



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

September 9, 2021

Board of Commissioners
Housing Authority of Okanogan County
Omak, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of the Housing Authority of Okanogan County for the fiscal year ended December 31, 2019. The Housing Authority contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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HOUSING AUTHORITY OF OKANOGAN COUNTY

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Authority of Okanogan County
Omak, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of Okanogan County (the Authority), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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.

Auditors' 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 auditors' 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 entity'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 entity'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 respective financial position of the business-type activities of the Housing Authority of Okanogan County as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 9, schedule of the Authority's proportionate share of the net pension liability on page 38, and schedule of employer contributions on page 39 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Awards Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and is not a required part of the basic financial statements. The Financial Data Schedule presented on pages 42 through 46 is presented for the purpose of additional analysis as required by HUD, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the Financial Data Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 Schedule of Expenditures of Federal Awards and the Financial Data Schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020 on our consideration of the 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 solely 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 the effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.

Finney, Hill & Company, P.S.

September 29, 2020
Seattle, Washington

Housing Authority of Okanogan County
Management's Discussion and Analysis
December 31, 2019

This narrative overview and analysis of the Housing Authority of Okanogan County's (HAOC) performance for the year ended December 31, 2019 is provided as a supplement to HAOC's year-end financial statements. Please read it in conjunction with the basic financial statements following this section, and the notes to the basic financial statements. The management's discussion and analysis is presented in conformance with the Government Accounting Standards Board (GASB) financial reporting model as set forth in GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*.

As required under U.S. generally accepted accounting principles, HAOC uses the accrual basis of accounting to prepare its basic financial statements. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses, including depreciation, are recognized in the period in which they are incurred. All assets and liabilities associated with the operations of HAOC are included in the statement of net position.

FINANCIAL HIGHLIGHTS

Net position of HAOC decreased by approximately \$207 thousand from 2018 to 2019. This is a result of expenses exceeding revenues by this amount, largely due to an increase in housing assistance payments.

As of December 31, 2019, the liabilities and deferred inflows of resources of HAOC exceeded assets and deferred outflows of resources by approximately \$579 thousand (net position). Of this amount, approximately \$245 thousand is restricted as to its allowable usage.

Current and noncurrent liabilities increased by approximately \$111 thousand from 2018. During 2019, HAOC incurred debt of approximately \$266 thousand related to the acquisition of capital assets. Other changes are due to fluctuations in the timing of due dates, subsequent payments of liabilities, and debt payments made.

Operating revenues increased by approximately \$36 thousand (2%) in comparison to prior year primarily due to increases in intergovernmental and tenant based income.

Nonoperating revenues, net of nonoperating expenses increased by approximately \$87 thousand (31%) from 2018, primarily related to new funding contracts.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to HAOC's basic financial statements. HAOC's basic financial statements are comprised of two components: 1) the basic financial statements and 2) notes to the basic financial statements that provide additional disclosure of some of the information in the basic financial statements.

The *Statement of Net Position* presents information on HAOC's assets and liabilities with the difference between the two reported as net position. Assets and liabilities are presented in the order of liquidity and are classified as "current" (convertible to cash within one year) and "noncurrent." Over time, increases or decreases in net position may serve as useful indicators as to whether HAOC's financial health is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how HAOC's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported for some items that will only result in cash flows in future years.

Housing Authority of Okanogan County
Management's Discussion and Analysis
December 31, 2019

The **Statement of Cash Flows** reports how HAOC's cash and cash equivalents were used and provided by its operating, noncapital financing, capital and related financing, and investing activities during the period reported. The net of these activities is added to the beginning year cash balance to reconcile to the cash and cash equivalents balances at December 31, 2019. HAOC uses the direct method of presenting cash flows, which includes a reconciliation of operating activities to operating loss. This statement provides answers to such questions as where did cash come from, how was cash used, and what was the change in the cash balance during the year.

The **Notes to the Basic Financial Statements** provide financial statement disclosures that are an integral part of the basic financial statements. Such disclosures are essential to a comprehensive understanding of the information provided in the basic financial statements.

FINANCIAL ANALYSIS

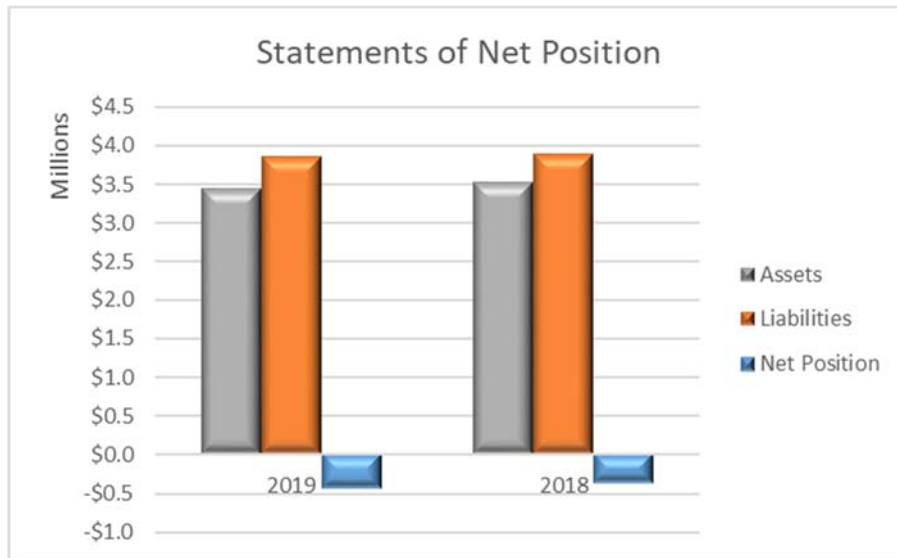
Net Position

The following table represents the condensed Statement of Net Position compared to the prior year:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current assets, unrestricted	\$ 194,273	301,196
Other current assets, restricted	432,727	429,862
Capital assets, net	<u>2,800,823</u>	<u>2,784,811</u>
Total assets	<u>3,427,823</u>	<u>3,515,869</u>
Deferred outflow of resources	<u>25,047</u>	<u>32,399</u>
Total assets and deferred outflow of resources	<u>\$ 3,452,870</u>	<u>3,548,268</u>
Current and other liabilities	\$ 167,599	222,581
Current liabilities payable from restricted assets	41,590	37,279
Noncurrent liabilities	<u>3,640,005</u>	<u>3,620,054</u>
Total liabilities	<u>3,849,194</u>	<u>3,879,914</u>
Deferred inflow of resources	<u>48,462</u>	<u>39,742</u>
Net position		
Invested in capital assets, net of related debt	(803,864)	(755,192)
Temporarily restricted net position	391,137	392,583
Unrestricted net position	<u>(32,059)</u>	<u>(8,779)</u>
Total net position	<u>(444,786)</u>	<u>(371,388)</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 3,452,870</u>	<u>3,548,268</u>

Housing Authority of Okanogan County
Management's Discussion and Analysis
December 31, 2019

The following presents the Statements of Net Position in graphical form:



Unrestricted current assets are comprised of cash and cash equivalents, receivables, investments, and prepaid items. Unrestricted current assets are approximately 35% lower at December 31, 2019 than December 31, 2018, which represents a decrease of approximately \$107 thousand, related to a provision of cash.

Restricted current assets are comprised of cash and investments that are restricted for repayment of security deposits and other contractual obligations related to federal funding that was unspent at the end of the year. In 2019, restricted current assets increased by approximately \$3 thousand, related to decreasing operating expenses.

Capital assets include land, buildings, furniture, equipment and machinery, leasehold improvements, and construction in progress and are shown net of accumulated depreciation. Capital assets increased by approximately \$16 thousand. The increase is primarily attributed to approximately \$175 thousand of additions, which was offset by approximately \$159 thousand of depreciation.

Current and other liabilities consist of accounts payable, accrued wages and payroll taxes, compensated absences, bank overdraft, unearned revenue, and current portion of long-term debt. Current liabilities decreased approximately \$55 thousand, a 25% decrease. The fluctuations are primarily a result of the timing of payments to vendors, and advance funding received from HUD.

Current liabilities payable from restricted assets primarily consist of tenant security deposits and restricted, unspent funds from the federal government. These liabilities reflected an increase from 2018 to 2019 of approximately \$4 thousand, a 12% increase.

Noncurrent liabilities consist of long-term debt, pension liabilities, and the long-term portion of compensated absences. Increases in noncurrent liabilities were approximately \$20 thousand from 2018 to 2019, and are attributed to the pension liability, and \$165 thousand of new long-term borrowings, offset by \$100 thousand of long-term borrowing repayments.

Housing Authority of Okanogan County
Management's Discussion and Analysis
December 31, 2019

Net position represents the equity of HAOC after liabilities are subtracted from assets. Net position is divided into three major categories. The first category, invested in capital assets, net of related debt, shows HAOC's equity in land, buildings, furniture, equipment and machinery, and construction in progress, net of related outstanding debt. The second category, restricted net position, has external limitations on the way in which these assets can be used. The last category, unrestricted net position, is available to be used for any lawful and prudent HAOC purpose.

Total net position of HAOC decreased by approximately \$73 thousand from 2018 to 2019.

HAOC's current ratio reflects the relationship between current assets and current liabilities and is a measure of HAOC's ability to pay short-term obligations. At December 31, 2019 and 2018, HAOC's current ratio was 3.00 and 2.81, respectively.

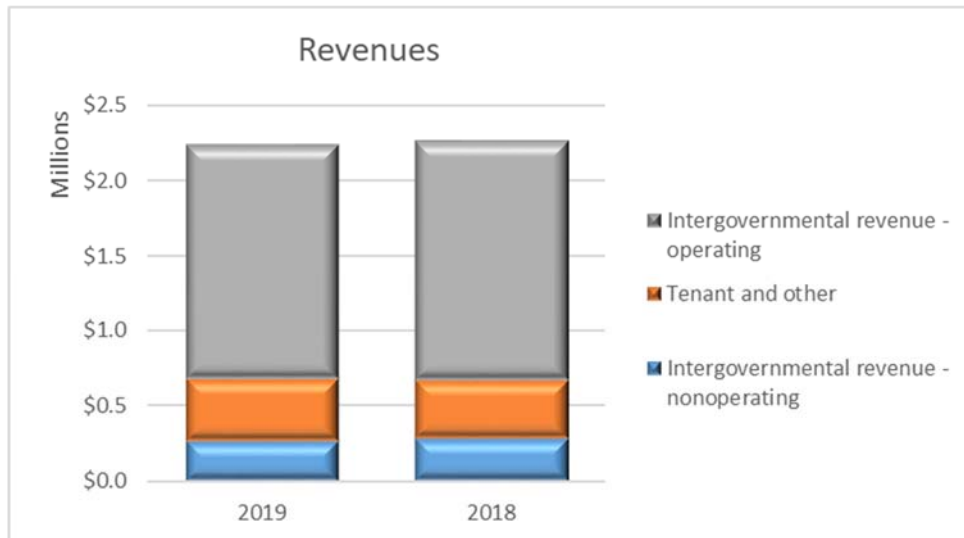
Revenues, Expenses and Changes in Net Position

The following table compares the revenues and expenses for the current and previous fiscal years:

	Years Ended	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Revenue:		
Intergovernmental revenue - operating	\$ 1,561,595	1,600,495
Tenant and other	413,606	385,875
Intergovernmental revenue - nonoperating	260,971	276,800
Investment revenue	<u>2,587</u>	<u>883</u>
Total revenue	<u>2,238,759</u>	<u>2,264,053</u>
Expenses:		
Administration	315,430	360,039
Utilities	158,057	141,472
Ordinary maintenance and operations	151,007	111,472
Depreciation	159,370	153,975
Housing assistance payments	1,467,280	1,434,117
Insurance premiums	24,066	16,550
Interest expense	36,947	28,615
Other non-operating expense	<u>-</u>	<u>116,835</u>
Total expenses	<u>2,312,157</u>	<u>2,363,075</u>
Decrease in net position	(73,398)	(99,022)
Net position, beginning of year	<u>(371,388)</u>	<u>(272,366)</u>
Net position, end of year	<u>\$ (444,786)</u>	<u>(371,388)</u>

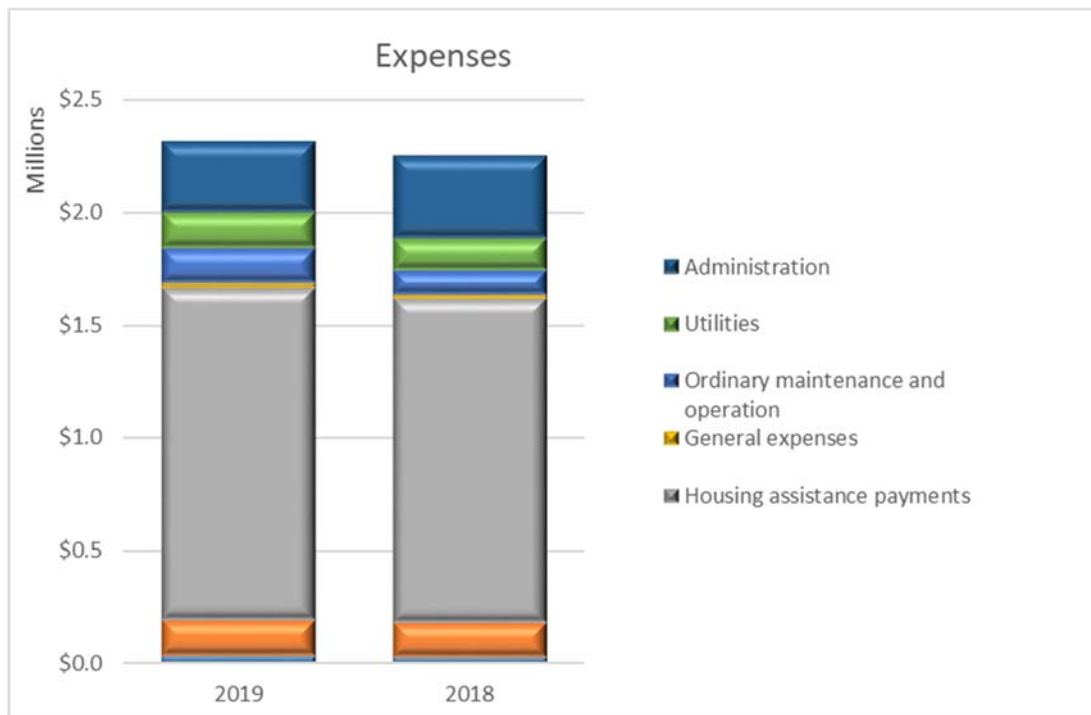
Housing Authority of Okanogan County
Management's Discussion and Analysis
December 31, 2019

The following compares the revenues for the current and previous years in graphical format:



In 2019 revenues decreased by approximately 1%, primarily due to a decrease in intergovernmental revenue, offset partially by an increase in tenant revenue.

The following compares the expenses for the current and previous years in graphical format:



Total expenses decreased by approximately 2% from 2018 to 2019, primarily due to non-operating expenses in 2018 not repeated in 2019.

Housing Authority of Okanogan County
Management's Discussion and Analysis
December 31, 2019

Administrative expenses in 2019 decreased by approximately \$44 thousand (12%) from 2018. Utilities increased by approximately 12% (approximately \$17 thousand) in 2019 compared to 2018. Ordinary maintenance and operation expenses increased by approximately 35% (approximately \$40 thousand) in 2019 compared to 2018. Housing assistance payments increased by approximately 2% (approximately \$33 thousand). The overall changes were attributed to budget changes, fluctuations in costs of doing business and the addition of new properties.

Capital Assets and Debt Administration

HAOC's capital assets are summarized in the table below:

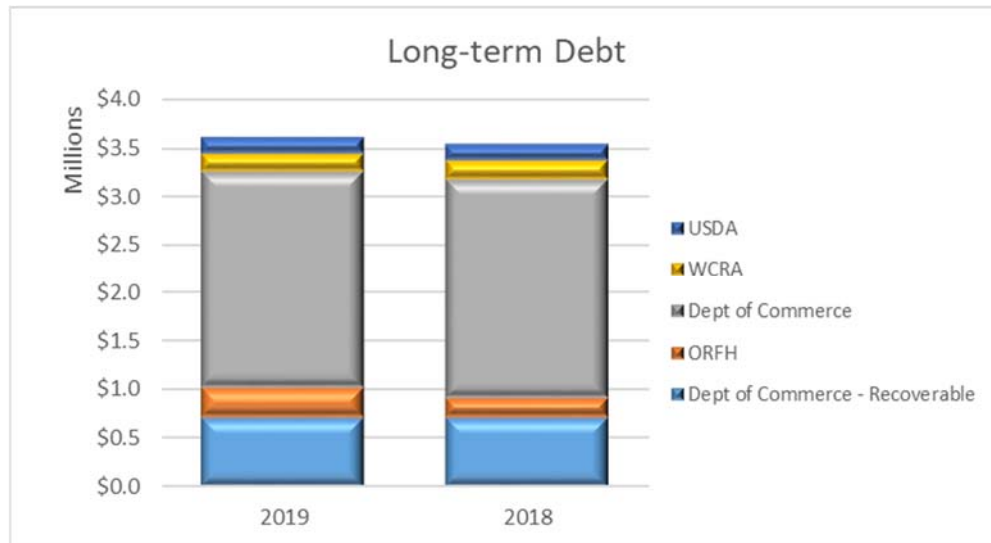
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Land	\$ 531,027	531,027
Construction in progress	162,784	6,292
Buildings	2,409,954	2,409,954
Furniture, equipment & machinery - dwellings	57,664	57,664
Furniture, equipment & machinery - administration	13,564	13,564
Improvements	<u>1,417,462</u>	<u>1,407,380</u>
Total capital assets	4,592,455	4,425,881
Less accumulated depreciation	<u>(1,791,632)</u>	<u>(1,641,070)</u>
Net capital assets	<u>\$ 2,800,823</u>	<u>2,784,811</u>

In 2019, approximately \$159 thousand of depreciation expense was recognized, however, this was offset with approximately \$175 thousand of additions, resulting in an increase in net capital assets of approximately \$16 thousand. Additional information on HAOC's capital assets can be found in Note 6 to the basic financial statements.

HAOC's outstanding long-term debt is summarized in the following table and graph:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<i>Real Estate Mortgages:</i>		
U.S. Department of Agriculture - Twisp Gardens	\$ 166,809	\$ 168,234
Washington Community Reinvestment Associates:		
Caribou Trail	176,376	191,076
Department of Commerce - Caribou Trail	41,195	42,414
Department of Commerce - Caribou Trail	450,000	455,000
Department of Commerce - Twisp Gardens	108,390	112,275
Department of Commerce - IronStraw Farmworker	967,836	967,836
Department of Commerce - Vista Park	598,260	608,260
Department of Commerce - Vista Park	89,285	89,285
Office of Rural and Farmworker Housing:		
Meadow Point note payable	123,098	187,343
Meadow Point revolving loan	155,793	14,613
Meadowlark revolving loan	13,102	-
Pateros Gardens revolving loan	10,876	-
Department of Commerce - Recoverable Grant:		
Sagebrush Acres & Country Homestead	217,145	217,145
Twisp Gardens	467,799	467,799
IronStraw Farmworker	<u>18,723</u>	<u>18,723</u>
	<u>\$ 3,604,687</u>	<u>\$ 3,540,003</u>

Housing Authority of Okanogan County
Management's Discussion and Analysis
December 31, 2019



All debt service payments were made in 2019 as scheduled. Additional information on HAOC's long-term debt can be found in Note 7 to the basic financial statements.

ECONOMIC FACTORS AFFECTING HAOC'S FUTURE

The majority of HAOC's funding is from federal agencies in the form of rental assistance programs. Housing authorities across the country continue to be impacted by continued decline in federal support for housing. Based on HUD's funding letters and contracts, it is anticipated that most HUD programs will continue to receive renewal funding including the Housing Choice and Mainstream Voucher programs, which are HAOC's largest housing program, serving over 240 families.

REQUESTS FOR INFORMATION

This financial report is designed to provide the reader with a general overview of HAOC's finances and to demonstrate HAOC's financial accountability over its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Nancy Nash-Mendez
Executive Director
Phone:
409-422-3721
Address:
431 5th Avenue West
Omak, Washington 98841

HOUSING AUTHORITY OF OKANOGAN COUNTY
STATEMENT OF NET POSITION
December 31, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash - unrestricted	\$ 122,944
Receivables - tenants, net of allowance	5,570
Receivables - other, net of allowance	57,753
Prepaid expenses and other assets	<u>8,006</u>
Total unrestricted	<u>194,273</u>
 Cash - other restricted	 228,707
Cash - tenant security deposits	41,589
Investments - restricted	<u>162,431</u>
Total restricted	<u>432,727</u>
Total current assets	<u>627,000</u>

NONCURRENT ASSETS

Land	531,027
Buildings	2,409,954
Furniture, equipment, and machinery - dwellings	57,664
Furniture, equipment, and machinery - administration	13,564
Improvements	1,417,462
Accumulated depreciation	(1,791,632)
Construction in progress	<u>162,784</u>
Total noncurrent assets	<u>2,800,823</u>
Total Assets	<u>3,427,823</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflow of resources related to pensions	<u>25,047</u>
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TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,452,870</u>
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The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF OKANOGAN COUNTY
STATEMENT OF NET POSITION, CONTINUED
December 31, 2019

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 77,814
Accrued wages and payroll taxes payable	6,595
Accrued compensated absences - current portion	6,541
Accrued interest	8,964
Unearned revenue	35,182
Current portion of long-term debt	<u>32,503</u>
Total payable from unrestricted assets	<u>167,599</u>
 Tenant security deposits payable from unrestricted assets	 <u>41,590</u>
Total current liabilities	<u>209,189</u>

NONCURRENT LIABILITIES

Long-term debt, net of current - capital projects mortgage revenue bonds	3,572,184
Net pension liability	56,430
Accrued compensated absences, net of current	<u>11,391</u>
Total noncurrent liabilities	<u>3,640,005</u>
Total liabilities	<u>3,849,194</u>

DEFERRED INFLOW OF RESOURCES

Deferred inflow of resources related to pensions	<u>48,462</u>
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NET POSITION

Invested in capital assets, net of related debt	(803,864)
Temporarily restricted net position	391,137
Unrestricted net position	<u>(32,059)</u>
Total net position	<u>(444,786)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,452,870</u>

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

HOUSING AUTHORITY OF OKANOGAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended December 31, 2019

OPERATING REVENUE	
Intergovernmental revenue	\$ 1,561,595
Net tenant rental revenue	401,864
Other revenue	8,310
Other tenant revenue	<u>3,432</u>
Total operating revenue	<u>1,975,201</u>
OPERATING EXPENSES	
Administrative	
Administrative wages	141,188
Auditing fees	38,652
Employee benefit contributions	7,265
Other operating - administrative	126,225
Tenant services	<u>2,100</u>
Total administrative	<u>315,430</u>
Utilities	
Electricity	19,551
Other utilities expense	30,339
Sewer	49,648
Water	<u>58,519</u>
Total utilities	<u>158,057</u>
Ordinary maintenance and operations	
Contract costs	53,084
Maintenance and operations wages	51,931
Materials and other	<u>45,992</u>
Total ordinary maintenance and operations	<u>151,007</u>
General expenses	
Depreciation expense	159,370
Housing assistance payments	1,467,280
Insurance premiums	<u>24,066</u>
Total general expenses	<u>1,650,716</u>
Total operating expenses	<u>2,275,210</u>
Net operating loss	<u>(300,009)</u>
NON-OPERATING ACTIVITIES	
Interest expense	(36,947)
Intergovernmental revenue	260,971
Investment revenue - restricted	2,552
Investment revenue - unrestricted	<u>35</u>
Total non-operating revenues & expenses	<u>226,611</u>
CHANGE IN NET POSITION	(73,398)
NET POSITION - BEGINNING OF YEAR	<u>(371,388)</u>
NET POSITION - END OF YEAR	<u><u>\$ (444,786)</u></u>

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

HOUSING AUTHORITY OF OKANOGAN COUNTY
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and others	\$ 369,214
Housing assistance receipts	1,561,595
Payments to employees	(218,999)
Payments to vendors and suppliers	<u>(1,963,648)</u>
Net cash provided (used) by operating activities	<u>(251,838)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Intergovernmental grants and contracts	<u>254,322</u>
Net cash provided by noncapital financing activities	<u>254,322</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	(175,382)
Borrowing on long-term debt	165,158
Principal payments on long-term debt	(100,474)
Interest paid	<u>(21,334)</u>
Net cash provided (used) by capital and related financing activities	<u>(132,032)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>2,587</u>
Net cash provided (used) by investing activities	<u>2,587</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

(126,961)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

682,632

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 555,671

CASH AND CASH EQUIVALENTS CONSISTS OF

Cash - unrestricted	\$ 122,944
Cash - other restricted	228,707
Cash - tenant security deposits	41,589
Investments - restricted	<u>162,431</u>
Total cash and cash equivalents	<u><u>\$ 555,671</u></u>

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

HOUSING AUTHORITY OF OKANOGAN COUNTY
STATEMENT OF CASH FLOWS, CONTINUED
For the Year Ended December 31, 2019

**RECONCILIATION OF NET OPERATING ACTIVITIES TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Cash flows from operating activities:

Operating income (loss)	\$ (300,009)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	159,370
Noncash pension adjustment	(32,304)
(Increase) decrease in cash due to changes in assets:	
Receivables	(25,553)
Prepaid expenses and other assets	2,650
Increase (decrease) in cash due to changes in liabilities:	
Accounts payable	(47,888)
Accrued wages and taxes payable	976
Unearned revenue	(18,839)
Tenant security deposits	4,311
Compensated absences	5,448
	<u>48,171</u>
Net cash provided (used) by operating activities	<u><u>\$ (251,838)</u></u>

Noncash investing, capital, and financing activities:

Interest forgiveness subsidy	<u><u>\$ 6,649</u></u>
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Housing Authority of Okanogan County

Notes to Financial Statements

December 31, 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

The Housing Authority of Okanogan County (HAOC) was formed to provide safe, decent, and sanitary housing for low-and moderate-income residents of Okanogan County. HAOC was incorporated in 1995 and operates under the laws of the state of Washington applicable to municipal corporations. HAOC administers multiple U.S. Department of Housing and Urban Development (HUD) and U.S. Department of Agriculture programs, the funding from which consists of approximately 80% of total revenue, and funds many of the key services provided by HAOC.

HAOC administers the U.S. Department of Housing and Urban Development (HUD) Section 8 Housing Choice Voucher (HCV) Program, HUD's 5-Year Main Stream Housing Opportunities for Persons with Disabilities (MS) Program, and HUD's Veterans Affairs Supportive Housing (VASH) Program. HUD provides a contracted number of Housing Assistance Vouchers to HAOC for each program, which is used to provide rental payments to landlords for a specified number and type of housing units for low-income families.

HAOC administers the HOME Tenant Based Rental Assistance (TBRA) Program for the State of Washington, Department of Commerce. The Program was awarded to HAOC in November 2002, and the first draw was taken in January 2004. The TBRA Program is used to provide rental payments to landlords plus utility assistance and security and utility deposits for a specified dollar value, based on a percentage of allowable grant expenditures, and type of housing units for low-income homeless tenants.

HAOC administers USDA Rural Development rental assistance subsidy for the Twisp Gardens Apartments, a 16-unit Elderly/Disabled apartment complex for low-income families owned and managed by HAOC.

HAOC receives funds from Okanogan County recording fees project based rental assistance to assist up to 10 homeless families in leasing at the Caribou Trail Housing and IronStraw Housing. This amount varies from year to year depending on available funding.

HAOC owns the following properties: 1) Caribou Trail Housing, a 24-unit multifamily apartment complex housing low to moderate-income families; 2) Twisp Gardens Apartments, a 16-unit Elderly/Disabled apartment complex for low-income families with 16 USDA Rural Development subsidized units; 3) IronStraw Farmworker Housing, a 6-unit complex housing low-income seasonal agricultural workers and their families; 4) Land in Omak; 5) Vista Park Homes, a 24 unit apartment complex housing low-income seasonal agricultural workers and their families; 6) Sagebrush Acres and Country Homestead, two single family homes for individuals with chronic disability.

Reporting entity:

HAOC is a municipal corporation governed by a six-member board appointed by the Okanogan County Board of Commissioners. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. HAOC currently has no component units. HAOC is a legally separate agency from Okanogan County. The County does not have the ability to affect the operations of HAOC, nor does HAOC provide financial benefit to, or impose a financial burden on Okanogan County.

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of accounting:

The accounts of HAOC are reported as an enterprise fund. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operations of HAOC are included on the statement of net position.

Summary of significant accounting policies:

The basic financial statements of HAOC have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP). Following is a summary of the more significant accounting policies of HAOC.

Budgeting

HAOC follows the same method of accounting for their budget as they utilize for financial reporting.

Cash and cash equivalents

HAOC's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. As required by HUD, all bank balance amounts are fully insured by the Federal Government or covered by collateral under the terms of a Depository Agreement executed between HAOC and the financial institution. See notes 3 and 4 for further information.

Restricted funds

HAOC receives security deposits when tenants move into their units. These deposits are segregated in a depository account and are considered a liability of HAOC. Restricted funds also include required reserves and funds received in advance that are restricted for a specific or future purpose. HAOC currently has restricted funds from both the U.S. Department of Agriculture Rural Development (USDA RD) and HUD. USDA RD has established a reserve for HAOC capital improvements, which can only be utilized upon USDA RD approval. In addition, Housing Assistance Payment (HAP) funds are restricted for payments to landlords and utility companies on behalf of the program recipients. Any additional grant revenues that have been advanced to the HAOC, but not yet expended are classified as restricted. HAOC also has restricted funds related to financing and reserve requirements.

Assets and liabilities shown as current in the accompanying statement of net position exclude current maturities on revenue bonds and accrued interest thereon because debt service accounts are provided for their payment.

Accounts receivable

HAOC recognizes receivables when they are earned and records an allowance for doubtful accounts based upon management estimate of collectability. See note 5 for further information.

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital assets

Major expenditures for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. See note 6 for further information.

Capital assets are defined by HAOC as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at cost (where historical cost is known.) Where historical cost is not known, assets are recorded at their estimated fair value. Donations are recorded at fair market value at the time of donation or the appraised value.

GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its future service utility has declined significantly and unexpectedly. HAOC is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. No such events or circumstances were encountered as of December 31, 2019.

Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income.

The estimated useful lives are as follows:

Buildings	25 – 40 years
Improvements	7 – 40 years
Machinery/equipment	3 – 10 years
Furniture/equipment	3 – 7 years

Deferred inflows and outflows of resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. HAOC's deferred inflows of resources are typically grant funds that have been drawn down or funds advanced but not yet expended. HAOC had \$48,462 in deferred inflows of resources as of December 31, 2019.

Deferred outflows of resources represent a disbursement of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until that time. HAOC's deferred outflows of resources are typically related to the net pension liability. HAOC had \$25,047 in deferred outflows of resources as of December 31, 2019.

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.

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

For this purpose, benefit payments (including refunds of employee contributions) are recognized as due and payable in accordance with the benefit terms. Investments are reported at fair value. See note 10 for further information.

Compensated absences

HAOC recognizes an expense for all earned but unused vacation leave. Compensated absences reflect all vacation, sick and holiday wages for which employees have been paid in the fiscal year. HAOC records paid leave for compensated absences as an expense when incurred.

Accrued compensated absences is the dollar value of vacation hours earned but not used through the end of each calendar year. Vacation hours earned may be accumulated up to 240 hours and are payable upon termination of employment unless termination is for misconduct or employment is less than six consecutive months. Sick leave may accumulate up to 480 hours, however, it is not included in accrued compensated absences because it is not paid out upon resignation.

Revenue and expenses

HAOC's statement of revenue, expenses, and changes in net position distinguish between operating and non-operating revenue and expenses. Operating revenues include fees and charges from providing services in connection with the ongoing operations of providing low income housing. Operating revenues also include operating subsidies and grants provided by Housing and Urban Development (HUD) for each unit rented to qualified tenants in the public housing and Section 8 programs. The use of this classification is based on guidance from HUD, the primary user of the financial statements. Operating expenses are those expenses that are directly incurred while in the operation of providing low income housing. Non-operating revenue and expenses include other revenue and expenses not meeting the definition of operating.

This presentation results in the operating income that is higher than a non-operating revenue presentation by the amount of the subsidies and/or grants. Overall it does not affect the presentation of net income or the change in net assets in the statement of revenues, expenses, and changes in net assets, or the presentation of cash and cash equivalents in the statement of cash flows.

Subsequent events

Subsequent events have been evaluated through September 29, 2020, which is the date the financial statements were available to be issued.

Tax status

HAOC, as a governmental entity, is not subject to federal or state income taxes.

Use of estimates

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

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

New Accounting Standards Adopted in Future Years

GASB Statement No. 83, *Certain Asset Retirement Obligations*, is effective for reporting periods beginning after June 15, 2019. This statement standardizes requirements for the recognition and measurement of asset retirement obligations, other than landfills, to reduce inconsistency in financial reporting and enhance comparability. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

GASB Statement No. 84, *Fiduciary Activities*, is effective for reporting periods beginning after December 15, 2019. This statement defines criteria for identifying activities that state and local governments should report as fiduciary activities and how they should be reported.

GASB Statement No. 87, *Leases*, is effective for reporting periods beginning after June 15, 2021. Its objective is to improve accounting and financial reporting for leases by governments by establishing a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset. It requires recognition of certain lease assets and liabilities that were previously classified as operating.

The Authority is currently evaluating these new standards to determine what impact, if any, they will have on the Authority, its financial statements and related disclosures

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 3 – DEPOSITS

Deposits, including those in restricted assets, are defined as cash or cash equivalents on deposit with financial institutions. At December 31, 2019, the carrying amount of HAOC's cash accounts deposited with financial institutions was \$555,428 and the bank balances were \$555,671. HAOC's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC). HAOC has on file form HUD-51999, General Depository Agreement with Wells Fargo.

Cash and cash equivalents consist of the following at December 31, 2019:

Cash – unrestricted	\$ 122,944
Cash – other restricted	228,707
Cash – tenant security deposits	41,589
Investments – restricted	<u>162,431</u>
Total cash and cash equivalents	555,671
Less: cash on hand	<u>243</u>
Total deposits	\$ <u>555,428</u>

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 4 – INVESTMENTS

HAOC's investment practice is to follow all HUD guidelines with regard to depository accounts. As a result, HAOC restricts its investments to direct obligations of the US Government, fully insured or collateralized investments at commercial banks and savings and loan associations, collateralized repurchase agreements, state-approved investment pools, or money market funds consisting entirely of US Government securities. All investments are reported at fair market value, which is obtained from quoted market prices of the exact same investments trading in public markets.

As of December 31, 2019, HAOC has no long-term investments. HAOC maintains an operating and reserve escrow account with Washington Community Reinvestment Association (WCRA) for the Caribou Trail Apartments. This account includes an original deposit for project improvements that has not been completely drawn down, as well as a monthly \$300 deposit into each account. The balance at December 31, 2019 was \$162,277.

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, HAOC's deposits may not be returned. HAOC follows HUD policies, which requires collateral for all deposits not covered by federal depository insurance. At December 31, 2019, none of HAOC's deposits and investments were exposed to custodial credit risk.

Concentration of credit risk

Concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer (not including investments issued or guaranteed by the US Government.) Since HAOC follows HUD policies, and all held investments are in investments issued or guaranteed by the US Government, there is no concentration of credit risk.

Credit risk

Credit risk of investments is the risk that the issuer or other counterparty will not meet its obligations. This credit risk is measured by the credit quality rating of investments as rated by a nationally recognized agency

Concentration of interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 5 – RECEIVABLES

Receivables at December 31, 2019 consist of the following:

Tenants	\$ 5,570
Intergovernmental	<u>57,753</u>
Total receivables before allowance	63,324
Less: allowance for doubtful accounts	<u>0</u>
Total receivables	\$ <u>63,324</u>

NOTE 6 – CAPITAL ASSETS

The following is a summary of the changes in capital assets of the Housing Authority:

	January 1, 2019	Increases	Transfers/ Retirements	December 31, 2019
Capital assets not depreciated				
Land	\$ 531,027	-	-	531,027
Construction in progress	<u>6,292</u>	<u>162,584</u>	<u>(6,092)</u>	<u>162,784</u>
Total capital assets not depreciated	<u>537,319</u>	<u>162,584</u>	<u>(6,092)</u>	<u>693,811</u>
Capital assets being depreciated				
Buildings	2,409,954	-	-	2,409,954
Improvements	1,407,380	12,798	(2,716)	1,417,462
Machinery and equipment	57,664	-	-	57,664
Furniture and equipment	<u>13,564</u>	<u>-</u>	<u>-</u>	<u>13,564</u>
Total capital assets being depreciated	<u>3,888,562</u>	<u>12,798</u>	<u>(2,716)</u>	<u>3,898,644</u>
Accumulated depreciation				
Buildings	994,273	92,866	-	1,087,139
Improvements	586,975	66,150	(8,808)	644,317
Machinery and equipment	46,258	354	-	46,612
Furniture and equipment	<u>13,564</u>	<u>-</u>	<u>-</u>	<u>13,564</u>
Total accumulated depreciation	<u>1,641,070</u>	<u>159,370</u>	<u>(8,808)</u>	<u>1,791,632</u>
Total capital assets, net	<u>\$ 2,784,811</u>	<u>16,012</u>	<u>-</u>	<u>2,800,823</u>

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 7 – LONG-TERM DEBT

Caribou Trails Apartments

The Board of Commissioners issued Resolution 1998-12 approving the acquisition of the Caribou Trail Apartments; authorizing the issuance, execution and delivery of a Bond in the form of a taxable Multifamily Note to the Washington Community Reinvestment Association in the original principal amount of \$340,000; and authorizing the issuance, execution and delivery of a Bond in the form of a taxable Promissory Note to the Washington State Department of Community, Trade and Economic Development (CTED) in the original amount up to \$515,000.

The Multifamily Note to the Washington Community Reinvestment Association has a term of thirty years; principal and interest is payable in monthly installments by electronic transfer. Monthly principal and interest payments are \$2,377, including interest at 7.5%, final payment is due in 2028.

The Promissory Note (\$515,000) to CTED (currently known Washington State Dept. of Commerce) Housing Trust Fund (HTF) was issued under the authority of RCW 35.82.020(11), RCW 35.82.130, RCW 35.82.140, RCW 35.82.150 and other applicable provisions of the Housing Authority Law.

Annual principal payments of \$5,000 will be due and payable each year for twenty-one consecutive years until June 30, 2028, when interest begins to accrue and the remaining principal is amortized over the twenty-one consecutive years thereafter. The CTED (Commerce) Note will mature on June 30, 2048.

HAOC has a note payable to CTED (Commerce) for ongoing major repairs with an original principal amount of \$46,000 and is payable in monthly principal and interest payments of \$1,643 over a 33 year term. The note accrues interest at 1% and matures on June 30, 2048.

The following is a summary of the long-term liabilities transactions for Caribou Trail Apartments for the year ended December 31, 2019:

	Balance at January 1, 2019	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
Note payable, WCRA	\$ 191,076	-	(14,700)	176,376	\$ 15,837
Note payable, WA State					
Dept. of Commerce HTF	455,000	-	(5,000)	450,000	5,000
Note payable, WA State					
Dept. of Commerce HTF	42,414	-	(1,219)	41,195	1,231
	<u>\$ 688,490</u>	<u>-</u>	<u>(20,919)</u>	<u>667,571</u>	<u>\$ 22,068</u>

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 7 – LONG-TERM DEBT - CONTINUED

Minimum payments are due as follows for the years ending December 31:

	Principal	Interest	Total
2020	\$ 22,068	13,102	35,168
2021	23,310	11,873	35,183
2022	24,647	10,524	35,171
2023	26,088	9,084	35,172
2024	27,639	7,533	35,172
2025-2029	140,796	20,825	161,621
2030-2034	98,282	18,205	116,487
2035-2039	103,295	13,192	116,487
2040-2044	108,565	7,923	116,488
2045-2048	92,881	2,364	95,249
	<u>\$ 667,571</u>	<u>114,625</u>	<u>782,198</u>

Twisp Gardens Apartments

The Board of Commissioners issued Resolution 2003-09 and 2003-15 approving the acquisition of the Twisp Gardens Apartments; authorizing the issuance, execution and delivery of a Bond in the form of a taxable Promissory Note and Multi Family Housing Assumption Agreement to USDA Rural Development in the original amount of \$181,547; and authorizing the issuance execution and delivery of a Bond in the form of a taxable Promissory Note to the CTED (currently known as Washington State Dept. of Commerce) HTF in the original loan amount of \$159,500, and an original recoverable grant amount of up to \$467,799.

The Promissory Note to the USDA Rural Development has a term of fifty years; principal and interest is payable in monthly installments withheld from USDA Rural Development rental subsidy. Monthly principal and interest payments are \$939, with a monthly USDA RD interest subsidy payment of \$554 and a Housing Authority Borrower principal and interest payment of \$385. Interest is 5.875%; final payment is due on or before September 15, 2054.

The Promissory Note to CTED HTF (now known as the Washington State Dept. of Commerce) was issued under the authority of RCW 35.82.020(11), RCW 35.82.130, RCW 35.82.140, RCW 35.82.150 and other applicable provisions of the Housing Authority Law. The original loan amount of \$159,500 was a term of forty years (40); principal and interest is payable in quarterly installments beginning September 2005. Interest at 1% began accruing September 2004 increasing the principal loan amount to \$161,101. Quarterly principal and interest payments are \$1,248, with final payment due June 30, 2044. The Recoverable Grant WA State CTED (Commerce) HTF amount of up to \$467,799 shall be deferred for forty years (40) at 0% interest until June 30, 2044. If at the end of the forty-year commitment period, all terms and conditions of the award have been met, the recoverable Grant will convert to a full grant on June 30, 2044 with no expectation of repayment. The Grant represents all costs associated with rehabilitation work that began FY 2005.

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 7 – LONG-TERM DEBT - CONTINUED

The following is a summary of the long-term liabilities transactions for Twisp Gardens Apartments for the year ended December 31, 2019:

	Balance at January 1, 2019	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
Note payable, USDA RD	\$ 168,234	-	(1,425)	166,809	\$ 1,511
Note payable, WA State Dept. of Commerce HTF	112,275	-	(3,885)	108,390	3,924
Recoverable Grant WA State HTF	467,799	-	-	467,799	-
	<u>\$ 748,308</u>	<u>-</u>	<u>(5,310)</u>	<u>742,998</u>	<u>\$ 5,435</u>

Accrued amortized interest from 2004/2005 was added into Long Term Payables to equal the amortization schedule for the note payable to WA State Dept. of Commerce, HTF.

Minimum payments for USDA RD and Department of Commerce HTF Notes Payable combined (not inclusive of the recoverable grant) are due as follows for the years ending December 31:

	Principal	Interest	Total
2020	\$ 5,435	4,180	9,615
2021	5,566	4,049	9,615
2022	5,702	3,913	9,615
2023	5,845	3,770	9,615
2024	5,994	3,621	9,615
2025-2029	32,468	15,607	48,075
2030-2034	37,435	10,639	48,074
2035-2039	43,782	4,293	48,075
2040-2044	49,461	525	49,986
2045-2049	36,884	-	36,884
2050-2054	46,627	-	46,627
	<u>\$ 275,199</u>	<u>50,597</u>	<u>325,796</u>

IronStraw Farmworker Housing

The Board of Commissioners issued Resolution 2010-02 authorizing the acquisition of the IronStraw Farmworker Housing Project and assuming the existing promissory note of \$602,896, a recoverable grant of \$18,723, the authorizing additional loans of \$300,000, \$34,202, \$23,000 and \$7,738 with the Washington State Department of Commerce Housing Trust Fund. Acquisition occurred on March 26, 2010.

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 7 – LONG-TERM DEBT - CONTINUED

The loan is deferred for the remaining forty-two years under the contract. The final payment shall be due and payable on October 31, 2052. The recoverable grant portion in the amount of \$18,723 will have no expectation of repayment if the terms and conditions of the contract are met through the term of commitment that ends October 31, 2052.

The following is a summary of the long-term liabilities transactions for IronStraw for the year ended December 31, 2019:

	Balance at January 1, 2019	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
Note payable, WA State					
Dept. of Commerce HTF	\$ 967,836	-	-	967,836	\$ -
Recoverable Grant WA State					
HTF	18,723	-	-	18,723	-
	<u>\$ 986,559</u>	<u>-</u>	<u>-</u>	<u>986,559</u>	<u>\$ -</u>

Vista Park Homes

The Board of Commissioners issued Resolution 2016-05 authorizing the acquisition of the Vista Park Homes Farmworker Housing Project and assuming the existing promissory note of \$613,260. Acquisition occurred on December 28, 2017.

The Promissory Note (\$678,260) to CTED (currently known as Washington State Dept. of Commerce) Housing Finance Unit (HFU) was issued under the authority of RCW 43.185, RCW 43.185A, and other applicable provisions of the Housing Authority Law. Annual principal payments of \$5,000 will be due and payable each year for fifty years at a 0% interest rate, when cash flow allows. The CTED (Commerce) Note will mature on December 31, 2049 with a balloon payment for any principal outstanding.

The Promissory Note (\$89,285) to CTED HFU is a lump sum loan at 0% interest which is due and payable on or before December 31, 2049.

The following is a summary of the long-term liabilities transactions for Vista Park for the year ended December 31, 2019:

	Balance at January 1, 2019	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
Note payable, WA State					
Dept. of Commerce HFU	\$ 608,260	-	(10,000)	598,260	\$ 5,000
Note payable, WA State					
Dept. of Commerce HFU	89,285	-	-	89,285	-
	<u>\$ 697,545</u>	<u>-</u>	<u>(10,000)</u>	<u>687,545</u>	<u>\$ 5,000</u>

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 7 – LONG-TERM DEBT - CONTINUED

Scheduled payments subject to cash flow availability are due as follows for the years ending December 31:

	Principal	Interest	Total
2020	\$ 5,000	-	5,000
2021	5,000	-	5,000
2022	5,000	-	5,000
2023	5,000	-	5,000
2024	5,000	-	5,000
2025-2029	25,000	-	25,000
2030-2034	25,000	-	25,000
2035-2039	25,000	-	25,000
2040-2044	25,000	-	25,000
2045-2049	562,545	-	562,545
	<u>\$ 687,545</u>	<u>-</u>	<u>687,545</u>

State and Local

The Housing Authority was advanced funds on a revolving loan fund to assist with future housing development, the balance outstanding was \$155,793 at December 31, 2019. The loan bears interest at 3.5% and payments are due when permanent financing for the project is procured. In the event that permanent financing is not procured, the loan funds are not required to be repaid to the lender; however, the lender has the right to assume the rights to all work products, architectural designs, and other property purchased with the funds.

The Housing Authority borrowed \$180,106 through the office of Rural and Farmworker Housing (ORFH) for the purchase of land to develop affordable housing for low-income agricultural employees. Payments of \$217 are due monthly, including interest at 3.5% and payments are due when permanent financing for the project is procured. In the event that permanent financing is not procured, the loan funds are not required to be repaid to the lender; however, the lender has the right to assume the rights to all work products, architectural designs, and other property purchased with the funds.

The following is a summary of the long-term liabilities transactions for State and Local for the year ended December 31, 2019:

	Balance at January 1, 2019	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
Loan payable, Office of Rural & Farmworker Housing	\$ 187,343	-	(64,245)	123,098	\$ -
Revolving loan fund, Office of Rural & Farmworker Housin	14,613	141,180	-	155,793	-
	<u>\$ 201,956</u>	<u>141,180</u>	<u>(64,245)</u>	<u>278,891</u>	<u>\$ -</u>

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 7 – LONG-TERM DEBT - CONTINUED

Minimum payments are due as follows:

	Principal	Interest	Total
2020	-	2,600	2,600
2021	278,891	22,802	301,693
2022	-	-	-
	<u>\$ 278,891</u>	<u>\$ 25,402</u>	<u>\$ 304,293</u>

North Cascades National Bank – Land Purchase

The HAOC Board of Commissioners approved the acquisition of 3 parcels of land for the Pine Meadows Project and authorized a promissory note of \$100,000 with North Cascades National Bank. Acquisition occurred on July 29, 2010. In January 2012, HAOC sold 1.5 parcels of the land to the newly formed non-profit, Pine Meadows Senior Housing for \$76,500. The balance of the NCNB loan was paid off with Okanogan County 2060 Recording Fee Grant. HAOC retains ownership of the remaining 1.5 parcels in its General Fund.

Sagebrush Acres and Country Homestead

The Board of Commissioners approved the acquisition of two homes and one parcel of land on April 12, 2018. As part of the acquisition, the Housing Authority assumed debt of \$217,145 in the form of a recoverable grant from CTED (Commerce) Housing Finance Unit (HFU) under the authority of RCW 43.185. The original principal was \$215,502 with additional capitalized administrative fees of \$1,643 and has a 0% interest rate. There is no expectation of repayment if the terms and conditions of the contract are met through the term of the commitment that ends on March 31, 2051.

The following is a summary of the long-term liabilities transactions for Sagebrush Acres and Country Homestead for the year ended December 31, 2019:

	Balance at January 1, 2019	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
Recoverable Grant WA State Dept. of Commerce HFU	<u>\$ 217,145</u>	<u>-</u>	<u>-</u>	<u>217,145</u>	<u>\$ -</u>

Meadowlark

The Housing Authority was advanced funds on a revolving loan fund by the Office of Rural and Farmworker Housing (ORFH) to assist with future housing development on the Meadowlark project. The loan bears interest at 3.5% per annum, and payments are due when financing for the project is procured. In the event that permanent financing is not procured, the loan funds are not required to be repaid to the lender; however, the lender has the right to assume the rights to all work products, architectural designs, and other property purchased with the funds.

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 7 – LONG-TERM DEBT - CONTINUED

The following is a summary of the long-term liabilities transactions for Meadowlark for the year ended December 31, 2019:

	Balance at January 1, 2019	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
Revolving loan fund, Office of Rural & Farmworker Housin	\$ -	13,102	-	13,102	\$ -

Pateros Gardens

The Housing Authority was advanced funds on a revolving loan fund by the Office of Rural and Farmworker Housing (ORFH) to assist with future housing development on the Pateros Gardens project. The loan bears interest at 3.5% per annum, and payments are due when permanent financing for the project is procured. In the event that permanent financing is not procured, the loan funds are not required to be repaid to the lender; however, the lender has the right to assume the rights to all work products, architectural designs, and other property purchased with the funds.

The following is a summary of the long-term liabilities transactions for Pateros Gardens for the year ended December 31, 2019:

	Balance at January 1, 2019	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
Revolving loan fund, Office of Rural & Farmworker Housin	\$ -	10,876	-	10,876	\$ -

NOTE 8 – TEMPORARILY RESTRICTED NET POSITION

Temporarily restricted net position of \$391,137 of funds received from governmental agencies are restricted for providing housing assistance to qualifying individuals and families, administrative, operating, and capital reserves.

NOTE 9 – OPERATING LEASES

HOAC leases office space under a lease agreement expiring September 30, 2021. This lease is considered an operating lease for accounting purposes. Lease expense for the year ended December 31, 2019 was \$9,121.

Future minimum rental commitments for these leases are as follows:

<u>Year End</u>	<u>Minimum Payment</u>
2020	\$ 9,120
2021	6,840

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 10 – PENSION PLANS

The following table represents the total pension amounts for all plans subject to the requirements of GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the fiscal year 2019:

Aggregate Pension Amounts - All Plans	2019
Pension liabilities	\$ (56,430)
Pension assets	\$ -
Deferred outflows of resources	\$ 25,047
Deferred inflows of resources	\$ (48,462)
Pension expense/expenditures	\$ (12,861)

State Sponsored Pension Plans

Substantially all the HAOC'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 and defined contribution retirement plans. The Washington 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 98540-8380

The DRS CAFR may also be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

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

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 10 – PENSION PLANS - CONTINUED

Contributions

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

PERS Plan 1	Actual Contribution Rates	
	Employer	Employee
January - August 2019		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%
September - December 2019		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%

The HAOC contributes to the plan through PERS Plan 1 UAAL contributions for participants of Plan 2/3. There are no participants in Plan 1. The HAOC's contributions to Plan 1 UAAL were \$7,542 for the year ended December 31, 2019.

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

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

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 10 – PENSION PLANS - CONTINUED

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS Plan 2 members are vested after completing five years of eligible service. PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are completely 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, PERS Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

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

PERS Plan 2/3	Actual Contribution Rates	
	Employer 2/3	Employee2
January - August 2019		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.83%	7.41%
September - December 2019		
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%

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 10 – PENSION PLANS - CONTINUED

The HAOC's contributions to the plan were \$11,898 for the year ended December 31, 2019. Combined with the Plan 1 UAAL contributions, the total Plan 2/3 employer contributions were \$19,440 for the year ended December 31, 2019. Employee contributions to the plan were \$11,807 for the year ended December 31, 2019.

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 *2015 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; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.40%

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

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

- Increased the assumed salary growth from 3.5% to 8.0% for all active members in TRS.
- Updated modeling to reflect providing benefit payments to the date of initial retirement eligibility for terminated vested members who delay application for benefits.
- Updated COLA programming to reflect legislation signed during the 2018 Legislative Session.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.40 percent.

To determine that rate, an asset sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40 percent 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 liability). 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 7.40 percent was used to determine the total liability.

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 10 – PENSION PLANS - CONTINUED

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.40 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the table below. The inflation component used to create the table is 2.20 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of NPL

The table below presents the HAOC's proportionate share of the net pension liability calculated using the discount rate of 7.40 percent, as well as what the HAOC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.40 percent) or 1-percentage point higher (8.40 percent) than the current rate.

Plan	1% Decrease (6.40%)	Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1	\$ 53,164	\$ 42,453	\$ 33,159
PERS 2/3	\$ 107,203	\$ 13,977	\$ (62,520)

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.

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 10 – PENSION PLANS - CONTINUED

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

At December 31, 2019, the HAOC reported a total pension liability of \$56,430 for its proportionate share of the net pension liabilities as follows:

Plan	2019
PERS 1 Liability	\$ (42,453)
PERS 2/3 Liability	\$ (13,977)
Total Liability	\$ (56,430)

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

Plan	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	0.001576%	0.001104%	-0.000472%
PERS 2/3	0.002016%	0.001439%	-0.000577%

Employer contribution transmittals received and processed by the 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 the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans.

The collective net pension liability was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability 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 December 31, 2019, the HAOC recognized pension expense as follows:

Plan	2019
PERS 1 Pension Expense	\$ (20,065)
PERS 2/3 Pension Expense	\$ 7,204
Total Pension Expense	\$ (12,861)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the HAOC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 10 – PENSION PLANS - CONTINUED

Classification of Deferred Inflow / Deferred Outflow	Deferred Outflows of Resources		Deferred Inflows of Resources	
	PERS 1	PERS 2/3	PERS 1	PERS 2/3
Differences between expected and actual experience	\$ -	\$ 4,005	\$ -	\$ (3,005)
Net difference between projected and actual investment earnings on pension plan investments	-	-	(2,836)	(20,346)
Changes of assumptions	-	358	-	(5,865)
Changes in proportion and differences between contributions and proportionate share of contributions	-	11,208	-	(16,412)
Contributions subsequent to the measurement date	3,675	6,114	-	-
TOTAL	\$ 3,675	\$ 21,685	\$ (2,836)	\$ (45,628)

Deferred outflows of resources related to pensions resulting from the HAOC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	PERS 1	PERS 2/3
2020	\$ (626)	\$ (6,382)
2021	\$ (1,483)	\$ (10,837)
2022	\$ (529)	\$ (5,089)
2023	\$ (198)	\$ (2,936)
2024	\$ -	\$ (2,221)
Thereafter	\$ -	\$ (2,592)

NOTE 11 – PARTICIPATION IN HOUSING AUTHORITY RISK RETENTION POOL

HAOC is a member of the Housing Authority Risk Retention Pool (HAARP). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Inter-local Cooperation Act.

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 11 – PARTICIPATION IN HOUSING AUTHORITY RISK RETENTION POOL - CONTINUED

The pool was formed on March 1, 1987 when public housing authority's (PHA's) in the State of Washington joined together by signing an Inter-local Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Thirty-Two Washington PHA's have joined the pool, along with forty-three PHA's in Oregon, California and Nevada.

The pool allows members to establish a plan of self-insurance, jointly purchase insurance coverage to provide such related services as risk management and loss control. Coverage for public official liability is on a "claims made" basis. All other coverage is on an "occurrence" basis. The pool provides the following forms of pool purchased insurance coverage for its members:

The PHA's jointly self-insure the first \$300,000 per occurrence of their general liability, errors & omissions and property exposures and the pool purchase of \$2,700,000 in reinsurance.

The Auto Liability program self-insures the first \$100,000 per claim and the pool purchases excess insurance up to \$1,900,000.

Members make an annual contribution based upon an actuarial study to fund the pool. Members have no individual deductible in the General Liability and Auto Liability programs. In regard to the Errors & Omissions coverage, members carry a deductible of 1/10th of each loss subject to a minimum of \$2,500 and a maximum of \$25,000 for each claim. They may choose a \$1,000, \$2,500, \$5,000, \$10,000 or \$25,000 per occurrence deductible in the Property program. Since the pool is a cooperative effort, any claims falling within HARRP's self-insured retention will be paid from the pooled funds contributed by all the members.

Each new member pays the pool a non-refundable membership fee. This amount covers the member's share of organizational expenses and the cost of analyzing their loss data and risk profile. Members contract to remain in the pool for a minimum of three years, and must give notice 30 days before terminating participation. The Inter-local Governmental Agreement is renewed automatically each year after the initial three year period. The annual premium is calculated to cover all anticipated expenses. Any shortfall will be covered by the pool surplus and reserves; there is no additional assessment feature in the Agreement.

The pool is fully funded by its member participants. Claims are filed by members with HARRP. HARRP maintains a full time staff including and Executive Director, a Risk Manager and employees providing appropriate support.

HARRP is governed by a Board of Directors consisting of representatives from nine member PHA's. Three Directors are elected from among the PHA members of the Association of Washington Housing Authorities; three from PHA members of the Association of Oregon Housing Authorities; and three from PHA members of the Northern California/Nevada Executive Directors Association. The Board meets at least once each quarter to conduct the business affairs of HARRP. Standing committees established by the Board are:

- **Management Committee**
- **Claims/Loss Management Committee**
- **Insurance/Underwriting Committee**
- **Audit Committee**

HAOC has had no insurance settlement within the last three years that exceeded insurance coverage.

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2019

NOTE 12 – CONTINGENCIES AND LITIGATION

HAOC 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 HAOC 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 HAOC is in violation of any terms or conditions of the contracts. At year end, HAOC's management is not aware of any violations of Department of Commerce requirements. As of December 31, 2019 these amounts total \$2,958,633.

NOTE 13 – SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to HAOC.

Subsequent to year end, HAOC secured \$1.4M of funding from Department of Commerce for the Pateros Gardens project. HAOC was also conditionally approved for \$3.0M of funding from the Housing Trust Fund for the Meadowlark Senior project. HAOC was also awarded \$700,000 from the Federal Home Loan Bank of Des Moines to build Meadowlark Senior project.

Housing Authority of Okanogan County
Schedules of Required Supplementary Information
As of June 30, 2019
Last 10 Fiscal Years*

The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year and were presented for the years where data was available.

Schedule of Proportionate Share of the Net Pension Liability:

PERS 1	2019	2018	2017	2016	2015
Housing Authority's proportion of the net pension liability (asset)	0.110400%	0.001576%	0.001383%	0.001273%	0.001236
Housing Authority's proportionate share of the net pension liability (asset)	\$ 42,453	\$ 70,385	\$ 65,624	\$ 68,366	\$ 64,654
Housing Authority's covered-employee payroll	-	-	-	-	-
Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	67.12%	63.22%	61.24%	57.03%	59.10%
PERS 2/3	2019	2018	2017	2016	2015
Housing Authority's proportion of the net pension liability (asset)	0.143900%	0.002016%	0.001779%	0.001629%	0.001597%
Housing Authority's proportionate share of the net pension liability (asset)	\$ 13,977	\$ 34,421	\$ 61,812	\$ 82,019	\$ 32,281
Housing Authority's covered-employee payroll	\$ 153,466	\$ 176,062	\$ 185,618	\$ 166,294	\$ 150,359
Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	9.11%	19.55%	33.30%	49.32%	21.47%
Plan fiduciary net position as a percentage of the total pension liability	97.77%	95.77%	90.97%	85.82%	89.20%

Housing Authority of Okanogan County
Schedules of Required Supplementary Information
For the Year Ended December 31, 2019
Last 10 Fiscal Years*

Schedule of Employer Contributions:

PERS 1	2019	2018	2017	2016	2015
Contractually required contribution	\$ 7,542	\$ 8,907	\$ 9,204	\$ 7,932	\$ 6,595
Contributions in relation to the contractually required contribution	<u>7,542</u>	<u>8,907</u>	<u>9,204</u>	<u>7,932</u>	<u>6,595</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Housing Authority's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A
PERS 2/3	2019	2018	2017	2016	2015
Contractually required contribution	\$ 11,898	\$ 13,202	\$ 12,928	\$ 10,360	\$ 8,767
Contributions in relation to the contractually required contribution	<u>11,898</u>	<u>13,202</u>	<u>12,928</u>	<u>10,360</u>	<u>8,767</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Housing Authority's covered-employee payroll	\$ 153,466	\$ 176,062	\$ 185,618	\$ 166,294	\$ 150,359
Contributions as a percentage of covered-employee payroll	7.75%	7.50%	6.96%	6.23%	5.83%

Notes to Required Supplementary Information:

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

Change of assumptions: There were no significant changes in the assumptions for the Pension Plans.

*Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.

HOUSING AUTHORITY OF OKANOGAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

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, Department of Agriculture	Rural Rental Housing Loans	10.415	56-024-91 169473-010	\$ -	168,234	168,234	\$ -	1,2,3
Rural Housing Service, Department of Agriculture	Rural Rental Housing Loans	10.415	Interest subsidy	-	6,649	6,649	-	1,2,3
			Total CFDA 10.415:	-	174,883	174,883	-	
Rural Housing Service, Department of Agriculture	Rural Rental Assistance Payments	10.427	56-024-91169473-010	-	90,043	90,043	-	1,2,3
Office Of Community Planning and Development, Dept of Housing And Urban Development (via WA State Dept of Commerce)	Home Investment Partnerships Program	14.239	15-42401-111 A-B	207,264	-	207,264	-	1,2,3
Housing Voucher Cluster								
Office Of Public and Indian Housing, Dept of Housing and Urban Development	Section 8 Housing Choice Vouchers	14.871	WA071DV0104	-	1,136,658	1,136,658	-	* 1,2,3
Office Of Public and Indian Housing, Dept of Housing and Urban Development	Mainstream Vouchers	14.879	WA071DV0104	-	424,937	424,937	-	* 1,2,3
			Total Housing Voucher Cluster:	-	1,561,595	1,561,595	-	
			Total Federal Awards Expended:	\$ 207,264	1,826,521	2,033,785	\$ -	

* Denotes a major program

See Independent Auditors' Report and accompanying notes to this schedule

HOUSING AUTHORITY OF OKANOGAN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as HAOC's financial statements. HAOC conforms to generally accepted accounting principles.

NOTE 2 – PROGRAM COSTS

The amounts shown as federal expenditures for the Supportive Housing for Persons with Disabilities (5-Year Main Stream) Program (CFDA 14.879) represents grant portions of the program costs. Entire program costs, including HAOC's portion, totaled \$431,475 for the year ended December 31, 2019.

Amounts shown as federal expenditures for the Washington State (Department of Commerce) HOME Tenant Based Rental Assistance (TBRA) Program (CFDA 14.239) represent grant portions of the program costs. Entire program costs, including HAOC's portion, totaled \$207,264 for the year ended December 31, 2019.

The amounts shown as federal expenditures for the USDA Rural Development programs represent grant portions of the program costs for the Twisp Gardens Apartments (CFDA 10.415 and 10.427). Included are outstanding loan balance at year-end, annual interest subsidy per USDA RD loan agreement, and rental assistance payments. Entire program costs, including HAOC's portion, totaled \$182,403 for the year ended December 31, 2019. The balance outstanding on the loan at December 31, 2019 was \$166,809.

NOTE 3 – DE MINIMIS COST RATE

The HAOC has elected not to use the de minimis cost rate.

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

	2 State/Local	10,415 Rural Rental Housing Loans	14,879 Mainstream Vouchers	14,239 HOME Investment Partnerships Program	14,871 Housing Choice Vouchers	10,427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$50,221	\$18,086			\$54,637		\$122,944		\$122,944
112 Cash - Restricted - Modernization and Development									
113 Cash - Other Restricted	\$166,510	\$62,198					\$228,708		\$228,708
114 Cash - Tenant Security Deposits	\$33,895	\$7,694					\$41,589		\$41,589
115 Cash - Restricted for Payment of Current Liabilities									
100 Total Cash	\$250,626	\$87,978	\$0	\$0	\$54,637	\$0	\$393,241	\$0	\$393,241
121 Accounts Receivable - PHA Projects									
122 Accounts Receivable - HUD Other Projects									
124 Accounts Receivable - Other Government	\$41,662	\$427		\$21,662			\$63,751	-\$13,505	\$50,246
125 Accounts Receivable - Miscellaneous									
126 Accounts Receivable - Tenants	\$3,518	\$2,052			\$1		\$5,571		\$5,571
126.1 Allowance for Doubtful Accounts - Tenants	\$0	\$0			\$0		\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery			\$805		\$8,999		\$9,804		\$9,804
128.1 Allowance for Doubtful Accounts - Fraud			-\$805		-\$1,492		-\$2,297		-\$2,297
129 Accrued Interest Receivable									
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$45,180	\$2,479	\$0	\$21,662	\$7,508	\$0	\$76,829	-\$13,505	\$63,324
131 Investments - Unrestricted									
132 Investments - Restricted	\$162,431						\$162,431		\$162,431
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets	\$6,938	\$684	\$1,867	\$35	\$247		\$9,771	-\$1,765	\$8,006
143 Inventories									
143.1 Allowance for Obsolete Inventories									
144 Inter Program Due From									
145 Assets Held for Sale									
150 Total Current Assets	\$465,175	\$91,141	\$1,867	\$21,697	\$62,392	\$0	\$642,272	-\$15,270	\$627,002
161 Land	\$469,027	\$62,000					\$531,027		\$531,027
162 Buildings	\$2,008,155	\$401,800					\$2,409,955		\$2,409,955
163 Furniture, Equipment & Machinery - Dwellings	\$38,254	\$19,410					\$57,664		\$57,664
164 Furniture, Equipment & Machinery - Administration					\$13,564		\$13,564		\$13,564
165 Leasehold Improvements	\$824,721	\$592,741					\$1,417,462		\$1,417,462
166 Accumulated Depreciation	-\$1,197,501	-\$580,567			-\$13,564		-\$1,791,632		-\$1,791,632
167 Construction in Progress	\$162,784						\$162,784		\$162,784
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,305,440	\$495,384	\$0	\$0	\$0	\$0	\$2,800,824	\$0	\$2,800,824
171 Notes, Loans and Mortgages Receivable - Non-Current									
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									
173 Grants Receivable - Non Current									
174 Other Assets									
176 Investments in Joint Ventures									
180 Total Non-Current Assets	\$2,305,440	\$495,384	\$0	\$0	\$0	\$0	\$2,800,824	\$0	\$2,800,824

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

	2 State/Local	10,415 Rural Rental Housing Loans	14,879 Mainstream Vouchers	14,239 HOME Investment Partnerships Program	14,871 Housing Choice Vouchers	10,427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
200 Deferred Outflow of Resources	\$12,281	\$345	\$3,523	\$2,026	\$6,871		\$25,046		\$25,046
290 Total Assets and Deferred Outflow of Resources	\$2,782,896	\$586,870	\$5,390	\$23,723	\$69,263	\$0	\$3,468,142	-\$15,270	\$3,452,872
311 Bank Overdraft									
312 Accounts Payable <= 90 Days	\$65,242	\$16,963	\$1,686	\$7,378	\$50		\$91,319	-\$13,505	\$77,814
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable	\$6,595						\$6,595		\$6,595
322 Accrued Compensated Absences - Current Portion	\$2,471		\$1,218	\$455	\$2,397		\$6,541		\$6,541
324 Accrued Contingency Liability									
325 Accrued Interest Payable	\$8,964						\$8,964		\$8,964
331 Accounts Payable - HUD PHA Programs									
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government									
341 Tenant Security Deposits	\$33,896	\$7,694					\$41,590		\$41,590
342 Unearned Revenue	\$5,056	\$277	\$0		\$31,614		\$36,947	-\$1,765	\$35,182
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$27,069	\$5,435					\$32,504		\$32,504
344 Current Portion of Long-term Debt - Operating Borrowings									
345 Other Current Liabilities									
346 Accrued Liabilities - Other									
347 Inter Program - Due To									
348 Loan Liability - Current									
310 Total Current Liabilities	\$149,293	\$30,369	\$2,904	\$7,833	\$34,061	\$0	\$224,460	-\$15,270	\$209,190
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$2,834,622	\$736,818					\$3,571,440		\$3,571,440
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other									
354 Accrued Compensated Absences - Non Current	\$4,303		\$2,121	\$792	\$4,174		\$11,390		\$11,390
355 Loan Liability - Non Current									
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities	\$31,254	\$0	\$6,707	\$4,794	\$14,421		\$57,176		\$57,176
350 Total Non-Current Liabilities	\$2,870,179	\$736,818	\$8,828	\$5,586	\$18,595	\$0	\$3,640,006	\$0	\$3,640,006
300 Total Liabilities	\$3,019,472	\$767,187	\$11,732	\$13,419	\$52,656	\$0	\$3,864,466	-\$15,270	\$3,849,196
400 Deferred Inflow of Resources	\$21,179	\$1,765	\$7,703	\$3,755	\$14,059		\$48,461		\$48,461
508.4 Net Investment in Capital Assets	-\$556,995	-\$246,869					-\$803,864		-\$803,864
511.4 Restricted Net Position	\$328,941	\$62,198					\$391,139		\$391,139
512.4 Unrestricted Net Position	-\$29,701	\$2,589	-\$14,045	\$6,549	\$2,548	\$0	-\$32,060		-\$32,060
513 Total Equity - Net Assets / Position	-\$257,755	-\$182,082	-\$14,045	\$6,549	\$2,548	\$0	-\$444,785	\$0	-\$444,785
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,782,896	\$586,870	\$5,390	\$23,723	\$69,263	\$0	\$3,468,142	-\$15,270	\$3,452,872

Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2019

Submission Type: Audited/Single Audit

	2 State/Local	10.415 Rural Rental Housing Loans	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	10.427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$278,084	\$123,105					\$401,189		\$401,189
70400 Tenant Revenue - Other	\$3,277	\$830					\$4,107		\$4,107
70500 Total Tenant Revenue	\$281,361	\$123,935	\$0	\$0	\$0	\$0	\$405,296	\$0	\$405,296
70600 HUD PHA Operating Grants			\$424,937	\$36,465	\$1,136,658		\$1,598,060		\$1,598,060
70610 Capital Grants									
70710 Management Fee							\$0	-\$46,662	-\$46,662
70720 Asset Management Fee									
70730 Book Keeping Fee									
70740 Front Line Service Fee									
70750 Other Fees									
70700 Total Fee Revenue							\$0	-\$46,662	-\$46,662
70800 Other Government Grants	\$47,058	\$6,649		\$170,799			\$224,506		\$224,506
71100 Investment Income - Unrestricted	\$28	\$7					\$35		\$35
71200 Mortgage Interest Income									
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery					\$1,138		\$1,138		\$1,138
71500 Other Revenue	\$159,624				\$75		\$159,699	-\$105,844	\$53,855
71600 Gain or Loss on Sale of Capital Assets									
72000 Investment Income - Restricted	\$2,499	\$53					\$2,552		\$2,552
70000 Total Revenue	\$490,570	\$130,644	\$424,937	\$207,264	\$1,137,871	\$0	\$2,391,286	-\$152,526	\$2,238,760
91100 Administrative Salaries	\$49,780	\$8,913	\$27,781	\$10,345	\$34,578		\$131,397		\$131,397
91200 Auditing Fees	\$16,844	\$2,410	\$6,228	\$2,451	\$10,719		\$38,652		\$38,652
91300 Management Fee	\$40,052	\$10,382					\$50,434	-\$39,182	\$11,252
91310 Book-keeping Fee	\$17,357	\$4,219	\$8,027	\$3,055	\$19,582		\$52,240		\$52,240
91400 Advertising and Marketing	\$490	\$53	\$121	\$26	\$316		\$1,006		\$1,006
91500 Employee Benefit contributions - Administrative					\$11,604		\$11,604		\$11,604
91600 Office Expenses	\$6,384	\$1,152	\$2,941	\$1,125	\$11,318		\$22,920		\$22,920
91700 Legal Expense	\$98	\$45	\$308	\$64	\$761		\$1,276		\$1,276
91800 Travel	\$3,720	\$1,335	\$1,988	\$2,012	\$4,102		\$13,157		\$13,157
91810 Allocated Overhead									
91900 Other	\$10,290	\$2,215	\$3,725	\$656	\$7,488		\$24,374		\$24,374
91000 Total Operating - Administrative	\$145,015	\$30,724	\$51,119	\$19,734	\$100,468	\$0	\$347,060	-\$39,182	\$307,878
92000 Asset Management Fee							\$7,500	-\$7,500	\$0
92100 Tenant Services - Salaries									
92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services									
92400 Tenant Services - Other	\$2,079	\$21					\$2,100		\$2,100
92500 Total Tenant Services	\$2,079	\$21	\$0	\$0	\$0	\$0	\$2,100	\$0	\$2,100
93100 Water	\$45,917	\$12,603					\$58,520		\$58,520
93200 Electricity	\$17,079	\$2,474					\$19,553		\$19,553
93300 Gas									
93400 Fuel									

Housing Authority of Okanogan County (WA071)
Omak, WA

Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2019

Submission Type: Audited/Single Audit

	2 State/Local	10.415 Rural Rental Housing Loans	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	10.427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
93500 Labor									
93600 Sewer	\$58,977	\$16,795					\$75,772		\$75,772
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense	\$789		\$879	\$320	\$2,224		\$4,212		\$4,212
93900 Total Utilities	\$122,762	\$31,872	\$879	\$320	\$2,224	\$0	\$158,057	\$0	\$158,057
94100 Ordinary Maintenance and Operations - Labor	\$36,435	\$11,910					\$48,345		\$48,345
94200 Ordinary Maintenance and Operations - Materials and Other	\$26,247	\$19,662	\$20	\$88	\$51		\$46,068		\$46,068
94300 Ordinary Maintenance and Operations Contracts	\$29,291	\$22,995	\$203		\$515		\$53,004		\$53,004
94500 Employee Benefit Contributions - Ordinary Maintenance	\$1,925	\$1,660					\$3,585		\$3,585
94600 Total Maintenance	\$93,898	\$56,227	\$223	\$88	\$566	\$0	\$151,002	\$0	\$151,002
95100 Protective Services - Labor									
95200 Protective Services - Other Contract Costs									
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective Services									
95600 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$7,040	\$2,169					\$9,209		\$9,209
96120 Liability Insurance	\$11,842	\$498					\$13,882		\$13,882
96130 Workmen's Compensation									
96140 All Other Insurance									
96100 Total Insurance Premiums	\$18,882	\$2,667	\$459	\$137	\$956	\$0	\$23,101	\$0	\$23,101
96200 Other General Expenses	\$965						\$965		\$965
96210 Compensated Absences	\$1,628		\$1,189	\$543	\$2,092		\$5,452		\$5,452
96300 Payments in Lieu of Taxes									
96400 Bad debt - Tenant Rents									
96500 Bad debt - Mortgages									
96600 Bad debt - Other									
96800 Severance Expense									
96900 Total Other General Expenses	\$2,593	\$0	\$1,189	\$543	\$2,092	\$0	\$6,417	\$0	\$6,417
96710 Interest of Mortgage (or Bonds) Payable		\$11,339					\$11,339		\$11,339
96720 Interest on Notes Payable (Short and Long Term)	\$25,608						\$25,608		\$25,608
96730 Amortization of Bond Issue Costs									
96700 Total Interest Expense and Amortization Cost	\$25,608	\$11,339	\$0	\$0	\$0	\$0	\$36,947	\$0	\$36,947
96900 Total Operating Expenses	\$410,837	\$140,350	\$53,869	\$20,822	\$106,506	\$0	\$732,184	-\$46,662	\$685,502
97000 Excess of Operating Revenue over Operating Expenses	\$79,733	-\$9,706	\$371,068	\$186,442	\$1,031,565	\$0	\$1,658,102	-\$105,844	\$1,553,258
97100 Extraordinary Maintenance									
97200 Casualty Losses - Non-capitalized									
97300 Housing Assistance Payments	-\$195		\$377,603	\$186,359	\$965,632		\$1,528,599	-\$105,844	\$1,423,755
97350 HAP Portability-In					\$43,532		\$43,532		\$43,532
97400 Depreciation Expense	\$117,315	\$42,054					\$159,369		\$159,369
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2019

	2 State/Local	10.415 Rural Rental Housing Loans	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	10.427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
97800 Dwelling Units Rent Expense									
90000 Total Expenses	\$527,957	\$182,404	\$431,472	\$207,181	\$1,115,670	\$0	\$2,464,684	-\$152,526	\$2,312,158
10010 Operating Transfer In			\$13,865	\$21,582			\$35,447		\$35,447
10020 Operating Transfer Out	-\$35,446						-\$35,446		-\$35,446
10030 Operating Transfers from/to Primary Government									
10040 Operating Transfers from/to Component Unit									
10050 Proceeds from Notes, Loans and Bonds									
10060 Proceeds from Property Sales									
10070 Extraordinary Items, Net Gain/Loss									
10080 Special Items (Net Gain/Loss)									
10091 Inter Project Excess Cash Transfer In									
10092 Inter Project Excess Cash Transfer Out									
10093 Transfers between Program and Project - In									
10094 Transfers between Project and Program - Out									
10100 Total Other financing Sources (Uses)	-\$35,446	\$0	\$13,865	\$21,582	\$0	\$0	\$1	\$0	\$1
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$72,833	-\$51,760	\$7,330	\$21,665	\$22,201	\$0	-\$73,397	\$0	-\$73,397
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	-\$184,922	-\$130,322	-\$21,375	-\$15,116	-\$19,653	\$0	-\$371,388		-\$371,388
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors			\$0				\$0		\$0
11050 Changes in Compensated Absence Balance									
11060 Changes in Contingent Liability Balance									
11070 Changes in Unrecognized Pension Transition Liability									
11080 Changes in Special Term/Severance Benefits Liability									
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents									
11100 Changes in Allowance for Doubtful Accounts - Other									
11170 Administrative Fee Equity					-\$53,621		-\$53,621		-\$53,621
11180 Housing Assistance Payments Equity					\$56,169		\$56,169		\$56,169
11190 Unit Months Available	444	192	900	640	2280	0	4456		4456
11210 Number of Unit Months Leased	439	183	880	640	2136	0	4278		4278
11270 Excess Cash									
11610 Land Purchases									
11620 Building Purchases									
11630 Furniture & Equipment - Dwelling Purchases									
11640 Furniture & Equipment - Administrative Purchases									
11650 Leasehold Improvements Purchases									
11660 Infrastructure Purchases									
13510 CFFP Debt Service Payments									
13901 Replacement Housing Factor Funds									

**Independent Auditors' 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***

Board of Commissioners
Housing Authority of Okanogan County
Omak, Washington

We have audited, in accordance with the 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 business-type activities of the Housing Authority of Okanogan County (the "Authority"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

**Independent Auditors' 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 Standard*, continued**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finney, Hill & Company, P.S.

September 29, 2020
Seattle, Washington

**Independent Auditors' Report on Compliance for Each Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance**

Board of Commissioners
Housing Authority of Okanogan County
Omak, Washington

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of Okanogan County ("the Authority's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2019. The Authority's major federal programs are identified in the summary of auditors' results section of 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 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. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Housing Authority of Okanogan County, 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 December 31, 2019.

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance, *continued*

Report on Internal Control over Compliance

Management of Housing Authority of Okanogan County 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 Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 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 a 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 over compliance 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.

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.

Finney, Neill & Company, P.S.

September 29, 2020
Seattle, Washington

HOUSING AUTHORITY OF OKANOGAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2019

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditors' report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

_____ yes X no

Identification of major programs:

CFDA Numbers

14.871, 14.879

Name of Federal Program

U.S. Department of Housing and Urban Development – Housing Voucher Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualifies as low-risk auditee?

 X yes _____ no

HOUSING AUTHORITY OF OKANOGAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
For the year ended December 31, 2019

Section II – Financial Statement Findings

NONE

Section III –Federal Award Findings and Questioned Costs

NONE

HOUSING AUTHORITY OF OKANOGAN COUNTY
Schedule of Prior Year Findings and Responses

NONE