



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Housing Authority of the City of Othello

For the period July 1, 2019 through June 30, 2020

Published March 18, 2021

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

March 18, 2021

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

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
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.....	6
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	8
Independent Auditor's Report on the Financial Statements.....	11
Financial Section.....	15
About the State Auditor's Office.....	62

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Housing Authority of the City of Othello July 1, 2019 through June 30, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

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

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

Housing Authority of the City of Othello July 1, 2019 through June 30, 2020

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Othello, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated March 12, 2021.

As discussed in Note 8 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Housing Authority is unknown.

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.

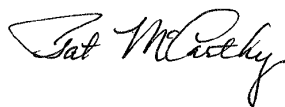
COMPLIANCE AND OTHER MATTERS

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

March 12, 2021

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Housing Authority of the City of Othello July 1, 2019 through June 30, 2020

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Housing Authority of the City of Othello, 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, 2020. 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, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

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

Pat McCarthy
State Auditor
Olympia, WA

March 12, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Housing Authority of the City of Othello July 1, 2019 through June 30, 2020

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Housing Authority of the City of Othello, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 15.

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 the City of Othello, as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 8 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect impact on the Housing Authority is unknown. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 15 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 as a whole. 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 and HUD forms are supplementary information required by HUD. These schedules are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2021 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

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

Pat McCarthy

State Auditor

Olympia, WA

March 12, 2021

FINANCIAL SECTION

Housing Authority of the City of Othello July 1, 2019 through June 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2020

Statement of Revenues, Expenses and Changes in Fund Net Position – 2020

Statement of Cash Flows – 2020

Notes to Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1 and PERS 2/3 – 2020

Schedule of Employer Contributions – PERS 1 and PERS 2/3 – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

Financial Data Schedule – 2020

Actual Modernization Cost Certificate, form HUD-53001 – 2020

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

As management of the City of Othello Housing Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

- Overall financial position decreased approximately \$83,000 from the prior year.
- The Authority's assets and deferred outflows of resources, at fiscal year-end, exceeded liabilities and deferred inflows of resources by approximately \$4.15 million.
- Year-end cash and cash equivalents totaled approximately \$2.7 million of which about \$778,000 was restricted.
- Revenue increased from prior year by \$201,000. Rental revenue increased by \$9,000 and other income by \$10,000. Interest income decreased by \$5,000. Grants and Subsidies increased by \$194,000.
- The Authority paid approximately \$730,000 of Salaries, Wages, and Benefits.

OVERVIEW OF THE CITY OF OTHELLO HOUSING AUTHORITY

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

An independent board of directors appointed by the City of Othello governs the Authority.

Our current portfolio is:

55	Units HUD Public Housing
42	Units Harvest Manor
31	Units Oasis Apartments
16	Units Nonsubsidized Rental Housing
52	Units Lions Park Apartments USDA 515
22	Units Parkview Apartments HUD 236
26	Units Cedar Park Apartments USDA 515 Senior
216	Beds Lugar Seguro
460	

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

OVERVIEW OF THE CITY OF OTHELLO HOUSING AUTHORITY (CONTINUED)

The Authority's financial statements consist of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include the Authority-wide financial statements and notes to the financial statements.

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

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

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

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

OVERVIEW OF THE AUTHORITY-WIDE FINANCIAL POSITION AND OPERATIONS

The Authority's overall net position is summarized below.

	2020	2019
ASSETS		
Current Assets	\$ 2,746,351	\$ 2,553,264
Capital Assets, Net of Depreciation	13,248,917	13,727,424
Other	9,680	10,037
Total Assets	<u>16,004,948</u>	<u>16,290,725</u>
DEFERRED OUTFLOWS OF RESOURCES	107,588	103,541
LIABILITIES		
Current Liabilities	401,085	396,899
Noncurrent Liabilities	11,424,753	11,626,216
Total Liabilities	<u>11,825,838</u>	<u>12,023,115</u>
DEFERRED INFLOWS OF RESOURCES	132,400	133,802
NET POSITION		
Net Investment in Capital Assets	1,892,996	2,224,663
Restricted	778,091	764,462
Unrestricted	1,483,211	1,248,224
Total Net Position	<u>\$ 4,154,298</u>	<u>\$ 4,237,349</u>

The Authority's total assets at June 30, 2020, were \$16,004,948, a decrease of \$285,777 or 1.75% from June 30, 2019. The change in assets primarily consisted of an increase in cash and equivalents combined with a decrease in capital assets due to depreciation.

Cash and Cash Equivalents:

Total cash and cash equivalents increased by approximately \$192,000 as of June 30, 2020. This is primarily due to cash payments received from HUD and USDA.

Accounts Receivable:

Accounts receivable decreased by approximately \$4,000 as of June 30, 2020. This decrease is due to collections from Tenant Fraud receivables.

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

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

Land, Structures, and Equipment:

This table summarizes the changes in capital assets between fiscal years. See Note 3 in the notes to financial statements.

	2020	2019	Change
Land	\$ 976,879	\$ 976,879	\$ -
Structures and Improvements	22,169,296	22,072,203	97,093
Equipment	1,124,985	1,120,323	4,662
Total	24,271,160	24,169,405	101,755
Less: Accumulated Depreciation	(11,022,243)	(10,441,981)	(580,262)
Net Capital Assets	<u>\$ 13,248,917</u>	<u>\$ 13,727,424</u>	<u>\$ (478,507)</u>

Current Liabilities:

Accounts payable increased by approximately \$3,000 as of June 30, 2020. This is normal fluctuation for accounts payable.

Unearned revenue increased by approximately \$400 as of June 30, 2020. This is normal fluctuation for unearned revenue.

Accrued interest increased by approximately \$3,500 as of June 30, 2020. This is primarily due to advances on long-term borrowing.

Tenant Security Deposits increased by approximately \$7,000 as of June 30, 2020. This is due to increased tenant security deposits for all properties to cover damages from unit turn over.

Current maturities of long-term debt decreased by approximately \$9,000 as of June 30, 2020. This is due to timing of maturities on long-term debt.

Long-Term Debt:

The Authority repaid notes payable of approximately \$147,000, representing all long-term liability payments due by the Authority during the year. The outstanding debts of approximately \$11.3 million are secured by real estate or by first mortgages on real estate. For further information see Note 6 in the notes to the financial statements.

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

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

Net Pension Liability:

Net pension liability decreased by approximately \$64,000 as of June 30, 2020. This is due to changes in the proportionate share the Authority has in the cost-sharing multiple-employer public employee defined benefit retirement plan administered by the Washington State Department of Retirement Systems. For further information see Note 4 in the notes to the financial statements.

Deferred Outflows of Resources and Deferred Inflows of Resources:

Deferred outflows and inflows of resources are due to the Authority's participation in cost-sharing multiple-employer pension plans. See Note 4 in the notes to the financial statements.

Net Position:

The Authority's net position decreased by \$83,051 during the fiscal year ended June 30, 2020.

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

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

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

	2020	2019
OPERATING REVENUES		
Rental Revenue	\$ 1,454,916	\$ 1,445,594
Revenue, Tenant - Other	42,894	41,806
Other	26,459	16,335
Total Operating Revenues	<u>1,524,269</u>	<u>1,503,735</u>
NONOPERATING REVENUES		
Subsidies	709,694	515,420
Interest Income	14,324	19,690
Other	(5,362)	2,728
Total Nonoperating Revenues	<u>718,656</u>	<u>537,838</u>
Total Revenues	2,242,925	2,041,573
OPERATING EXPENSES		
Wages and Benefits	730,059	625,656
Depreciation	624,560	628,171
Utilities	452,055	466,501
Taxes and Insurance	97,595	93,788
Maintenance Materials	148,856	135,963
Other	171,956	179,432
Total Operating Expenses	<u>2,225,081</u>	<u>2,129,511</u>
NONOPERATING EXPENSES		
Interest	<u>163,215</u>	<u>169,041</u>
Total Expenses	<u>2,388,296</u>	<u>2,298,552</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(145,371)	(256,979)
CAPITAL CONTRIBUTIONS		
Capital Contributions	62,320	117,263
Total Capital Contributions	<u>62,320</u>	<u>117,263</u>
CHANGES IN NET POSITION	(83,051)	(139,716)
Net Position - Beginning of Year	<u>4,237,349</u>	<u>4,377,065</u>
NET POSITION - END OF YEAR	<u><u>\$ 4,154,298</u></u>	<u><u>\$ 4,237,349</u></u>

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

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

RESULTS OF OPERATIONS

Operating revenue of the Authority's activities is generated principally from rental revenue. In 2020, the Authority's operating revenue totaled \$1,524,269. Of this total, \$1,454,916 was from rental revenue. Operating expenses of the Authority's activities consist primarily of wages and depreciation. The total operating expenses were \$2,225,081, of which \$667,425 and \$624,560 were wages and depreciation, respectively. Nonoperating revenue consists primarily of subsidies. Total nonoperating revenue was \$718,656 of which \$709,694 was from subsidies.

The decrease in net position for the year ended June 30, 2020, was \$83,051 compared to a decrease of \$139,716 for the year ended June 30, 2019. Factors contributing to these results included:

Operating revenues increased by approximately \$20,500 primarily due to an increase in rental revenue and other income.

Nonoperating revenues increased by approximately \$181,000. This is primarily due to increased subsidies.

Wages and benefits increased by approximately \$104,000. This was primarily due to an increase in wages of approximately \$47,000 and an increase in employee benefits of approximately \$57,000 from the adjustments of participating in our cost-sharing multiple-employer pension plan.

Maintenance materials increased by approximately \$13,000. This is normal fluctuation for the Authority.

Taxes and Insurance increased by approximately \$4,000. This is normal fluctuation for the Authority.

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

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

ECONOMIC OUTLOOK

The Othello Housing Authority is located within an economically stable, rural community and has year-round waiting lists with very low vacancy rates for all current projects except Lugar Seguro. Lugar Seguro is a seasonal farm worker project with daily or weekly leases. There continues to be a steady, high demand for seasonal farmworker housing in our agricultural area.

We continue to balance the challenges of an aging housing inventory, increased operating costs, and limited resources to increase our income by being mindful of the ever-changing local needs and conditions. Our diversified portfolio allows us to meet our mission of providing safe, decent, and affordable housing.

Contact Information:

Angie Gomez, Executive Director
335 North 3rd Avenue
Othello, WA 99344
509-488-3527
agomez@othellohousing.com

CITY OF OTHELLO HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash and Cash Equivalents, Unrestricted	\$ 1,823,480
Cash, Restricted - Tenant Deposits	107,438
Cash, Restricted	778,091
Accounts Receivable:	
Tenants, Less Allowance for Doubtful Accounts of \$4	4,965
Fraud	9,733
Other	1,627
Prepaid Expenses	14,499
Inventories	6,518
Total Current Assets	<u>2,746,351</u>

NONCURRENT ASSETS

Capital Assets:	
Land, Structures, and Equipment, Net	13,248,917
Other Assets:	
Loan Fees, Net of Amortization of \$11,597	<u>9,680</u>
Total Noncurrent Assets	<u>13,258,597</u>

TOTAL ASSETS

\$ 16,004,948

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	<u><u>\$ 107,588</u></u>
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**CITY OF OTHELLO HOUSING AUTHORITY
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2020**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable - Trade	\$ 60,207
Unearned Revenue	33,957
Accrued Interest	11,712
Accrued Compensated Absences, Current	44,467
Tenant Security Deposits	107,438
Current Maturities of Long-Term Debt	143,304
Total Current Liabilities	<u>401,085</u>

NONCURRENT LIABILITIES

Long-Term Debt, Net of Current Maturities	11,212,617
Accrued Compensated Absences	14,822
Net Pension Liability	197,314
Total Noncurrent Liabilities	<u>11,424,753</u>

TOTAL LIABILITIES

\$ 11,825,838

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	<u><u>\$ 132,400</u></u>
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NET POSITION

Net Investment in Capital Assets	\$ 1,892,996
Restricted	778,091
Unrestricted	<u>1,483,211</u>

TOTAL NET POSITION

\$ 4,154,298

CITY OF OTHELLO HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2020

OPERATING REVENUES

Rental Revenue	\$ 1,454,916
Revenue, Tenant Other	42,894
Other	26,459
Total Operating Revenue	<u>1,524,269</u>

OPERATING EXPENSES

Wages:	
Maintenance	294,285
Administrative	293,553
Compensated Absences	79,587
Depreciation	624,560
Sewer	172,579
Maintenance Materials	148,856
Water	118,645
Garbage	93,749
Administrative Costs	68,030
Electricity	63,461
Employee Benefits	62,636
Insurance:	
Property Insurance	37,447
Workmen's Compensation	18,361
Liability Insurance	4,780
Payment in Lieu of Taxes	37,007
Office	25,506
Maintenance Contracts	25,048
Auditing Fees	17,428
Bad Debt, Tenant Rent	8,759
Other Utility Expense	7,707
Travel	3,778
Gas	3,624
Legal & Professional Fees	1,175
Security	1,154
Advertising	1,043
Amortization	357
Other Operating Expenses	11,966
Total Operating Expenses	<u>2,225,081</u>

CITY OF OTHELLO HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
(CONTINUED)
YEAR ENDED JUNE 30, 2020

NONOPERATING REVENUES (EXPENSES)

Other Government Grants	\$ 308,302
HUD PHA Grants	351,817
Interest Subsidy, USDA	49,575
Interest Income	14,325
Loss on Disposal of Capital Assets	(5,362)
Interest Expense	(163,216)
Total Nonoperating Revenues (Expenses)	<u>555,441</u>

LOSS BEFORE CAPITAL CONTRIBUTIONS (145,371)

CAPITAL CONTRIBUTIONS 62,320

CHANGE IN NET POSITION (83,051)

Net Position - Beginning of Year 4,237,349

NET POSITION - END OF YEAR \$ 4,154,298

**CITY OF OTHELLO HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Rents Received from Tenants	\$ 1,467,980
Cash Received from Other Operating Revenues	51,419
Cash Paid to and for Employees	(800,524)
Cash Paid to Suppliers	(855,571)
Net Cash Used by Operating Activities	<u>(136,696)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash Payments Received from HUD	351,817
Cash Payments Received from USDA	357,877
Net Cash Provided by Noncapital Financing Activities	<u>709,694</u>

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

Principal Payments on Long-Term Debt	(146,840)
Capital Contributions	62,320
Interest Paid	(159,590)
Additions to Capital Assets	(151,415)
Net Cash Used by Capital and Related Financing Activities	<u>(395,525)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	<u>14,325</u>
Net Cash Provided by Investing Activities	<u>14,325</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

191,798

Cash and Cash Equivalents - Beginning of Year

2,517,211

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 2,709,009

CASH AND CASH EQUIVALENTS, UNRESTRICTED

\$ 1,823,480

CASH, RESTRICTED, TENANT DEPOSITS

107,438

CASH, RESTRICTED, CURRENT

778,091

Total

\$ 2,709,009

**CITY OF OTHELLO HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

RECONCILIATION OF LOSS FROM OPERATIONS TO NET

CASH USED BY OPERATING ACTIVITIES

Operating Loss	\$ (700,812)
Adjustments to Reconcile Operating Loss to	
Net Cash Used by Operating Activities	
Depreciation and Amortization	624,917
(Increase) Decrease in Assets and Deferred Outflows of Resources:	
Accounts Receivable	2,213
Prepaid Expenses	(7,795)
Inventories	4,293
Deferred Outflows Related to Pensions	(4,047)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:	
Accounts Payable	3,047
Accrued Liabilities	6,394
Unearned Revenue	454
Net Pension Liability	(63,958)
Deferred Inflows Related to Pensions	(1,402)
Total Adjustments	<u>564,116</u>
Net Cash Used by Operating Activities	<u>\$ (136,696)</u>

**CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

The City of Othello Housing Authority (the Authority) was created pursuant to the authority of the Constitution and statutes of the state of Washington, including particularly, RCW Chapter 35.82, and was organized on April 11, 1966, and, since the date of its organization, has continued to exist without interruption in the performance of its public corporate purposes. The Authority owns and/or manages a variety of low-income housing developments to provide and promote safe and sanitary housing on a subsidized basis for low-income persons residing in Othello, Washington. The Authority is governed by an independent board of directors appointed by the City of Othello and has no component units.

Use of Estimates

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

Basis of Accounting

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

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

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

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus and basis of accounting. The transactions of the Authority are accounted for on the economic resources measurement focus and full accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operations are included on the statement of net position and revenue is recognized when earned, if measurable, and expenses are recognized when incurred, if measurable, and reported on the statement of revenues, expenditures and changes in fund net position.

Budgeting

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

Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources

Cash and Cash Equivalents

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

It is the Authority's policy to invest all temporary cash surpluses. At June 30, 2020, the Authority was holding \$791,368 in short-term residual investments of surplus cash.

Restricted Cash

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

Temporary Investments

The Authority considers all investments purchased with an original maturity of greater than three months to be temporary investments. As of June 30, 2020, the Authority did not have any temporary investments.

Receivables

Tenant accounts receivable consist of amounts owed for rent and miscellaneous other charges as noted on the rental register. Receivables are carried at original amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. In the opinion of management, an allowance of \$4 was necessary at June 30, 2020. Management regularly evaluates the customer balances to determine collectability. A receivable is considered to be past due when payment is extended beyond the stated agreement. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources (Continued)

Inventories

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

Capital Assets and Depreciation

See Note 3.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Accounts Payable

Accounts payable to contractors and contract retentions consist of amounts owing on Capital Fund and development projects.

Tenant security deposits are offset by the security deposit fund.

Other accounts payable consist of accrued short-term monthly payables.

Unearned Revenue

Consists of amounts received from tenants and others, which are properly recognized in future periods. At times, the Authority contracts with farm labor employers to reserve beds at Lugar Seguro during peak times. These contracts require prepayments up to a year in advance. If the employer does not use the beds, the payments are nonrefundable unless the Authority is able to lease the units to someone else. Unearned revenue of \$22,002 (related to these contracts) at June 30, 2020, will be earned by November 15, 2020. The remaining amount in unearned revenue will be earned when consumed by tenants.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources (Continued)

Accrued Compensated Absences

The Authority records all accumulated unpaid employee leave benefits such as unused vacation. Vacation pay, which may be accumulated up to 40 days for nonexempt and 30 days for exempt employees is payable upon resignation, retirement, or death. Sick leave may accumulate up to 180 days and may be cashed out at 25% of the accumulated accrual upon resignation, retirement, or death. Vacation accrues at various rates based on length of employment. Sick pay accrues at one day per month of employment for full-time employees. In addition, employees are allowed two personal days annually, which are not allowed to accumulate, nor be cashed out. Regular part-time employees accrue compensated absences on a pro rata basis.

Other Accrued Liabilities

These accounts consist of accrued employee withholding and employee benefits.

Long-Term Debt

According to Public Housing Authority (PHA) Circular #00-08 published by HUD and issued June 14, 2000, permanent notes have been reclassified as a capital contributions. The Authority does not continue to make entries to record interest or annual contribution payments for this reclassified debt. See Note 6 for more information on long-term debt.

Restricted Net Position

Includes HUD security deposit funds, tenant deposits, and required replacement reserves.

Net Position

Net position is displayed in three components as follows:

Net Investment in Capital Assets – This component of net position consists of all capital assets, net of accumulated depreciation, and capital-related deferred outflows of resources reduced by the balances of any capital-related borrowings and deferred inflows of resources.

Restricted Net Position – This component of net position consists of restricted assets when constraints are placed on the asset by creditors, grantors, contributors, laws, regulations, etc. reduced by related liabilities and deferred inflows of resources.

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

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenue and Expenses

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

Donations and Nonexchange Transactions

Donations and nonexchange transactions are recorded as capital contribution revenue based on the standards established by GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

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.

**CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

Cash on hand as of June 30, 2020, was \$501. The carrying amount of the Authority's deposits, including certificates of deposit, was \$1,917,140 and the bank balances was \$1,917,140.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Authority would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The District deposits and certificates of deposit are covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments

As required by state law, all investments of the Authority's funds are obligations of the U.S. government, deposits with Washington state banks and savings and loan institutions, or Washington State Local Government Investment Pool (LGIP).

As of June 30, 2020, the Authority had the following investments, which are measured at amortized cost:

Washington State Local Government Investment Pool (LGIP)	\$ 791,368
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Investments in Local Government Investment Pool (LGIP)

The City of Othello Housing Authority is a participant in the LGIP was authorized by chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 CAPITAL ASSETS AND DEPRECIATION

Land, structures, and equipment consist of the following at June 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Structures and Improvements	\$ 22,072,203	\$ 97,093		\$22,169,296
Equipment	1,120,323	54,322	(49,660)	1,124,985
Total Capital Assets Being Depreciated	23,192,526	151,415	(49,660)	23,294,281
Less: Accumulated Depreciation	(10,441,981)	(624,560)	44,298	(11,022,243)
Total Capital Assets Being Depreciated, Net	12,750,545	(473,145)	(5,362)	12,272,038
Capital Assets Not Being Depreciated:				
Land	976,879	-	-	976,879
Total Capital Assets Not Being Depreciated	976,879	-	-	976,879
Total Capital Assets, Net	\$ 13,727,424	\$ (473,145)	\$ (5,362)	\$13,248,917

General Policies

Assets with costs in excess of \$300, plus appliances, including capital leases and major repairs that increase useful lives, are capitalized and depreciated. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. Assets retired, replaced, or otherwise disposed of are eliminated from the asset accounts and the related amounts of accumulated depreciation are eliminated from the accumulated depreciation accounts.

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

Depreciable Capital Assets

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

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

**CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 PENSION PLANS

The following table represents the aggregate pension amounts for all plans as of and for the year ended June 30, 2020:

<u>Aggregate Pension Amounts - All Plans</u>	
Net Pension Liabilities	\$ 197,314
Deferred Outflows of Resources	107,588
Deferred Inflows of Resources	132,400
Pension Expense	4,037

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

The Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380, Olympia, WA 98504-8380

Or it may be downloaded from the DRS website at www.drs.wa.gov.

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.

**CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

PERS Plan 1

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least 5 years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and nonduty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of 5 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%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

	July 2019 - June 2020	
Actual Contribution Rate:	Employer	Employee
PERS Plan 1	7.92 %	6.00 %
PERS Plan 1 UAAL	4.76	-
Administrative Fee	0.18	-
Total	12.86 %	6.00 %

The Authority's actual contribution to the plan was \$27,570 for the year ended June 30, 2020.

PERS Plan 2/3

PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least 5 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.

**CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

PERS Plan 2/3 (Continued)

PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing 5 years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after 5 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% and escalate to 15% with a choice of 6 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 actuarial accrued liability and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 PENSION PLANS (CONTINUED)

PERS Plan 2/3 (Continued)

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

	July 2019 - June 2020	
Actual Contribution Rate:	Employer 2/3	Employee 2
PERS Plan 2/3	7.92 %	7.90 %
PERS Plan 1 UAAL	4.76	-
Administrative Fee	0.18	-
Employee PERS Plan 3	-	varies
Total	12.86 %	7.90 %

The Authority's actual contribution to the plan was \$45,874 for the year ended June 30, 2020.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. 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 and the 2017 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.5% salary inflation
- **Salary increases:** In addition to the base 3.5% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

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

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

Discount Rate

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

Long-Term Expected Rate of Return

The long-term expected rate of return on DRS pension plan investments of 7.4% 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.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 PENSION PLANS (CONTINUED)

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, 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.

		Long-Term
	Target	Expected Real
Asset Class	Allocation	Rate of Return
Fixed Income	20.00 %	2.20 %
Tangible Assets	7.00	5.10
Real Estate	18.00	5.80
Global Equity	32.00	6.30
Private Equity	23.00	9.30
Total	100.00 %	

Sensitivity of Net Pension Liability

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

	1% Decrease	Current	1% Increase
Pension Trust	6.40%	Discount Rate 7.40%	8.40%
PERS 1	\$ 186,364	\$ 148,815	\$ 116,237
PERS 2/3	371,968	48,499	(216,929)
Total	\$ 558,332	\$ 197,314	\$ (100,692)

Pension Plan Fiduciary Net Position

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

**CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

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

At June 30, 2020, the Authority reported a total pension liability of \$197,314 for its proportionate share of the net pension liabilities as follows:

Pension Trust	Liability
PERS 1	\$ 148,815
PERS 2/3	48,499
Total	<u>\$ 197,314</u>

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

Pension Trust	Proportionate Share June 30, 2018	Proportionate Share June 30, 2019	Change in Proportion
PERS 1	0.003918 %	0.003870 %	(0.000048)%
PERS 2/3	0.005054 %	0.004993 %	(0.000061)%

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

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended June 30, 2020, the Authority recognized pension expense as follows:

Pension Trust	Pension Expense (Benefit)
PERS 1	\$ 4,573
PERS 2/3	(536)
Total	<u>\$ 4,037</u>

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 PENSION PLANS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflow s of Resources			Deferred Inflow s of Resources		
	PERS 1	PERS 2/3	Total	PERS 1	PERS 2/3	Total
Differences Betw een Expected and Actual Experience	\$ -	\$ 13,895	\$ 13,895	\$ -	\$ (10,427)	\$ (10,427)
Changes of Assumptions	-	1,242	1,242	-	(20,349)	(20,349)
Net Difference Betw een Projected and Actual Earnings on Pension Plan Investments	-	-	-	(9,942)	(70,595)	(80,537)
Changes in Proportion and Differences Betw een Housing Authority Contributions and Proportionate Share of Contributions	-	19,006	19,006	-	(21,087)	(21,087)
Housing Authority Contributions Subsequent to the Measurement Date	27,571	45,874	73,445	-	-	-
Total	<u>\$ 27,571</u>	<u>\$ 80,017</u>	<u>\$107,588</u>	<u>\$ (9,942)</u>	<u>\$ (122,458)</u>	<u>\$ (132,400)</u>

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	PERS 1	PERS 2/3	Total
2021	\$ (2,195)	\$ (22,939)	\$ (25,134)
2022	(5,199)	(35,417)	(40,616)
2023	(1,855)	(15,254)	(17,109)
2024	(693)	(7,785)	(8,478)
2025	-	(6,270)	(6,270)
Thereafter	-	(650)	(650)
Total	<u>\$ (9,942)</u>	<u>\$ (88,315)</u>	<u>\$ (98,257)</u>

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 PARTICIPATION IN HOUSING AUTHORITY RISK RETENTION POOL

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

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

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

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

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

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

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

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 PARTICIPATION IN HOUSING AUTHORITY RISK RETENTION POOL (CONTINUED)

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

Claim settlements did not exceed coverage in any of the past three years.

NOTE 6 LONG-TERM DEBT

Long-term debt as of June 30, 2020, consisted of the following:

Note Payable to the Department of Commerce

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

Note Payable to the Department of Commerce

This note is secured by a first mortgage on the land and building located at 730 E. Ash. The mortgage was originally issued in the amount of \$777,800 on June 1, 2004. This mortgage has a 0% interest rate. Principal is due in a single balloon payment in November 2044.

Note Payable to the Department of Commerce

This note is secured by a mortgage on the land and building located at 525 Cedar Blvd. The mortgage was originally issued for \$560,155. This mortgage has a 0% interest rate. Principal is due in a single balloon payment in October 2048.

Note Payable to the Department of Commerce

This note is secured by a first mortgage on the land and building located at 2214 West Sielaff. The mortgage was originally issued in the amount of \$3,531,400 on January 24, 2011. This mortgage has a 0% interest rate. Principal payments are due in quarterly installments of \$3,406. There is a final balloon payment of \$3,003,406 due October 31, 2049.

**CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Note Payable to the Washington Community Reinvestment Association (WCRA)

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

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

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

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

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

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

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

Note Payable to the Housing Assistance Council (HAC)

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

Note Payable to the Department of Commerce

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

Note Payable to the Department of Commerce

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

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 LONG-TERM DEBT (CONTINUED)

Note Payable to Columbia Bank

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

Note Payable to Columbia Bank

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

Note Payable to the Department of Commerce

This note is secured by a first mortgage on the land and building located at 613 Seguro Lane and 615 Seguro Lane. The mortgage was originally issued in the amount of \$1,212,929 on April 28, 2015. Additional proceeds were received in the amount of \$1,525,014 on April 10, 2017, and \$252,057 on July 7, 2017, for a total of \$3,000,000. This mortgage has a 0% interest rate. Principal is due in a single balloon payment in April 2055.

Note Payable to Umpqua Bank

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

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 LONG-TERM DEBT (CONTINUED)

The following is a summary of the long-term debt transactions for the year ended June 30, 2020:

	Balances June 30, 2019	Additions	Reductions	Balances June 30, 2020	Due Within One Year
Notes Payable:					
Department of Commerce	\$ 192,396	\$ -	\$ -	\$ 192,396	\$ -
Department of Commerce	777,800	-	-	777,800	-
Department of Commerce	560,155	-	-	560,155	-
Department of Commerce	3,412,176	-	10,219	3,401,957	13,627
WCRA	492,718	-	19,925	472,793	21,424
USDA	732,941	-	25,031	707,910	26,509
USDA	286,361	-	9,779	276,582	10,357
USDA	166,367	-	1,285	165,082	1,356
HAC	374,130	-	16,705	357,425	17,384
Department of Commerce	551,297	-	18,637	532,660	24,736
Department of Commerce	440,164	-	12,182	427,982	12,168
Columbia Bank	261,652	-	12,838	248,814	11,293
Columbia Bank	15,085	-	15,085	-	-
Department of Commerce	3,000,000	-	-	3,000,000	-
Umpqua Bank	239,519	-	5,154	234,365	4,450
Total Long-Term Debt	11,502,761	-	146,840	11,355,921	143,304
Compensated Absences	58,892	397	-	59,289	44,467
Net Pension Liability	261,272	-	63,958	197,314	-
Total Long-Term Liabilities	<u>\$ 11,822,925</u>	<u>\$ 397</u>	<u>\$ 210,798</u>	<u>\$ 11,612,524</u>	<u>\$ 187,771</u>

Minimum payments due are as follows:

Year Ending June 30,	Principal	Interest
2021	\$ 143,304	\$ 156,001
2022	149,444	149,862
2023	155,952	143,353
2024	383,870	133,380
2025	170,810	118,407
2026-2030	975,167	470,922
2031-2035	1,243,899	208,104
2036-2040	432,183	43,871
2041-2045	961,661	10,864
2046-2050	739,642	3,545
2051-2055	2,999,989	-
2056	3,000,000	-
Total	<u>\$ 11,355,921</u>	<u>\$ 1,438,309</u>

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 CONTINGENCIES

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

Periodically the Authority receives funding from the state of Washington Department of Commerce that is used to purchase and construct land and buildings. The Department of Commerce maintains the right to be reimbursed for this funding if the Authority is in violation of any terms or conditions of the contracts. At year-end, the Authority's management is not aware of any violations of Department of Commerce requirements. As of June 30, 2020, these amounts total \$8,892,951.

NOTE 8 SUBSEQUENT EVENTS

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Housing Authority, COVID-19 may impact various parts of its 2020 operations and financial results, including temporary reductions in workforce and receipt of tenant rent payments. Management believes the Housing Authority is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

CITY OF OTHELLO HOUSING AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERS 1 & PERS 2/3
JUNE 30 (MEASUREMENT DATE)
LAST 10 FISCAL YEARS*

PERS 1						
Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the		Net Pension		Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
		Liability (Asset)	Net Pension Liability (Asset)	Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	
2019	0.003870%	\$	148,815	\$ 542,626	27.42%	67.12%
2018	0.003918%		174,979	520,647	33.61%	63.22%
2017	0.004379%		207,799	512,613	40.54%	61.24%
2016	0.003789%		203,501	490,132	41.52%	57.03%
2015	0.004586%		239,890	525,833	45.62%	59.10%
2014	0.004820%		242,810	531,800	45.66%	61.19%

Notes to Schedule:

1. PERS 1 contributions are from the component of PERS 2 contributions required to address the PERS 1 unfunded actuarially accrued liability (UAAL).

*Until a full 10-year trend is compiled, only information for those years available is presented

PERS 2/3						
Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the		Net Pension		Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
		Liability (Asset)	Net Pension Liability (Asset)	Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	
2019	0.004993%	\$	48,499	\$ 542,626	8.94%	97.77%
2018	0.005054%		86,293	520,647	16.57%	95.77%
2017	0.005633%		195,715	512,613	38.18%	90.97%
2016	0.004862%		244,780	490,132	49.94%	85.82%
2015	0.005928%		211,811	525,833	40.28%	89.20%
2014	0.006205%		125,425	531,800	23.58%	93.29%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented

**CITY OF OTHELLO HOUSING AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERS 1 & PERS 2/3
JUNE 30 (EMPLOYER REPORTING DATE)
LAST 10 FISCAL YEARS***

PERS 1									

Housing Authority of the City of Othello
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Rental Housing Loans	10.415	56001 549626707 01- 5 02	-	276,582	276,582	-	1 & 4
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Rental Housing Loans	10.415	56001 549626707 01- 5 01	-	707,910	707,910	-	1 & 4
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Rental Housing Loans	10.415	56001 549626707 02- 7	-	107,555	107,555	-	1 & 4
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Rental Housing Loans	10.415	56001 549626707 01- 5 02	-	12,327	12,327	-	1 & 3
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Rental Housing Loans	10.415	6001 549626707 01- 5 01	-	31,550	31,550	-	1 & 3
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Rental Housing Loans	10.415	56001 549626707 02- 7	-	5,699	5,699	-	1 & 3
Total CFDA 10.415:				-	1,141,623	1,141,623	-	
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Rental Assistance Payments	10.427	56-01- 549626707-015	-	200,747	200,747	-	1 & 4
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Rental Assistance Payments	10.427	56-01- 549626707-027	-	107,555	107,555	-	1 & 4
Total CFDA 10.427:				-	308,302	308,302	-	

Section 8 Project-Based Cluster

Housing Authority of the City of Othello
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASST SECRETARY FOR HOUSING--FEDERAL HOUSING COMMISSIONER, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Section 8 Housing Assistance Payments Program	14.195	WA25L00018	-	22,551	22,551	-	1
ASST SECRETARY FOR HOUSING--FEDERAL HOUSING COMMISSIONER, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Section 8 Housing Assistance Payments Program	14.195	WA19M000109	-	27,509	27,509	-	1
Total Section 8 Project-Based Cluster:				-	50,060	50,060	-	
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Public and Indian Housing	14.850	WA19P026000 0118D	-	289	289	-	1
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Public and Indian Housing	14.850	WA19P026000 00119D	-	76,095	76,095	-	1
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Public and Indian Housing	14.850	WA19P026000 00120D	-	79,624	79,624	-	1
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Public and Indian Housing	14.850	Coronavirus Relief Fund	-	1,802	1,802	-	1
Total CFDA 14.850:				-	157,810	157,810	-	

The accompanying notes are an integral part of this schedule.

Housing Authority of the City of Othello
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

	Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures				Note
					From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients	
	ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Public Housing Capital Fund	14.872	WA19P026501- 18	-	54,166	54,166	-	1
	ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Public Housing Capital Fund	14.872	WA19P026501- 19	-	152,101	152,101	-	1
Total CFDA 14.872:					-	206,267	206,267	-	
Total Federal Awards Expended:					-	1,864,062	1,864,062	-	

Housing Authority of the City of Othello
Notes to the Schedule of Expenditures of Federal Awards
July 1, 2019 through June 30, 2020

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – PROGRAM COSTS

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

NOTE 3 – RURAL RENTAL HOUSING LOAN SUBSIDY CREDIT

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

NOTE 4 – RURAL RENTAL ASSISTANCE PAYMENTS

The rental assistance payments shown represents the total of rental assistance received that is determined by netting the approved basic rent for the shelter and tenant contributions.

NOTE 5 – UNITED STATE DEPARTMENT OF AGRICULTURE

The Housing Authority has three USDA Rural Rental Housing Loans outstanding with balances totaling \$1,149,573.88 as of June 30, 2020

NOTE 7 - INDIRECT COST RATE

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

[illegible]

Accrued Compensated Absences - Curr	44,467	-	-	-	-	-	44,467	-	44,467	-	44,467	0
Accrued Contingent Liability	-	-	-	-	-	-	-	-	-	-	-	0
Accrued Interest	-	4,011	-	2,052	5,649	-	11,712	-	11,712	-	11,712	0
Accounts Pay - HUD PHA Projects	-	-	-	-	-	-	-	-	-	-	-	0
Accounts Pay - PHA Projects	-	-	-	-	-	-	-	-	-	-	-	0
Accounts Pay - Other Government	-	-	-	-	-	-	-	-	-	-	-	0
Tenant Security Deposits	20,937	39,050	-	8,477	38,974	-	107,438	-	107,438	-	107,438	0
Unearned Revenue	2,382	2,444	-	1,796	27,335	-	33,957	-	33,957	-	33,957	0
Current Maturities of LT debt	-	77,030	-	11,293	54,981	-	143,304	-	143,304	-	143,304	0
Current Port LTD - Operating Borrowings	-	-	-	-	-	-	-	-	-	-	-	0
Other Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	0
Accrued Liabilities Other	-	-	-	-	-	-	-	-	-	-	-	0
Interprogram Due To	258	116,471	-	4,871	39,194	-	160,794	(160,794)	-	-	-	0
Loan Liability - Current	-	-	-	-	-	-	-	-	-	-	-	0
Total Current Liabilities	78,085	248,797	0	31,626	203,371	-	561,879	(160,794)	401,085	-	-	0
Long-Term Debt net of current	-	2,462,917	-	1,015,321	7,734,379	-	11,212,617	-	11,212,617	-	11,212,617	0
Long Term Debt, net of current operatin	-	-	-	-	-	-	-	-	-	-	-	0
Noncurrent Liabilities - Other	-	-	-	-	-	-	-	-	-	-	-	0
Accrued Compensation non-current	14,822	-	-	-	-	-	14,822	-	14,822	-	14,822	0
Loan liability - non current	-	-	-	-	-	-	-	-	-	-	-	0
FASB 5 Liabilities	-	-	-	-	-	-	-	-	-	-	-	0
Accrued pension and OPEB Liabilities	-	-	-	-	-	-	-	-	-	-	-	0
Total Noncurrent Liabilities	14,822	2,462,917	0	1,015,321	7,931,693	-	11,424,753	-	11,424,753	-	11,424,753	0
Total Liabilities	92,907	2,711,714	0	1,046,947	8,135,064	-	11,986,632	(160,794)	11,825,838	-	11,825,838	0
Deferred Inflow of Resources	-	-	-	-	132,400	-	132,400	-	132,400	-	132,400	0
Net Investment in Capital Assets	1,378,587	(620,293)	-	(246,902)	1,381,603	-	1,892,995	-	1,892,995	-	1,892,995	0
Restricted Net Position	-	280,792	-	145,234	352,065	-	778,091	-	778,091	-	778,091	0
Unrestricted Net Position	178,429	(110,838)	0	(7,351)	1,422,972	-	1,483,212	-	1,483,212	-	1,483,212	0
Total Equity/Net Position	1,557,016	(450,339)	0	(109,019)	3,156,640	-	4,154,298	0	4,154,298	-	4,154,298	0
Total Liabilities, Deferred Inflows of Resources and Equ	1,649,923	2,261,375	0	937,928	11,424,104	-	16,273,330	(160,794)	16,112,536	-	16,112,536	0
Net Tenant Revenue	264,833	197,209	-	117,001	875,873	-	1,454,916	-	1,454,916	-	1,454,916	0
Tenant Revenue - Other	2,676	21,949	-	4,296	13,973	-	42,894	-	42,894	-	42,894	0
Total Tenant Revenue	267,509	219,158	0	121,297	889,846	-	1,497,810	0	1,497,810	-	1,497,810	0
HUD PHA Operating Grants	301,757	-	-	50,060	-	-	351,817	-	351,817	-	351,817	0
Capital Grants	62,320	-	-	-	-	-	62,320	-	62,320	-	62,320	0
Management fee	-	-	-	-	-	-	-	-	-	-	-	0
Asset Management fee	-	-	-	-	-	-	-	-	-	-	-	0
Book-keeping fee	-	-	-	-	-	-	-	-	-	-	-	0
Front line service fee	-	-	-	-	-	-	-	-	-	-	-	0
Other fees	-	-	-	-	-	-	-	-	-	-	-	0
Total fee revenue	-	-	-	-	-	-	0	0	0	-	0	0
Other Government Grants	-	308,302	-	-	-	-	308,302	-	308,302	-	308,302	0
Investment Income - Unrestricted	46	7	0	3	12,852	-	12,908	-	12,908	-	12,908	0
Mortgage Interest Income	-	-	-	-	-	-	-	-	-	-	-	0
Proceeds from the dispositions of Asset	-	-	-	-	-	-	-	-	-	-	-	0
Cost of Sale of Assets	-	-	-	-	-	-	-	-	-	-	-	0
Fraud Recovery	6,343	-	-	-	-	-	6,343	-	6,343	-	6,343	0
Other Revenue	15,432	13	49,575	-	87,014	-	152,034	(82,343)	69,691	-	69,691	0
Gain or Loss from Sale of Capital Assets	-	(4,551)	-	-	(811)	-	(5,362)	-	(5,362)	-	(5,362)	0
Investment Income - Restricted	4	1,310	-	30	73	-	1,417	-	1,417	-	1,417	0
Total Revenue	653,411	524,239	49,575	171,390	988,974	-	2,387,589	(82,343)	2,305,246	-	2,305,246	0
Administrative Salaries	128,505	62,930	-	27,384	74,734	-	293,553	-	293,553	-	293,553	0

Auditing Fees	3,575	5,005	-	1,430	7,418	17,428	-	17,428
Management Fee	-	-	-	-	-	-	-	-
Book-keeping fee	-	-	-	-	-	-	-	-
Advertising and marketing	245	195	-	-	603	1,043	-	1,043
Employee Benefit Contributions - Admin	25,394	11,235	-	4,833	5,942	47,404	-	47,404
Office Expenses	7,800	6,576	-	1,371	9,759	25,506	-	25,506
Legal Expense	585	-	-	-	590	1,175	-	1,175
Travel	305	280	-	219	2,974	3,778	-	3,778
Allocated Overhead	-	-	-	-	-	-	-	-
Other	29,936	63,097	-	15,667	34,109	142,809	(74,423)	68,386
Total operating - Administrative	196,345	149,318	0	50,904	136,129	532,696	(74,423)	458,273
Asset Management fee	-	-	-	-	-	-	-	-
Tenant Services - Salaries	-	-	-	-	-	-	-	-
Relocation Costs	-	-	-	-	-	-	-	-
Employee Benefit Cont. - Tenant Service	-	-	-	-	-	-	-	-
Tenant Services - Other	-	-	-	-	-	-	-	-
Total tenant Services	0	0	0	0	0	0	0	0
Water	37,486	14,202	-	7,016	59,941	118,645	-	118,645
Electricity	9,322	12,566	-	4,295	37,278	63,461	-	63,461
Gas	827	-	-	-	2,797	3,624	-	3,624
Fuel	-	-	-	-	-	-	-	-
Labor	-	-	-	-	-	-	-	-
Sewer	35,084	48,673	-	13,550	75,272	172,579	-	172,579
Employee Benefit Cont. - Utilities	-	-	-	-	-	-	-	-
Other Utilities Expense	20,842	24,564	-	11,235	44,815	101,456	-	101,456
Total Utilities	103,561	100,005	0	36,096	220,103	459,765	0	459,765
Ordinary Maint & Oper - Labor	58,414	38,605	-	16,713	180,553	294,285	-	294,285
Ordinary Maint & Oper - Materials	41,590	28,060	-	9,919	69,287	148,856	-	148,856
Ordinary Maint and Operation Contracts	8,701	11,955	-	1,625	10,687	32,968	(7,920)	25,048
Employee Benefits - Maintenance	11,698	6,917	-	2,950	(6,333)	15,232	-	15,232
Total Maintenance	120,403	85,537	0	31,207	254,194	491,341	(7,920)	483,421
Protective Services - Labor	-	-	-	-	-	-	-	-
Protective Services - Other Contract Co	577	-	-	-	577	1,154	-	1,154
Protective Services - Other	-	-	-	-	-	-	-	-
Employee Benefit Cont. - ProtectiveServ	-	-	-	-	-	-	-	-
Total Protective Services	577	0	0	0	577	1,154	0	1,154
Property Insurance	7,489	10,361	-	3,016	16,581	37,447	-	37,447
Liability Insurance	1,407	1,063	-	309	2,001	4,780	-	4,780
Workmen's Compensation	3,856	5,141	-	1,469	7,895	18,361	-	18,361
All other insurance	-	-	-	-	-	-	-	-
Total Insurance Premiums	12,752	16,565	0	4,794	26,477	60,588	0	60,588
Other General Expenses	4,908	1,110	-	-	5,949	11,967	-	11,967
Compensated Absences	21,790	12,395	-	4,923	40,479	79,587	-	79,587
Payments in Lieu of Taxes	13,794	3,000	-	3,500	16,713	37,007	-	37,007
Bad Debt - Tenant Rent	4,828	3,333	-	(154)	752	8,759	-	8,759
Bad Debt Mortgages	-	-	-	-	-	-	-	-
Bad Debt - Other	-	-	-	-	-	-	-	-
Severance Expense	-	-	-	-	-	-	-	-
Total other general expenses	45,320	19,838	0	8,269	63,893	137,320	0	137,320
Interest of mortgage (or bonds) payable	-	-	-	-	-	-	-	-
Interest on notes payable (short and long term)	-	115,519	-	17,611	12,680	145,810	-	145,810
Amortization of bond issue costs	-	-	-	-	17,406	17,406	-	17,406
Total Interest Expense and Amortization cost	0	115,519	0	17,611	30,086	163,216	0	163,216

Total Operating Expenses	478,958	486,782	-	148,881	731,459	1,846,080	(82,343)	1,763,737
Excess Revenue over Operating Expenses	174,453	37,457	49,575	22,509	257,515	541,509	0	541,509
Extraordinary Maintenance	-	-	-	-	-	-	-	-
Casualty Losses - Non-capitalized	-	-	-	-	-	-	-	-
Housing Assistance Payments	-	-	-	-	-	-	-	-
HAP Portability-In	-	-	-	-	-	-	-	-
Depreciation Expense	90,870	87,983	-	35,007	410,700	624,560	-	624,560
Fraud losses	-	-	-	-	-	-	-	-
Capital Outlays - Government funds	-	-	-	-	-	-	-	-
Debt Princ Payment - Governmental funds	-	-	-	-	-	-	-	-
Dwelling Units Rent Expense	-	-	-	-	-	-	-	-
Total Expenses	569,828	574,765	0	183,888	1,142,159	2,470,640	(82,343)	2,388,297
Operating Transfers In	143,947	-	-	-	-	143,947	-	143,947
Operating Transfers Out	(143,947)	-	-	-	-	(143,947)	-	(143,947)
Operating Tran from/to Prim Gov't	-	-	-	-	-	-	-	0
Operating Transfers from/to Comp Unit	-	-	-	-	-	-	-	0
Extraordinary Items (net gain/loss)	-	-	-	-	-	-	-	0
Special Items, Net Gain/Loss	-	-	-	-	-	-	-	0
Inter-AMP excess cash transfer in	-	-	-	-	-	-	-	0
Inter-AMP excess cash transfer out	-	-	-	-	-	-	-	0
Transfers between Programs and AMP's in	-	49,575	-	-	-	49,575	-	49,575
Transfers between Programs and AMP's out	-	-	(49,575)	-	-	(49,575)	-	(49,575)
Total Other Financing Sources	0	49,575	(49,575)	0	0	0	0	0
Excess (deficiency) of Operating Revenue	83,583	(951)	-	(12,498)	(153,185)	(83,051)	-	(83,051)
Required annual debt principal payments	0	72,756	0	10,474	69,310	152,540	-	152,540
Beginning Equity	1,473,433	(449,388)	-	(96,521)	3,309,825	4,237,349	-	4,237,349
Prior Period Adj. Equity Transfers, Cor	-	-	-	-	-	0	-	0
Changes in compensated Absence balance	-	-	-	-	-	-	-	-
Changes in Contingent Liability Balance	-	-	-	-	-	-	-	-
Changes in Unrecognized Pension Transit	-	-	-	-	-	-	-	-
Changes in Special Term/ Severance Bene	-	-	-	-	-	-	-	-
Changes in Allow - Dwelling Rents	-	-	-	-	-	-	-	-
Changes in Allow for - Other	-	-	-	-	-	-	-	-
Administrative fee equity	0	0	0	0	0	0	0	0
Housing assistance payments equity	-	-	-	-	-	-	-	-
Unit Months Available	660	924	-	252	1,056	2,892	-	2,892
Number of Unit Months Leased	653	893	-	251	1,038	2,835	-	2,835
Excess cash	145,278	-	-	-	-	145,278	-	145,278
Land Purchases	-	-	-	-	-	0	-	0
Building Purchases	62,320	-	-	-	-	62,320	-	62,320
Furniture & Equipment - Dwelling purchases	-	-	-	-	-	0	-	0
Furniture & Equipment - Administrative purchases	-	-	-	-	-	0	-	0
Leasehold improvements purchases	-	-	-	-	-	0	-	0
Infrastructure purchases	0	-	-	-	-	0	-	0
CFFP Debt Service Payments	0	-	-	-	-	0	-	0
Replacement housing factor funds	0	-	-	-	-	0	-	0

Actual Modernization Cost Certificate

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

OMB Approval No. 2577-0157 (exp. 03/31/2020)

Capital Fund Program (CFP)

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

Do not send this form to the above address.

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

PHA Name:

Housing Authority of the City of Othello

Modernization Project Number:

WA01P026501-19

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

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

A. Funds Approved	\$ 152,101.00
B. Funds Disbursed	\$ 152,101.00
C. Funds Expended (Actual Modernization Cost)	\$ 152,101.00
D. Amount to be Recaptured (A-C)	\$
E. Excess of Funds Disbursed (B-C)	\$

2. That all modernization work in connection with the Modernization Grant has been completed;

3. That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;

4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work;

5. That the time in which such liens could be filed has expired; and

6. That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.

7. Please mark one:

☒ A. This grant will be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

☐ B. This grant will not be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

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

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

Name & Title of Authorized Signatory (type or print clearly):
Angelina Gomez

Signature of Executive Director (or Authorized Designee):

X

Angelina Gomez

Date:

08/11/2020

For HUD Use Only

Verified by: Cherie Shanks 8/12/20

The Cost Certificate is approved for audit (if box 7A is marked):

Approved for Audit Director, Office of Public Housing
CHARRON ALFONSO
Digitally signed by CHARRON ALFONSO
DN = CHARRON ALFONSO C = US O = U.S. Government
Department of Housing and Urban Development, Office of Administration
Date: 2020.08.17 08:38:39 -07'00'

Date:

The costs shown above agree with HUD verified costs (if box 7A or 7B is marked):

Approved: (Director, Office of Public Housing)

X

Date:

form HUD-53001 (10/96)

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

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