensated absences	23,195
Tenant security deposits received	79,565
Tenant security deposits refunded	(63,792)
Escrow deposits received	175,015
Escrow deposits paid out	(182,125)

Increase in total OPEB liabilities	(136,494)
Decrease in net pension liability	(241,648)
Changes in deferred outflows/inflows:	
Increase in deferred outflows of resources-related to pensions	(40,199)
Decrease in deferred inflows of resources-related to pensions	96,068
Net cash provided (used) by operating activities	<u>\$ 1,878,964</u>

NONCASH INVESTING,CAPITAL AND FINANCING ACTIVITIES:

Amortization of Discounts on Bonds Payable	<u>\$ 11,085</u>
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The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THURSTON COUNTY
Notes to Financial Statements
June 30, 2019

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of Thurston County (the Authority) was organized pursuant to the laws of the State of Washington for the purpose of providing safe, decent, sanitary and affordable housing to low-income families in Thurston County, Washington. The Authority, established in 1971 by a resolution by Thurston County, operates under the laws of the State of Washington applicable to Housing Authorities (Chapter 35.82 RCW).

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

The significant accounting policies are described below

a. Reporting Entity:

The Housing Authority is a municipal corporation governed by an appointed six member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Authority has no component units.

b. Basis of Accounting and Presentation:

The accounting records of the authority are maintained and reported in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW and the Federal Department of Housing and Urban Development. The authority must report using GAAP; however, it has the option to use either the single enterprise proprietary fund or special purpose governmental fund model.

HATC has elected to report as a single-enterprise proprietary fund and uses the accrual basis of accounting. The measurement focus is on the flow of economic resources. The proprietary fund is composed of a number of programs. These programs are designed to provide low income individuals with housing.

Proprietary funds are used to account for activities that are operated in a manner similar to private enterprise business. Under this method revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of the cash flows. Capital asset purchases are capitalized and long-term liabilities are accounted for in the fund.

c. Budgetary Data:

Budget procedures are mandated by HUD. The budget, as adopted by the Housing Authority and partially approved by HUD, constitutes the authority for expenditures. The partially approved budget by HUD includes the Housing Choice Voucher, Moderate Rehabilitation and Single Room Occupancy (SRO) programs.

d. Vacation and Sick Leave Benefits:

All regular full-time and part-time employees are eligible to accrue annual leave based upon length of employment. Regular full-time employees accrue sick leave at a rate of one sick day (eight hours) for each month of continuous service. Regular part-time employees accrue sick leave at a rate determined by multiplying the employee's full-time equivalency rate by eight hours. All accrued unused annual leave will be paid out upon termination of employment. Regular employees who have completed five years of continuous employment with the HATC who are leaving HATC due to retirement pursuant to the Public Employees Retirement System or due to death will be partially paid for accumulated sick leave. Under no other circumstances are payments made for accrued, unused sick leave.

In addition, non-exempt employees are allowed to accumulate compensatory time in lieu of overtime pay. Compensatory time, if elected, shall accrue at the rate of one-and-one-half hours for each hour of overtime worked. All accrued, unused compensatory time will be paid out upon termination of

HOUSING AUTHORITY OF THURSTON COUNTY
Notes to Financial Statements
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

employment. Compensated absences payable, as reported on the balance sheet, is based on the accrued annual leave and compensatory time balances as of June 30, 2019.

e. Cash and Cash Equivalents:

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

f. Investments:

Investments for the Authority are reported at fair value. The Thurston County Investment Pool is not registered with the Securities and Exchange Commission and is an unrated investment pool. Rather, the pool operates in accordance with appropriate state laws and regulations, and is audited annually by the Washington State Auditor's Office. The reported value of the pool is the same as the fair value of the pool shares. For various risks related to the investments, see Deposits and Investments Note 2.

g. Restricted Assets and Liabilities

The Restricted Asset accounts contain resources for tenant security deposits, FSS escrows, HUD restricted net position, construction, and restricted revolving loan funds. Related liabilities are shown as "Payable from Restricted Assets" in the Statement of Net Position. For a detailed listing of restricted asset balances as of June 30, 2019 see Note 2 – Deposits and Investments.

h. Receivables:

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based on historical trends and periodic aging of accounts receivable. Major receivable balances include HUD and other governments and property management companies.

i. Capital Assets:

Property and equipment purchases are recorded at cost. The Housing Authority's policy is to capitalize purchased property and equipment with a cost greater than \$1,200 for the rental properties and those with a cost greater than \$5,000 for all other operations. Maintenance and repairs are charged to expenses as incurred; major improvements are capitalized. Depreciation is calculated on the straight-line basis over the estimated useful lives of the respective assets, which are as follows:

Land improvements	5 to 20 years
Buildings and improvements	15 to 40 years
Equipment	5 to 12 years

j. Mortgages Receivable:

Mortgages receivable consist of second mortgage loans made under a down payment assistance program for first time home buyers. These loans are 0% interest loans secured by a deed of trust and payable upon sale or transfer of title or change of use.

k. Use of Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

l. Federal Income Taxes:

The Housing Authority is a municipal corporation and is, therefore, exempt from federal income taxes.

m. Public Support and Revenues:

The Housing Authority receives a substantial amount of its funding from HUD. In the event that HUD would discontinue its support because of budget cuts, the Housing Authority could experience a significant loss of support.

HOUSING AUTHORITY OF THURSTON COUNTY
Notes to Financial Statements
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For details of the Pension Plans see Note – 9.

o. Operating Revenues/Expenses:

The Authority's statements of revenues, expenses, and changes in net position distinguish between operating and non-operating revenues and expenses. Operating revenue results from exchange transactions associated with providing housing and services directly related to the Agency's mission. Operating revenues and expenses also include federal operating subsidies and housing assistance payments provided by U.S. Department of Housing and Urban Development. The use of this classification is based on guidance from HUD, the primary user of these financial statements. Operating expenses are those expenses that are directly incurred in the operation of providing housing and other management activities, including administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, including but not limited to capital and noncapital federal grants, interest income and expense.

This presentation results in operating revenues that are higher than if subsidies and/or grants were presented as non-operating revenues. Overall it does not affect the presentation of the change in net position in the statement of revenues, expenses, and changes in net position, or the presentation of cash and cash equivalents in the statement of cash flows.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Deposits

Custodial risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposits are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). As of June 30, 2019, deposits with financial institutions are \$273,674.

Investments

Cash of the Housing Authority is combined with Thurston County's investment pool. The Authority is invested at 100% of their daily balance for each of its funds. The investment instruments are diversified under the guidelines of the Thurston County Investment Policy and conform to all state statutes. All funds deposited in the TCIP are available to the Authority at full face value without regard to current market values of the investment pool. Earnings distributions, including any realized transactions in the pool, are distributed monthly, calculated on the average daily balance of the Authority's cash balances.

The Authority has complete liquidity in all funds under the care of the Thurston County Treasurer. Because of this liquidity, it is never necessary to call funds early for cash management purposes, and the Housing Authority does not hold funds in specific time securities owned exclusively by the Authority. Therefore, all funds on deposit with the Thurston County Treasurer are considered cash equivalents.

HOUSING AUTHORITY OF THURSTON COUNTY
Notes to Financial Statements
June 30, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

As required by Washington State law, the Housing Authority's cash and cash equivalents are limited to obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, or certificates of deposit with Washington State banks and savings and loan institutions. Because Washington State law limits the Authority's deposits and investments to those with no risk of loss, the Housing Authority has no policies addressing custodial credit risk. As of June 30, 2019, all of the Housing Authority's cash and cash equivalents are in the Thurston County Investment Pool or in checking and savings accounts with Washington State banks and credit unions. The cash and cash equivalents are recorded at cost plus accrued interest earnings, which approximate fair value.

At June 30, 2019, all cash and cash equivalents of the Housing Authority are fully insured and are held by the Housing Authority, or their agents in the Housing Authority's name.

	Carrying Amount	Fair Value
Local Banks and Credit Unions	\$ 273,674	\$ 273,674
Thurston County Investment Pool	4,927,003	4,927,003
Total	\$ 5,200,677	\$ 5,200,677

Cash and cash equivalents

At June 30, 2019, unrestricted cash and cash equivalents consists of the following--

Amounts designated for maintenance and operating reserves	\$ 1,100,062
Amounts designated for Section 8 programs	447,299
Undesignated cash and cash equivalents	2,712,922
Total unrestricted cash and cash equivalents	\$ 4,260,283

Restricted cash and cash equivalents consist of the following:

- a. **Restricted Net Position – Housing Choice Voucher (HCV) Program**
Housing authorities are required to maintain the balance of rental assistance funds received in excess of expenditures. The cumulative balance of those excesses is referred to as Restricted Net Position (RNP). The RNP balance is restricted by HUD to be used for HCV or Mainstream rental assistance payments only.
- b. **FSS payable to tenants:**
FSS payable to tenants reflects the accumulated deposits and interest earnings to be paid to the FSS program participants upon their successful completion of the program.
- c. **Tenant security deposits:**
Tenants are required to pay a security deposit at the time they move into one of the Housing Authority's developments. The security deposits are refundable provided that the unit's physical condition is satisfactory at the time the tenant moves out. Security deposit checking accounts have been established to cover the total security deposits payable to tenants.
- d. **Restricted revolving loan funds**
As a provision of the Down Payment Assistance (DPA) program, all funds received to pay off the corresponding mortgages are accounted for separately and restricted for use consistent with the DPA program.
- e. **Restricted – RNP interest payable to HUD**
Effective January 1, 2012, all interest earned on Net Restricted Assets is recorded as a payable to HUD.

HOUSING AUTHORITY OF THURSTON COUNTY
Notes to Financial Statements
June 30, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

At June 30, 2019, restricted cash and cash equivalents consist of the following--

FSS payable to tenants	\$ 163,858
Tenant security deposits	241,742
Mainstream Program – restricted net position	148,133
DPA restricted loan funds	386,661
Total restricted cash	<u>\$ 940,394</u>

NOTE 3 - ACCOUNTS RECEIVABLE:

At June 30, 2019, accounts receivable consists of the following--

Federal grants	\$ 92,262
Property management companies	254,821
Portable vouchers	17,412
Other	23,059
Over paid HAP	183,233
Allowance for doubtful accounts	(142,166)
Total accounts receivable	<u><u>\$ 428,621</u></u>

NOTE 4 – CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year ended June 30, 2019:

	Balance, Beginning of year	Additions	Retirements	Balance, End of year
Capital assets not being depreciated:				
Land	\$ 6,588,293	\$	\$	\$ 6,588,293
Construction in Progress	112,254	1,998,702		2,110,956
Total capital assets not being depreciated	<u>6,700,547</u>	<u>1,998,702</u>	<u>-</u>	<u>8,699,249</u>
Capital assets being depreciated				
Buildings and improvements	29,016,636	192,090		29,208,726
Equipment	896,407	129,152		1,025,559
Total capital assets being depreciated	<u>29,913,043</u>	<u>321,242</u>	<u>-</u>	<u>30,234,285</u>
Less accumulated depreciation	<u>(9,610,200)</u>	<u>(800,839)</u>		<u>(10,411,039)</u>
Total capital assets being depreciated-net	<u>20,302,843</u>	<u>(479,597)</u>	<u>-</u>	<u>19,823,246</u>
Total capital assets - net	<u><u>\$ 27,003,390</u></u>	<u><u>\$ 1,519,105</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 28,522,495</u></u>

NOTE 5 – CONSTRUCTION-IN-PROGRESS

Construction-in-progress represents expenditures as of June 30, 2019 on a new development located on the corner of 14th Avenue SE and Golf Club Road in Lacey, Washington. On December 29, 2011 and October 28, 2016, the Authority purchased two single family homes located adjacent to two other triplexes owned by the Authority. The total purchase price for the single-family homes was \$288,357. The homes were demolished in April of 2018 to make way for a new triplex development on each site. The construction is estimated to cost \$1,755,282 of which the Authority will contribute \$684,641 of unrestricted cash reserves, finance \$650,000 with Olympia Federal Savings, and federal and state grants totaling \$420,641. The construction is scheduled to be completed in August 2019. In addition, on January

HOUSING AUTHORITY OF THURSTON COUNTY
Notes to Financial Statements
June 30, 2019

16, 2019, the Housing Authority purchased land adjacent to the Olympia Crest Apartments for \$612,500 and will develop between 24 and 30 units adding to the current 164 units.

NOTE 6 - ACCOUNTS PAYABLE:

At June 30, 2019, accounts payable consists of the following--

Accounts payable—vendors	\$ 268,821
Accounts payable—HUD	25,214
Total accounts payable	<u>\$ 294,035</u>

NOTE 7 – REVOLVING LOAN FUND

In October, 2003 the Housing Authority entered into a contract with the Washington State Department of Commerce (previously Department of Community Trade and Economic Development) to administer a revolving fund. The total award is in the form of a recoverable grant with no expectation of repayment if the Housing Authority is in compliance with the terms and conditions set forth in the agreement for the term of the commitment ending December 31, 2034. Under this agreement, the Housing Authority issues second mortgages in connection with first-time home purchases for eligible low-income families. The second mortgages are secured by a deed of trust and any payments are restricted for the purpose of providing additional opportunities for low-income families to purchase homes. As of June 30, 2019, the Housing Authority has assisted 47 families with their first-time home purchases.

Revolving loan Fund as of June 30, 2019 is summarized as follows:

Beginning Balance	Additions	Reductions	End of Year	Due within one Year
\$1,480,032	\$0	\$4,000	\$1,476,032	\$0

NOTE 8 – OTHER NOTES PAYABLE AND LONG-TERM LIABILITIES

The Housing Authority issued a variety of revenue bonds and notes to acquire several of its apartment complexes. Descriptions and terms of the debt issued for each complex are as follows:

1. Notes Payable:

a. Lake Park Complex – Note Payable:

The Housing Authority executed a Purchase and Sales Agreement in November 1999 for the purchase of an 8-unit apartment complex. The Housing Authority received a deferred note from the Department of Commerce (previously Department of Community Trade and Economic Development) Housing Finance Unit to purchase and rehabilitate the eight units in the amount of \$470,911. The deferred note is a zero-interest note with payment deferred for twenty-five years and is secured by a Deed of Trust on the property. Seven of the project's eight units must be used for transitional housing for homeless families with children in households that have incomes at or below 50% of Thurston County's median income. If the terms and conditions of the contract have been met, the note will be forgiven on December 31, 2028. In the event the property is sold, refinanced, or the property is not used as required by the contract prior to December 31, 2028, the balance of the note plus shared appreciation will be due and payable at the time of disposition.

b. Olympia Crest Phase II – Notes Payable:

1. Note Payable:

The Housing Authority received a deferred note payable on May 21, 2008 from the City of Olympia for \$360,000 to purchase land adjacent to the existing property on which 24 new units were built. The note is secured by a Deed of Trust on the property. The note is a zero interest note with payment deferred until the property is sold, provided that the property is used as low-

HOUSING AUTHORITY OF THURSTON COUNTY
Notes to Financial Statements
June 30, 2019

NOTE 8 – OTHER NOTES PAYABLE AND LONG-TERM LIABILITIES (continued)

income housing. If the property is no longer used as low-income housing, the note shall be payable in 240 equal monthly payments bearing interest at 12% per annum. It is the intent of both the borrower and the lender to renegotiate the terms of this loan agreement every 5 years on or about the anniversary of the loan closing date for the purpose of determining the feasibility of converting this to an installment payment loan at 0%.

2. Note Payable:

The Housing Authority received a contract award of \$2,000,000 in April, 2009 from the Department of Commerce (previously Department of Community Trade and Economic Development) to build 24 units adjacent to the existing Olympia Crest Apartment Complex. The contact is secured by a Deed of Trust on the property. \$1,000,000 of the award is a recoverable grant with no expectation of repayment if the terms and conditions of the contract have been met through the term of the commitment that ends on September 30, 2050. The remaining \$1,000,000 of the award is a zero interest note with quarterly payment beginning March 31, 2011 with the final payment due March 31, 2045. However, if the Property is sold, refinanced, transferred, the use changes during the Commitment Period, or the Housing Authority is materially out of compliance with the terms and conditions of the Contract, the recoverable grant, plus a proportional share of the appreciated value of the Property will be due and payable to the HTF within thirty (30) days of such event.

c. Horizons West – Notes Payable:

The Housing Authority received two loans from the Department of Commerce (previously Department of Community Trade and Economic Development) for the acquisition and rehabilitation of the Horizons West apartment complex. Tenants of this complex must have household income that does not exceed 50% of the median income for Thurston County. Both notes are secured by a Deed of Trust on the property. In the event the property is sold, or the property is not used as required by the contract, the lender is entitled to the unpaid balance, the amount representing the prorated appreciation and any costs incurred by the lender for collection. The terms of the loans are as follows:

- 1. Note Payable:** The Housing Authority received a zero interest note from Department of Commerce for \$467,421, with terms deferred until sale, refinance, change of use, or fifty years, whichever occurs first.
- 2. Amortized Note Payable:** The Housing Authority received an additional note payable from Department of Commerce for \$151,590. This note requires payments of \$3,031.80 per year, 0% interest, and the note matures in December 2043.

d. Hall Street – Notes Payable

The Housing Authority entered into a Subrecipient Agreement on September 26, 2014 with Thurston County for \$382,786 of CDBG funds to help fund the acquisition of 2, 4-plexes in Lacey, WA. Along with Housing Authority funds of \$224,389, the properties were acquired on September 30, 2014. Two secured promissory notes dated April 20, 2015 for \$191,393 each with 0% interest and maturity dates of April 20, 2045 were signed on April 14, 2015. The notes are secured by a Deed of Trust and Restrictive Covenant Agreement on each property. Provided the Housing Authority complies with all the agreements, on the maturity date set forth above, the entire balance of principal, interest and default interest, if any, shall be forgiven. In the event of default as defined in the restrictive covenant agreement, that cannot be remedied in 30 days, the note will bear interest at 10% per annum until the borrower remedies the default; or at the lender's discretion, the entire principal balance along with any accrued default interest, if any, may become immediately due and payable.

e. Triplexes – Notes Payable

The Housing Authority entered into an Agreement on January 18, 2018 with Thurston County for \$233,734 of HOME funds to help fund the construction of 2, triplexes in Lacey, WA. Two secured promissory notes dated August 14, 2019 for \$116,867 each with 0% interest and

HOUSING AUTHORITY OF THURSTON COUNTY
Notes to Financial Statements
June 30, 2019

NOTE 8 – OTHER NOTES PAYABLE AND LONG-TERM LIABILITIES (continued)

maturity dates of August 14, 2039 were signed on August 15, 2019. The notes are secured by a Deed of Trust and Restrictive Covenant Agreement on each property. Provided the Housing Authority complies with all the agreements, on the maturity date set forth above, the entire balance of principal, interest and default interest, if any, shall be forgiven. In the event of default as defined in the restrictive covenant agreement, that cannot be remedied in 30 days, the note will bear interest at 10% per annum until the borrower remedies the default; or at the lender's discretion, the entire principal balance along with any accrued default interest, if any, may become immediately due and payable. As of June 30, 2019 the amount drawn on the HOME contract is \$210,361.

f. Triplexes – Olympia Federal Savings Note Payable

On February 20, 2019, the Housing Authority entered into a construction loan agreement and promissory note with Olympia Federal Savings to provide \$650,000 for the construction of the two triplexes in Lacey, WA. The promissory note bears an interest rate of 5.00% and matures on October 1, 2049 and is secured by a deed of trust. The monthly payments of \$3,518.55 begin on November 1, 2019 and amortized over 30 years. In the event of default the lender may declare entire principal balance along with any accrued interest immediately due and payable. As of June 30, 2019 the draws on the construction loan total \$402,900.

2. Bonds Payable:

Refunding Revenue Bond – Heritage Bank:

On August 25, 2004, the Housing Authority entered into an agreement with Heritage Bank providing for the issuance of a single pooled refunding revenue bond of the Authority in a principal amount of \$8,300,000. The proceeds of the bond were used to refund all of the Authority's Housing Revenue Bonds, 1993 (Surrey Lane Project), Housing Revenue Bonds, 1993 (Forest Park Project – Olympia Crest), and Housing Revenue Bonds, 1994 (Villa Granada Project – Falls Pointe), and to pay the costs of issuing the bond. In addition, \$221,724 of the proceeds, along with \$117,159 of cash, was used to pay off a 7.25% loan payable on the Shadow Wood apartment complex. The pooled refunding revenue bond was issued in the aggregate principal amount of \$8,300,000, bears an interest rate of 4.90% per annum and matures on August 25, 2024, with principal and interest payments of \$55,020.51. The pooled refunding revenue bond is collateralized by a deed of trust on all three properties and a security interest in the property rents. In the event of default that is not cured within the terms of the loan agreement the Lender, at its option, may declare all bond obligations immediately due and payable. The unamortized discounts on the refunded bonds payable will be amortized over the life of the pooled refunding revenue bond.

Revenue Bond - Heritage Bank:

On October 28, 2009, the Housing Authority entered into an agreement with Heritage Bank providing for the issuance of a revenue bond of the Authority in a principal amount not to exceed \$1,800,000. On June 15, 2011, the Housing Authority modified the Heritage Bank agreement bringing the principal amount down to \$1,125,000. The proceeds of the bond were used to build 24 units referred to as Olympia Crest Apartments Phase II. This revenue bond bears an interest rate of 5.50% per annum and matures October 28, 2029, with monthly principal and interest payments of \$6,444.96. The revenue bond is collateralized by a deed of trust on the property and a security interest in the property rents. In the event of default that is not cured within the terms of the loan agreement the Lender, at its option, may declare all bond obligations immediately due and payable.

Multifamily Revenue Bond – Washington State Housing Finance Commission:

On May 15, 2011, the Housing Authority entered into an agreement with the Washington State Housing Finance Commission (WSHFC) providing funding for Sequoia Landing with a \$2,500,000 grant and issuance of a Multifamily Revenue Bond in the principal amount of \$3,356,000. The proceeds of the bond were used to build 40 units on Littlerock Road in Tumwater, Washington. This bond bears an interest rate of 4.95% per annum and matures June 1, 2043. Beginning July 1, 2013, monthly principal and interest payments of \$18,061.53 are due on the 1st of each month amortized over a 30-year period. The revenue bond is collateralized by a deed of trust on the property and a security interest in the property

HOUSING AUTHORITY OF THURSTON COUNTY
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NOTE 8 – OTHER NOTES PAYABLE AND LONG-TERM LIABILITIES (continued)

rents. In the event of default that is not cured within the terms of the loan agreement the Lender, at its option, may declare all bond obligations immediately due and payable.

Revenue Bond - Heritage Bank:

On July 22, 2016, the Housing Authority entered into an agreement with Heritage Bank providing for the issuance of a revenue bond of the Authority in a principal amount not to exceed \$2,975,000. The proceeds of the bond were used to build 24 units (12 duplexes) referred to as Allen Orchard in Tumwater, Washington. This revenue bond bears an interest rate of 3.75% per annum. Effective July 22, 2031, and every fifth anniversary of that date thereafter until maturity (July 22, 2047) or repayment in full of this bond, the outstanding balance shall bear the interest as the rate determined by the bank to be the greater of 3.75% per annum, or the sum of 2.75% plus 65% of the most-recent five-year advanced rate of the Federal Home Loan Bank (FHLB) of Des Moines. The revenue bond is collateralized by a deed of trust on the property and a security interest in the property rents. In the event of default that is not cured within the terms of the loan agreement the Lender, at its option, may declare all bond obligations immediately due and payable.

Federal arbitrage regulations are not applicable to any of the Housing Authority's debts.

	Balance, Beginning of year	Additions	Reductions	Balance, End of year	Due Within One Year
Other notes payable at June 30, 2019 is summarized as follows--					
DCTED Note payable--Lake Park	\$ 470,911	\$ -	\$ -	\$ 470,911	\$ -
City of Olympia Note payable--Olympia Crest	360,000	-	-	360,000	-
DCD Note payable--Horizons West	467,421	-	-	467,421	-
Notes payable--Hall Street	382,786	-	-	382,786	-
Thurston County Note Payable--Triplexes	-	210,361	-	210,361	-
Total other notes payable	<u>\$ 1,681,118</u>	<u>\$ 210,361</u>	<u>\$ -</u>	<u>\$ 1,891,479</u>	<u>\$ -</u>
Long-term debt at June 30, 2019 is summarized as follows--					
DCD Note payable--Horizons West	\$ 78,827	\$ -	\$ 3,032	\$ 75,795	\$ 3,032
Bond Payable - Heritage Bank	3,503,290	-	497,724	3,005,566	522,285
HTF Note Payable - Olympia Crest Phase II	820,000	-	24,000	796,000	24,000
Bond Payable Heritage - Olympia Crest Phase II	997,677	-	22,407	975,270	23,392
WSHFC-Bond Payable-Sequoia Landing	3,051,820	-	65,458	2,986,362	70,086
Bond Payable - Heritage Bank - Allen Orchard	2,913,587	-	57,386	2,856,201	58,993
Olympia Federal Note Payable--Triplexes	-	402,900	-	402,900	6,517
Total long-term debt	<u>\$ 11,365,201</u>	<u>\$ 402,900</u>	<u>\$ 670,007</u>	<u>\$ 11,098,094</u>	<u>\$ 708,305</u>
Less current portion of long-term debt				(708,305)	
Less discounts on refunded bonds payable				(55,415)	
Long term debt--net				<u>\$ 10,334,374</u>	
Net Pension Liability at June 30, 2019 is summarized as follows--					
	<u>\$ 1,075,784</u>	<u>\$ 834,136</u>	<u>\$ 1,075,784</u>	<u>\$ 834,136</u>	<u>\$ -</u>
Total OPEB Liabilities at June 30, 2019 is summarized as follows--					
	<u>\$ 1,310,728</u>	<u>\$ 1,174,234</u>	<u>\$ 1,310,728</u>	<u>\$ 1,174,234</u>	<u>\$ 18,384</u>

HOUSING AUTHORITY OF THURSTON COUNTY
Notes to Financial Statements
June 30, 2019

NOTE 8 – OTHER NOTES PAYABLE AND LONG-TERM LIABILITIES (continued)

The annual debt service requirements to maturity for long-term debt as of June 30, 2019 are as follows:

	Principal	Interest
2020	708,305	466,594
2021	746,973	441,998
2022	782,935	406,039
2023	820,704	368,261
2024	859,470	329,501
2025-2029	1,376,052	1,381,528
2030-2034	1,997,069	999,672
2035-2039	1,627,465	629,457
2040-2044	1,672,808	272,000
2045-2049	506,313	25,453
2050	-	-
Totals	\$ 11,098,094	\$ 5,320,503

NOTE 9 – STATE SPONSORED PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year ended June 30 2019:

Aggregate Pension Amounts – All Plans	
Net Pension liabilities	\$ 834,136
Deferred outflows of resources	\$ 298,553
Deferred inflows of resources	\$ 354,576
Pension expense/expenditures	\$ 38,433

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

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.

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits.

HOUSING AUTHORITY OF THURSTON COUNTY
Notes to Financial Statements
June 30, 2019

NOTE 9 – STATE SPONSORED PENSION PLANS (continued)

Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions - The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for July 2018 to June 2019 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
July – August 2018		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	6.00%
September 2018 – June 2019		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%

The Housing Authority's actual contributions to the plan were \$0 from Plan 1 and \$89,511 contribution to Plan 1 UAAL from Plan 2/3 for the fiscal year ended June 30, 2019.

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

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

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

HOUSING AUTHORITY OF THURSTON COUNTY
Notes to Financial Statements
June 30, 2019

NOTE 9 – STATE SPONSORED PENSION PLANS (continued)

benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions - The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 unfunded actuarially accrued liability (UAAL) and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for July 2018 to June 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
July – August 2018		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.70%	7.38%
September 2018 – June 2019		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.83%	7.41%

The Housing Authority's actual contributions to Plan 2/3 were \$131,550 for the fiscal year ended June 30, 2019.

Actuarial Assumptions

The total pension liability (TPL) for each of the plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2007-2012 *Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

HOUSING AUTHORITY OF THURSTON COUNTY
Notes to Financial Statements
June 30, 2019

NOTE 9 – STATE SPONSORED PENSION PLANS (continued)

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

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

- Lowered the valuation interest rate from 7.70% to 7.50.
- Lowered the assumed general salary growth from 3.75% to 3.50%.
- Lowered assumed inflation from 3.00% to 2.75%.

Discount Rate

The discount rate used to measure the total pension liability for all plans was 7.4%. To determine that rate, an asset sufficiency test included an assumed 7.5% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5% except LEOFF 2, which has assumed 7.4%). Consistent with the long-term expected rate of return, a 7.4% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the table below. The inflation component used to create the table is 2.2% and represents WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	100%	

HOUSING AUTHORITY OF THURSTON COUNTY
Notes to Financial Statements
June 30, 2019

NOTE 9 – STATE SPONSORED PENSION PLANS (continued)

Sensitivity of NPL

The table below presents the Housing Authority's proportionate share of the net pension liability calculated using the discount rate of 7.4%, as well as what the Housing Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4%) or 1-percentage point higher (8.4%) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 704,775	\$ 573,483	\$ 459,758
PERS 2/3	\$ 1,192,235	\$ 260,653	\$ (503,139)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2019, the Housing Authority reported a total pension liability of \$834,136 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	\$ 573,483
PERS 2/3	\$ 260,653

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

	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion
PERS 1	0.012369%	0.012841%	0.000472%
PERS 2/3	0.014070%	0.015266%	0.001196%

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

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended June 30, 2019, the Housing Authority recognized pension expense of \$15,562 in PERS 1 and \$22,871 in PERS 2/3 for a total of \$38,433.

HOUSING AUTHORITY OF THURSTON COUNTY
Notes to Financial Statements
June 30, 2019

NOTE 9 – STATE SPONSORED PENSION PLANS (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2019, the Housing Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Plans	Deferred Outflows of Resources			Deferred Inflows of Resources		
	PERS 1	PERS 2/3	Total	PERS 1	PERS 2/3	Total
Differences between expected and actual experience		31,949	\$ 31,949		45,636	\$ 45,636
Net difference between projected and actual investment earnings on pension plan investments				22,790	159,949	\$182,739
Changes of assumptions		3,049	\$ 3,049		74,180	\$ 74,180
Changes in proportion and differences between contributions and proportionate share of contributions		42,494	\$ 42,494		52,021	\$ 52,021
Contributions subsequent to the measurement date	89,511	131,550	\$221,061			
TOTAL	\$89,511	\$209,042	\$298,553	\$22,790	\$331,786	\$354,576

\$203,627 reported as deferred outflows of resources related to pensions resulting from the Housing Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June:	PERS 1	PERS 2/3	Total
2020	(997)	48,558	\$ 47,561
2021	4,982	54,968	\$ 59,950
2022	14,950	94,667	\$ 109,617
2023	3,855	33,019	\$ 36,874
2024		10,183	\$ 10,183
Thereafter		12,898	\$ 12,898
Total	\$ 22,790	\$ 254,293	\$ 277,083

NOTE 10 - DEFERRED COMPENSATION PLAN

The Housing Authority of Thurston County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is with the State of Washington Committee for Deferred Compensation. The plan, available to eligible employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

In June 1998, the State of Washington Deferred Compensation Program Plan assets were placed in trust for the exclusive benefit of participants and their beneficiaries. Pursuant to GASB Statement 32, since the

HOUSING AUTHORITY OF THURSTON COUNTY
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June 30, 2019

NOTE 10 - DEFERRED COMPENSATION PLAN (continued)

Housing Authority of Thurston County is no longer the owner of these assets, the plan assets and liabilities are not recorded on the financial statements of the Housing Authority of Thurston County.

NOTE 11 – WASHINGTON HOUSING AUTHORITIES' RISK RETENTION POOL

The Housing Authority is not facing any type of risk and has no settlements that exceeded the insurance coverage traditionally insured with property and casualty insurance. We are unaware of any loss exposures that may need specialized coverage traditionally excluded in property and casualty insurance.

The Housing Authority of Thurston County is a member of Housing Authorities Risk Retention Pool (HARRP). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 (Interlocal Cooperation Act), fifty-five public housing authorities in the states of Washington, Oregon and California originally formed HARRP in March 1987. HARRP was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. HARRP is a U.S. Department of Housing and Urban Development (HUD) approved self-insurance entity for utilization by public housing authorities. HARRP has a total of eighty six member/owner housing authorities in the states of Washington, Oregon, California and Nevada. Thirty-six of the eighty six members are Washington State public housing entities.

New members are underwritten at their original membership and thereafter automatically renew on an annual basis. Members may quit upon giving notice to HARRP prior to their renewal date. Members terminating membership are not eligible to rejoin HARRP for three years. HARRP can terminate the members after giving a sixty (60) day notice prior to the renewal date. Termination does not relieve a former member from its unresolved losses incurred during membership.

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

Coverage limits for General Liability, as well as Errors and Omissions are \$2,000,000 per occurrence with no annual aggregate. Property limits are offered on an agreed amount, based on each structure's value. Limits for Automobile Liability are covered at \$2,000,000, with no aggregate. HARRP self-insures the first \$1million of coverage for liability lines and purchases an additional \$1 million in reinsurance for a total of \$2 million. For property, HARRP retains the first \$1,000,000 and purchases an additional \$1million reinsurance policy and then purchases \$45 million of excess insurance from Munich Reinsurance for a combined total of \$47,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

HARRP provides loss control and claim services with in-house staff and retained third party contractors.

HARRP is fully funded by member contributions that are adjusted by the HARRP Board on the basis of independent actuarial studies. These assessments cover loss, loss adjustment expenses, excess insurance, 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.

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Background

Beginning in fiscal year 2018, the Housing Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 75 for other post-employment benefits (OPEB) offered to retirees. This standard addresses how housing authorities should account for and report their costs related to post-

HOUSING AUTHORITY OF THURSTON COUNTY
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June 30, 2019

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (continued)

employment health care and other non-pension benefits. GASB 75 requires the Housing Authority to accrue the cost of the retiree health subsidy and other post-employment benefits during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the Housing Authority.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year 2019:

Aggregate OPEB Amounts	
OPEB Liabilities	\$ 1,174,234
OPEB Expense	\$ (136,494)

Plan Description and Funding Policy

The Housing Authority provides medical benefits through the Public Employees Benefit Board (PEBB) administered by the Health Care Authority. The multi-employer plan provides healthcare insurance for eligible retirees and their dependents. The eligible retirees can choose to participate in the plan and pay 100% of the cost. Entities that belong to PEBB have an OPEB liability related to the implicit rate subsidy for insurance offered to retirees. The Housing Authority funds this subsidy on a pay-as-you-go basis and there are no assets accumulated.

Employees covered by benefit terms – At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	0
entitled to but not yet receiving benefits 100 Active employees	21
Total	27

Actuarial Methods and Assumptions

The Housing Authority used the Alternative Measurement Method (AMM) permitted under GASB Statement No. 75, prepared by the Office of the State Actuary (OSA). The valuation and measurement date for the OPEB Actuarial Valuation is the same as the Authority, June 30, 2019. A complete copy of the 201185 Other Post-Employment Benefits Actuarial Valuation report may be obtained by writing to: The Office of State Actuary, P.O. Box 40914, Olympia, WA 98504-0914; or it may be downloaded from the OSA website at www.osa.leg.wa.gov.

OSA used the following assumptions in developing the OPEB liability

- Inflation of 2.75%
- Healthcare cost trend initial rate is approximately 7% then trends down to about 5% in 2020
- Projected salary changes are at 3.5% plus service based increases
- The implicit subsidy is based on claims experience for employees and non-Medicare eligible retirees being pooled when determining premiums.
- Mortality rates are based on the Healthy RP-2000 tables with an age setback of 1 year, mortality improvements of 100% Sale BB and generational projection period.
- The discount rate at the beginning of the measurement year was 3.87% compared to the end of the measurement year of 3.50%
- Post-retirement participation percentage of 65%
- Percentage with spouse coverage of 45%

The Specific assumptions used for the AMM were reasonable and are as follows:

- 2/3 of members select a UMP plan and 1/3 select a Kaiser Permanente (KP) plan.
- UMP pre- and post-Medicare costs and premiums are equal to the Uniform Medical Plan (UMP).
- The KP pre-Medicare costs and premiums are a 50/50 blend of KP Classic and KP Value.

HOUSING AUTHORITY OF THURSTON COUNTY
Notes to Financial Statements
June 30, 2019

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (continued)

- The KP post-Medicare costs and premiums are equal to KP Medicare.
- Estimated retirement service for each active cohort based on the average entry age of 35, with a minimum service of 1 year.
- Assumptions for retirement, disability, termination, and mortality are based on the 2018 PEBB OPEB AVR.
- OSA made the following changes for simplicity; assumed all employees are retirement eligible at age 55', relied on our retirement rates for members with < 30 years of service and assumed a 100% rate of retirement at the age of 70.
- Each cohort is assumed to be a 50/50 male/female split. Assumed that eligible spouses are the same age as the primary member
- Selected the age-based cohorts for AMM based upon the overall distribution of State employees and retirees that participate in PEBB

The following presents the total OPEB liability of the Authority calculated using the current healthcare cost trend rate of 6.8 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8%) or 1-percentage point higher (7.8%) that the current rate.

	1% Decrease (5.8%)	Current Healthcare Cost Trend Rate (6.8%)	1% Increase (7.8%)
Total OPEB Liability	\$970,055	\$1,174,234	\$1,440,335

The following presents the total OPEB liability of the Authority calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5%) or 1-percentage point higher (4.5%) that the current rate.

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB Liability	\$1,402,253	\$1,310,728	\$993,589

Changes in the Total OPEB Liability

PEBB	
Total OPEB Liability at 6/30/2018	\$ 1,310,728
Service cost	\$ 45,104
Interest	\$ 52,051
Changes of benefit terms	\$ 0
Changes in experience data and assumptions	\$ (211,728)
Benefit payments	\$ (21,921)
Other changes	\$ 0
Total OPEB Liability at 06/30/2019	\$ 1,174,234

The measurement and valuation date was June 30, 2019.

HOUSING AUTHORITY OF THURSTON COUNTY
Notes to Financial Statements
June 30, 2019

NOTE 13 – CONTRACTS AND AGREEMENTS

The Housing Authority has agreements with two property management companies for the property management of 531 apartments owned by the Housing Authority located in Olympia, Lacey and Tumwater, Washington. Under the terms of the agreements, the property management companies are responsible for leasing and managing the property, including tenant selection, collection of rents and other receipts, payment of operating expenses, maintenance, and accounting for the property's operations.

In exchange for the services, the Housing Authority pays the property management companies a monthly fixed fee plus a percentage of the total monthly gross receipts from each project.

NOTE 14 – PRIOR PERIOD ADJUSTMENTS – CORRECTION OF AN ERROR

The Housing Authority had a prior period adjustment to correct the recording of HOME funds received for the construction of two new triplexes in Lacey, Washington. In the fiscal year end June 30, 2018, the amount of \$38,444 was included as capital grants on the Statement of Revenues, Expenses and Changes in Net Position and should have been included in other note payable on the Statement of Net Position. The adjustment was necessary to correct the beginning fund balance for the fiscal year end June 30, 2019.

NOTE 15 – CONTINGENCIES AND LITIGATION

The Housing Authority is occasionally party to various legal proceedings which normally occur in housing authority operations. These legal proceedings have historically been resolved in the Housing Authority's favor, and future legal proceedings are not likely to have a material adverse impact on the affected funds of the Housing Authority. Also, the Housing Authority is covered against litigation through the Housing Authorities' Risk Retention Pool, as discussed in Note 11. At June 30, 2019, the Housing Authority was not aware of any pending or threatened litigation or other contingent liabilities that are required to be accrued or disclosed in the financial statements.

HOUSING AUTHORITY OF THURSTON COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Proportionate Share of the Net Pension Liability
As of June 30, 2019

Public Employees' Retirement System Plan 1

		2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.012841%	0.012369%	0.012975%	0.014796%	0.015150%
Employer's proportionate share of the net pension liability	\$	573,483	586,919	696,819	773,968	763,192
Covered payroll	\$	1,750,495	1,626,421	1,457,656	1,443,507	1,603,118
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	32.76%	36.09%	47.80%	53.62%	47.61%
Plan fiduciary net position as a percentage of the total pension liability	%	63.22%	61.24%	57.03%	59.10%	61.19%

Public Employees' Retirement System Plan 2/3

		2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.015266%	0.014070%	0.014759%	0.017232%	0.017608%
Employer's proportionate share of the net pension liability	\$	260,653	488,865	743,104	615,709	355,921
Covered payroll	\$	1,750,495	1,572,733	1,379,464	1,367,595	1,529,054
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	14.89%	31.08%	53.87%	45.02%	23.28%
Plan fiduciary net position as a percentage of the total pension liability	%	95.77%	90.97%	85.82%	89.20%	93.29%

HOUSING AUTHORITY OF THURSTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions

As of June 30, 2019

Public Employees' Retirement System Plan 1

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 89,511	85,830	74,402	73,585	68,002
Contributions in relation to the contractually required contributions	\$ <u>(89,511)</u>	<u>(85,830)</u>	<u>(74,402)</u>	<u>(73,585)</u>	<u>(68,002)</u>
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 1,750,495	1,626,421	1,457,656	1,443,507	1,603,118
Contributions as a percentage of covered employee payroll	% 5.11%	5.28%	5.10%	5.10%	4.24%

Public Employees' Retirement System Plan 2/3

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 131,550	117,798	85,940	85,201	76,759
Contributions in relation to the contractually required contributions	\$ <u>(131,550)</u>	<u>(117,798)</u>	<u>(85,940)</u>	<u>(85,201)</u>	<u>(76,759)</u>
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 1,750,495	1,572,733	1,379,464	1,367,595	1,529,054
Contributions as a percentage of covered employee payroll	% 7.52%	7.49%	6.23%	6.23%	5.02%

HOUSING AUTHORITY OF THURSTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios

As of June 30, 2019

	Changes in Total OPEB Liability	
	2019	2018
Total OPEB Liability at beginning of Year	\$ 1,310,728	1,301,961
Service cost	45,104	51,896
Interest	52,051	48,183
Changes of benefit terms	-	-
Changes in experience data and assumptions	(211,728)	(75,270)
Benefit payments	(21,921)	(16,042)
Other changes	-	-
Total OPEB Liability at end of year	\$ 1,174,234	1,310,728

Ratio of Total OPEB Liability to Covered Employee Payroll

	2019	2018	2017
Total OPEB Liability	\$ 1,174,234	1,310,728	\$ 1,301,961
Covered payroll	\$ 1,750,495	1,646,725	\$ 1,687,188
Total OPEB Liability as a percentage of covered payroll	67.1%	79.6%	77.2%

HOUSING AUTHORITY OF THURSTON COUNTY

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2019

NOTE 1 - BASIS OF ACCOUNTING AND PRESENTATION

The Housing Authority maintains its accounting records in accordance with U.S. Generally Accepted Accounting Principles (GAAP) on the accrual basis. Revenues are recognized in the period earned, with the corresponding receivable recorded at that time. Expenses are recognized in the period incurred.

NOTE 2 – OTHER POST EMPLOYMENT BENEFITS

Plan Description and Funding Policy

The Housing Authority provides medical benefits through the Public Employees Benefit Board (PEBB). The plan provides healthcare insurance for eligible retirees and their dependents. The eligible retirees can choose to participate in the plan and pay 100% of the cost. Entities that belong to PEBB have an OPEB liability related to the implicit rate subsidy for insurance offered to retirees. The Housing Authority funds this subsidy on a pay-as-you-go basis. No assets are accumulated in a trust to pay related benefits.

Actuarial Methods and Assumptions

The Housing Authority used the Alternative Measurement Method (AMM) permitted under GASB Statement No. 75, prepared by the Office of the State Actuary (OSA). The valuation and measurement date for the OPEB Actuarial Valuation is the same as the Authority, June 30, 2019. OSA assumptions were an inflation factor of 3.00%, Healthcare cost trend initial rate is approximately 7% then trends down to about 5% in 2080, projected salary changes are at 3.75% plus service based increases, the implicit subsidy is based on claims experience for employees and non-Medicare eligible retirees being pooled when determining premiums, mortality rates are based on the Healthy RP-2000 tables with an age setback of 1 year, mortality improvements of 100% Scale BB and generational projection period and the discount rate at the beginning of the measurement year was 3.58% compared to the end of the measurement year of 3.87%. A complete copy of the 201185 Other Post-Employment Benefits Actuarial Valuation report may be obtained by writing to: The Office of State Actuary, P.O. Box 40914, Olympia, WA 98504-0914; or it may be downloaded from the OSA website at www.osa.leg.wa.gov.

NOTE 3 – PENSION PLANS – SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND EMPLOYER CONTRIBUTIONS

The employer contributions processed within the fiscal years ended June 30 are used as the basis for determining each employer's proportionate share of the Net Pension Liability (NPL).

The Total Pension Liability (TPL) for each of the plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments. Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table. The Society of Actuaries published the document. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB.

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.

Housing Authority of Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Agency (Pass Through Agency)	Federal Program Name	CFDA Number	Other ID Number	Expenditures			Passed-Through to Subrecipients	Foot-note Ref.
				From Pass-Through Awards	From Direct Awards	Total		
Section 8 Project Based Cluster								
U.S. Department of HUD	Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	WA049-SRO-001		50,029			
			WA049-SCO-001		19,279	69,308	-	
U.S. Department of HUD	Lower Income Housing Assistance Program_ Section 8 Moderate Rehabilitation	14.856	WA049-MRO-001		280,694	280,694	-	
Total Section 8 Project Based Cluster:				-	350,002	350,002	-	
Housing Choice Voucher Cluster								
U.S. Department of HUD	Section 8 Housing Choice Vouchers	14.871	WA049-VO		16,570,722	16,570,722	-	
U.S. Department of HUD	Mainstream Voucher Program	14.879	WA049 DV		505,540	505,540	-	
Total Section 8 Project Based Cluster:				-	17,076,262	17,076,262	-	
CDBG - Entitlement Grants Cluster								
U.S. Dept. of HUD (via Thurston County)	Community Development Block Grants/Entitlement Grants	14.218	1718-CDBG-BGH-HATC-GOLFCLUB	2,938		385,724	-	3
			CDBG-HATC-RHA	382,786				
Total CDBG - Entitlement Grant Cluster:				385,724	-	385,724	-	
U.S. Department of HUD	Family Self-Sufficiency Program	14.896	FSS18WA2158		113,449	113,449	-	
U.S. Department of HUD	Continuum of Care Program	14.267	WA0086LOT011710		140,605	140,605	-	
U.S. Dept. of HUD (via Thurston County)	Home Investment Partnerships Program	14.239	1718-HOME-HC-HATC-	210,361		210,361	-	3

The accompanying notes are an integral part of this schedule.

U.S. Dept. of HUD (via WA State Department of Commerce)	Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	06-64004-054	50,018		410,018			3
U.S. Dept. of HUD (via City of Olympia)	Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii		RRP-188	360,000				-	
Department of Health and Human Services (via Thurston County)	Block Grants for Community Mental Health Services	93.958	P1819-626	34,383		34,383		-	
Total Federal Awards Expended				1,040,486	17,680,318	18,720,805			

The accompanying notes are an integral part of this schedule.

HOUSING AUTHORITY OF THURSTON COUNTY
Notes to the Schedules of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

NOTE 1 - BASIS OF ACCOUNTING AND PRESENTATION

The Housing Authority maintains its accounting records in accordance with U.S. Generally Accepted Accounting Principles (GAAP) on the accrual basis. Revenues are recognized in the period earned, with the corresponding receivable recorded at that time. Expenses are recognized in the period incurred.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs for the federal awards. Costs expended from other sources are not included on these schedules.

NOTE 3 - LOANS

The Housing Authority of Thurston County was approved for a loan from the City of Olympia using Community Development Block Grant funds totaling \$360,000. The funds were used to acquire land to build 24 additional units at an existing property for low income individuals and families. The amount listed is the outstanding balance from prior years. The project was completed in July 2011.

The Housing Authority of Thurston County entered into a sub-recipient agreement on September 26, 2014 secured by a deed of trust and promissory note with Thurston County using Community Development Block Grant funds totaling \$382,786. The funds were used to acquire two 4-plexes for low income individuals and families. The amount listed for this loan includes the proceeds used during the year and the outstanding balance at year end.

The Housing Authority of Thurston County entered into an agreement on September 26, 2014 secured by a deed of trust and promissory note with Thurston County using HOME funds totaling \$233,734. The funds were used to build two triplexes for low income individuals and families. The amount listed for this loan includes the proceeds used during the year and the outstanding balance at year end.

NOTE 4 – INDIRECT COST RATE

The amount expended includes \$429,028 claimed as an indirect cost recovery using an approved indirect cost rate. The Housing Authority has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CFDA:

Line #	1	2	93,958	14,879	14,228	14,267	14,239	14,871	14,896	14,249	14,856	Total
	Business Activities	State & Local	Mental Health Bk Grant (HVLAP)	Mainstream	CDBG	COC HATS	HOME	Section 8 Voucher	ROSS FSS	Section 8 SROI & II Mod Rehab	Section 8	
111	Cash - Unrestricted											4,260,283
113	Cash - Other Restricted	386,661										534,794
114	Cash - Tenant Security Deposits	241,742										241,742
115	Cash-Restricted for payment of Current Liabilities											163,858
100	Total Cash	3,776,790	386,661	29,921	277,650	146,640	26,808	306,240	46,915	32,001	7,193	5,200,677
121	A/R - PHA Projects							64,986				64,986
122	A/R - HUD Other Projects							17,412	11,649		-	29,061
124	A/R - Other Government					12,057						12,057
125	A/R - Miscellaneous	258,822		3,570								262,392
126.2	Allowance for Doubtful Accts - Other											0
127	Notes, Loans, & Mortgage Receivable - Current	15,972										15,972
128	Fraud Recovery											
128.1	Allowance for Doubtful Accts - Fraud			2,486				180,395		352		183,233
129	Accrued Interest Receivable	17,195		(753)				(141,322)	660	94		(142,167)
120	Total Receivables, net of allowances for Doubt. Acc	276,017	15,972	3,570	1,733	-	12,057	122,581	12,309	-	354	444,593
142	Prepaid Expenses & Other Assets	97,046			105			2,799		55		100,005
144	Interprogram Due From	1,903,141									(1,903,141)	0
150	Total Current Assets	6,052,994	402,633	33,491	279,488	146,640	38,865	595,478	59,224	32,001	7,602	5,745,275
161	Land	7,795,723										7,795,723
162	Buildings	28,001,296										28,001,296
163	Furniture, Equipment & Machinery - Dwelling	533,428										533,428
164	Furniture, Equipment & Machinery - Admin	492,131										492,131
166	Accumulated Depreciation	(10,411,039)										(10,411,039)
167	Construction in Progress	2,110,956										2,110,956
160	Total Fixed Assets, Net of Accum Depi	28,522,495	-	-	-	-	-	-	-	-	-	28,522,495
171	Notes, Loans, & Mortgage Receivable - Non Current	1,073,333										1,073,333
174	Other Assets	-										0
180	Total Non-Current Assets	28,522,495	1,073,333	-	-	-	-	-	-	-	-	29,595,828
200	Deferred Outflow of Resources	95,131	30	275	4,057	24,251		150,814	16,985	1,567	5,443	298,553
290	Total Assets	34,670,620	1,475,996	33,766	283,545	146,640	63,116	746,292	76,209	33,568	13,045	35,639,656
311	Bank Overdrafts											0
312	Accounts Payable <90 days	242,711		1	(8)	413		24,716		988		268,821
321	Accrued Wages / Payroll Taxes Payable											0
322	Accrued Compensated Absences	79,993	(2)	543	1,492	15,682		73,978	5,871	2,851		180,408
325	Accrued Interest Payable											0
331	A/P - HUD PHA Programs									22,791	2,423	25,214
341	Tenant Security Deposits	241,742										241,742
342	Deferred Revenues											0
343	Current Portion of Long Term Debt - Capital Prj	708,305										708,305
345	Other Current Liabilities	-										0
347	Interprogram Due To		304,211	57,948	4,889	1,076,662	167,783	232,544	59,104		(1,903,141)	164,058
310	Total Current Liabilities	1,272,751	304,209	58,492	6,373	-	1,092,757	495,296	5,871	22,791	65,366	1,588,548
351	Long Term Debt, Net of Current - Capital Project	12,225,853										12,225,853
353	Noncurrent liabilities other	1,476,032										1,476,032
357	Accrued Pension and OPEB Liability	491,651		1,931	47,269	6,829	158,585	1,137,865	72,585	25,532	35,592	2,008,370
350	Total Non-Current Liabilities	12,717,504	1,480,479	1,931	47,269	6,829	158,585	1,137,865	72,585	25,532	35,592	15,710,255
300	Total Liabilities	13,990,255	1,784,688	60,423	53,642	6,829	1,251,342	1,633,161	78,456	48,323	100,958	17,298,803
400	Deferred Inflow of Resources	112,983	35	326	4,819	28,802		179,114	20,172	1,862	6,464	354,577

97300-050 All Other					10,756,798				10,756,798
97300 Housing Assistance Payments						54,487	237,608		790,687
97350 HAP - Portability In			32,673	465,919					337,953
97400 Depreciation Expense	800,839								800,839
97500 Fraud Losses								0	0
90000 Total Expenses	3,979,884	40,605	36,048	506,406	50,018	235,674	113,450	288,991	22,308,122
10010 Operating Transfers In									300,000
10020 Operating Transfers Out	(300,000)								(300,000)
10100 Total Other Financing Sources (Uses)	(300,000)	-	-	-	-	-	-	-	-
10000 Excess (Deficiency) Operating Rev Over (Under) E:	1,059,054	107,005	(1,665)	184,051	41,938	(95,069)	21,530	749	1,319,842
11020 Required Annual debt payments	670,925								670,925
11030 Beginning Equity	19,508,328	(415,732)	(25,318)	41,033	97,873	(1,121,959)	(43,949)	(17,366)	16,704,878
11040 Prior Period Adjustments, Equity Trfs & Corrects						(38,444)			(38,444)
11170 Administrative Fee Equity									(1,065,983)
11180 Housing Assistance Payment Equi									-
11190 Unit Months Available	6,372			1,300			24,540	172	32,852
11210 Number of Months Leased	6,276			821			22,546	163	30,161

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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