



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Housing Authority of the City of Othello

For the period July 1, 2020 through June 30, 2021

Published March 14, 2022

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

March 14, 2022

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

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	6
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	8
Independent Auditor's Report on the Financial Statements.....	11
Financial Section.....	14
About the State Auditor's Office.....	57

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Housing Authority of the City of Othello July 1, 2020 through June 30, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

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

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

Housing Authority of the City of Othello July 1, 2020 through June 30, 2021

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Othello, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated March 7, 2022.

As discussed in Note 8 to the 2021 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Housing Authority is unknown.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

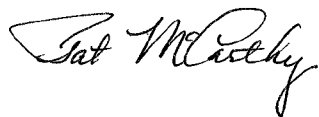
COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

March 7, 2022

INDEPENDENT AUDITOR'S REPORT

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

Housing Authority of the City of Othello July 1, 2020 through June 30, 2021

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Housing Authority of the City of Othello, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended June 30, 2021. The Housing Authority's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

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

Pat McCarthy, State Auditor

Olympia, WA

March 7, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Housing Authority of the City of Othello July 1, 2020 through June 30, 2021

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Housing Authority of the City of Othello, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 14.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Othello, as of June 30, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 8 to the 2021 financial statements, the full extent of the COVID-19 pandemic's direct or indirect impact on the Housing Authority is unknown. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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


Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2022 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

March 7, 2022

FINANCIAL SECTION

Housing Authority of the City of Othello July 1, 2020 through June 30, 2021

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2021

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2021

Statement of Revenues, Expenses and Changes in Fund Net Position – 2021

Statement of Cash Flows – 2021

Notes to Financial Statements – 2021

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1 and PERS 2/3 – 2021

Schedule of Employer Contributions – PERS 1 and PERS 2/3 – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2021

Notes to the Schedule of Expenditures of Federal Awards – 2021

Financial Data Schedule – 2021

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

As management of the City of Othello Housing Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

- Overall financial position decreased approximately \$203,000 from the prior year.
- The Authority's assets and deferred outflows of resources, at fiscal year-end, exceeded liabilities and deferred inflows of resources by approximately \$3.95 million.
- Year-end cash and cash equivalents totaled approximately \$2.8 million of which about \$793,000 was restricted.
- Revenue decreased from prior year by \$17,000. Tenant - Other revenue decreased by \$7,000 and other income by \$15,000. Interest income decreased by \$12,000. Grants and Subsidies increased by \$14,000.
- The Authority paid approximately \$739,000 of Salaries, Wages, and Benefits.

OVERVIEW OF THE CITY OF OTHELLO HOUSING AUTHORITY

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

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

Our current portfolio is:

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

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

OVERVIEW OF THE CITY OF OTHELLO HOUSING AUTHORITY (CONTINUED)

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

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

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

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

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

OVERVIEW OF THE AUTHORITY-WIDE FINANCIAL POSITION AND OPERATIONS

The Authority's overall net position is summarized below.

	2021	2020
ASSETS		
Current Assets	\$ 2,864,032	\$ 2,746,351
Capital Assets, Net of Depreciation	12,734,811	13,248,917
Other	8,782	9,680
Total Assets	<u>15,607,625</u>	<u>16,004,948</u>
DEFERRED OUTFLOWS OF RESOURCES	111,901	107,588
LIABILITIES		
Current Liabilities	431,816	401,085
Noncurrent Liabilities	11,259,963	11,424,753
Total Liabilities	<u>11,691,779</u>	<u>11,825,838</u>
DEFERRED INFLOWS OF RESOURCES	76,173	132,400
NET POSITION		
Net Investment in Capital Assets	1,522,876	1,892,996
Restricted	792,870	778,091
Unrestricted	1,635,828	1,483,211
Total Net Position	<u>\$ 3,951,574</u>	<u>\$ 4,154,298</u>

The Authority's total assets at June 30, 2021, were \$15,607,625, a decrease of \$397,323 or 2.48% from June 30, 2020. The change in assets primarily consisted of an increase in cash and equivalents and accounts receivable combined with a decrease in capital assets due to depreciation.

Cash and Cash Equivalents:

Total cash and cash equivalents increased by approximately \$97,000 as of June 30, 2021. This is primarily due to cash payments received from HUD and USDA.

Accounts Receivable:

Accounts receivable increased by approximately \$25,000 as of June 30, 2021. This increase is due to collections from Tenant and Tenant Fraud receivables.

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

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

Land, Structures, and Equipment:

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

	2021	2020	Change
Land	\$ 976,879	\$ 976,879	\$ -
Structures and Improvements	22,223,704	22,181,976	41,728
Equipment	1,128,926	1,112,305	16,621
Total	24,349,855	24,271,160	78,695
Less: Accumulated Depreciation	(11,615,044)	(11,022,243)	(592,801)
Net Capital Assets	<u>\$ 12,734,811</u>	<u>\$ 13,248,917</u>	<u>\$ (514,106)</u>

Current Liabilities:

Accounts payable decreased by approximately \$3,000 as of June 30, 2021. This is normal fluctuation for accounts payable.

Unearned revenue increased by approximately \$5,000 as of June 30, 2021. This is normal fluctuation for unearned revenue.

Accrued interest decreased by approximately \$3,000 as of June 30, 2021. This is primarily due to advances on long-term borrowing.

Tenant Security Deposits increased by approximately \$2,000 as of June 30, 2021. This is due to increased tenant security deposits for all properties to cover damages from unit turn over.

Current maturities of long-term debt increased by approximately \$7,000 as of June 30, 2021. This is due to timing of maturities on long-term debt.

Long-Term Debt:

The Authority repaid notes payable of approximately \$144,000, representing all long-term liability payments due by the Authority during the year. The outstanding debts of approximately \$11.2 million are secured by real estate or by first mortgages on real estate. For further information see Note 6 in the notes to the financial statements.

Net Pension Liability:

Net pension liability decreased by approximately \$16,000 as of June 30, 2021. This is due to changes in the proportionate share the Authority has in the cost-sharing multiple-employer public employee defined benefit retirement plan administered by the Washington State Department of Retirement Systems. For further information see Note 4 in the notes to the financial statements.

Deferred Outflows of Resources and Deferred Inflows of Resources:

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

Net Position:

The Authority's net position decreased by \$202,724 during the fiscal year ended June 30, 2021.

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

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

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

	2021	2020
OPERATING REVENUES		
Rental Revenue	\$ 1,453,878	\$ 1,454,916
Revenue, Tenant - Other	36,239	42,894
Other	11,633	26,459
Total Operating Revenues	<u>1,501,750</u>	<u>1,524,269</u>
NONOPERATING REVENUES		
Subsidies	723,542	709,694
Interest Income	1,946	14,324
Other	(888)	(5,362)
Total Nonoperating Revenues	<u>724,600</u>	<u>718,656</u>
Total Revenues	2,226,350	2,242,925
OPERATING EXPENSES		
Wages and Benefits	739,440	730,059
Depreciation	616,830	624,560
Utilities	482,960	452,055
Taxes and Insurance	121,291	97,595
Maintenance Materials	153,628	148,856
Other	170,982	171,956
Total Operating Expenses	<u>2,285,131</u>	<u>2,225,081</u>
NONOPERATING EXPENSES		
Interest	<u>156,433</u>	<u>163,215</u>
Total Expenses	<u>2,441,564</u>	<u>2,388,296</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(215,214)	(145,371)
CAPITAL CONTRIBUTIONS		
Capital Contributions	12,490	62,320
Total Capital Contributions	<u>12,490</u>	<u>62,320</u>
CHANGES IN NET POSITION	(202,724)	(83,051)
Net Position - Beginning of Year	<u>4,154,298</u>	<u>4,237,349</u>
NET POSITION - END OF YEAR	<u><u>\$ 3,951,574</u></u>	<u><u>\$ 4,154,298</u></u>

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

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

RESULTS OF OPERATIONS

Operating revenue of the Authority's activities is generated principally from rental revenue. In 2021, the Authority's operating revenue totaled \$1,501,750. Of this total, \$1,453,878 was from rental revenue. Operating expenses of the Authority's activities consist primarily of wages and depreciation. The total operating expenses were \$2,285,131, of which \$739,440 and \$616,830 were wages and depreciation, respectively. Nonoperating revenue consists primarily of subsidies. Total nonoperating revenue was \$724,600 of which \$723,542 was from subsidies.

The decrease in net position for the year ended June 30, 2021, was \$202,724 compared to a decrease of \$83,051 for the year ended June 30, 2020. Factors contributing to these results included:

Operating revenues decreased by approximately \$22,500 primarily due to a decrease in Tenant – Other revenue and other income.

Nonoperating revenues increased by approximately \$6,000. This is primarily due to the combination of increased subsidies and decreased interest income.

Wages and benefits increased by approximately \$9,000. This was primarily due to an increase in wages of approximately \$22,000 and a decrease in employee benefits of approximately \$13,000 from the adjustments of participating in our cost-sharing multiple-employer pension plan.

Utilities increased by approximately \$31,000. This was primarily due to an increase in sewer expense of approximately \$22,000.

Taxes and Insurance increased by approximately \$23,000. This was primarily due to an increase in property insurance of approximately the same amount.

Maintenance materials increased by approximately \$5,000. This is normal fluctuation for the Authority.

**CITY OF OTHELLO HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

ECONOMIC OUTLOOK

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

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

In February of 2020, the Washington State Governor declared a state of emergency in response to COVID and in mid-March the Governor proclaimed a moratorium on evictions preventing landlords from seeking evictions, unlawful detainer orders, assisting on evictions, enforcing vacancies, charging late charges, or from increasing rents or deposits. Due to this moratorium, several tenants fell behind on paying rent.

On March 27th, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act provided additional funding to PHA's to prevent, prepare for and respond to coronavirus. The Othello Housing Authority received \$ 14,709 from the CARES Act.

Contact Information:

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

**CITY OF OTHELLO HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2021**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash and Cash Equivalents, Unrestricted	\$ 1,903,519
Cash, Restricted - Tenant Deposits	109,429
Cash, Restricted	792,870
Accounts Receivable:	
Tenants, Less Allowance for Doubtful Accounts of \$6	34,651
Fraud	6,307
Prepaid Expenses	7,734
Inventories	9,522
Total Current Assets	<u>2,864,032</u>

NONCURRENT ASSETS

Capital Assets:	
Land, Structures, and Equipment, Net	12,734,811
Other Assets:	
Loan Fees, Net of Amortization of \$14,620	<u>8,782</u>
Total Noncurrent Assets	<u>12,743,593</u>

TOTAL ASSETS	<u><u>\$ 15,607,625</u></u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	\$ 111,901
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**CITY OF OTHELLO HOUSING AUTHORITY
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2021**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable - Trade	\$ 57,573
Accrued Payroll Liabilities	17,346
Unearned Revenue	38,770
Accrued Interest	8,869
Accrued Compensated Absences, Current	49,746
Tenant Security Deposits	109,429
Current Maturities of Long-Term Debt	150,083
Total Current Liabilities	<u>431,816</u>

NONCURRENT LIABILITIES

Long-Term Debt, Net of Current Maturities	11,061,852
Accrued Compensated Absences	16,582
Net Pension Liability	181,529
Total Noncurrent Liabilities	<u>11,259,963</u>

TOTAL LIABILITIES

\$ 11,691,779

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	<u><u>\$ 76,173</u></u>
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NET POSITION

Net Investment in Capital Assets	\$ 1,522,876
Restricted	792,870
Unrestricted	<u>1,635,828</u>

TOTAL NET POSITION

\$ 3,951,574

CITY OF OTHELLO HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021

OPERATING REVENUES

Rental Revenue	\$ 1,453,878
Revenue, Tenant Other	36,239
Fraud Recovery	7,372
Other	4,261
Total Operating Revenue	<u>1,501,750</u>

OPERATING EXPENSES

Wages:	
Maintenance	309,356
Administrative	300,016
Compensated Absences	70,579
Depreciation	616,830
Sewer	194,686
Maintenance Materials	153,628
Water	124,106
Garbage	97,766
Insurance:	
Property Insurance	60,729
Workmen's Compensation	18,682
Liability Insurance	5,093
Administrative Costs	67,762
Electricity	64,433
Employee Benefits	59,489
Payment in Lieu of Taxes	36,787
Office	25,791
Auditing Fees	23,753
Maintenance Contracts	21,659
Other Utility Expense	7,141
Travel	2,961
Bad Debt, Tenant Rent	2,668
Gas	1,969
Security	1,498
Amortization	898
Advertising	202
Other Operating Expenses	16,649
Total Operating Expenses	<u>2,285,131</u>

OPERATING LOSS (783,381)

CITY OF OTHELLO HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
(CONTINUED)
YEAR ENDED JUNE 30, 2021

NONOPERATING REVENUES (EXPENSES)

Other Government Grants	\$ 322,924
HUD PHA Grants	351,043
Interest Subsidy, USDA	49,575
Interest Income	1,946
Loss on Disposal of Capital Assets	(888)
Interest Expense	(156,433)
Total Nonoperating Revenues (Expenses)	<u>568,167</u>

LOSS BEFORE CAPITAL CONTRIBUTIONS (215,214)

CAPITAL CONTRIBUTIONS 12,490

CHANGE IN NET POSITION (202,724)

Net Position - Beginning of Year 4,154,298

NET POSITION - END OF YEAR \$ 3,951,574

**CITY OF OTHELLO HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Rents Received from Tenants	\$ 1,443,900
Cash Received from Other Operating Revenues	42,491
Cash Paid to and for Employees	(791,380)
Cash Paid to Suppliers	(929,305)
Net Cash Used by Operating Activities	<u>(234,294)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash Payments Received from HUD	351,043
Cash Payments Received from USDA	372,499
Net Cash Provided by Noncapital Financing Activities	<u>723,542</u>

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

Principal Payments on Long-Term Debt	(143,986)
Capital Contributions	12,490
Interest Paid	(159,276)
Additions to Capital Assets	(103,613)
Net Cash Used by Capital and Related Financing Activities	<u>(394,385)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	1,946
Net Cash Provided by Investing Activities	<u>1,946</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

96,809

Cash and Cash Equivalents - Beginning of Year

2,709,009

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 2,805,818

CASH AND CASH EQUIVALENTS, UNRESTRICTED

\$ 1,903,519

CASH, RESTRICTED, TENANT DEPOSITS

109,429

CASH, RESTRICTED, CURRENT

792,870

Total

\$ 2,805,818

**CITY OF OTHELLO HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

RECONCILIATION OF LOSS FROM OPERATIONS TO NET

CASH USED BY OPERATING ACTIVITIES

Operating Loss	\$ (783,381)
Adjustments to Reconcile Operating Loss to	
Net Cash Used by Operating Activities	
Depreciation and Amortization	617,728
(Increase) Decrease in Assets and Deferred Outflows of Resources:	
Accounts Receivable	(24,633)
Prepaid Expenses	6,765
Inventories	(3,004)
Deferred Outflows Related to Pensions	(4,313)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:	
Accounts Payable	(2,633)
Accrued Liabilities	26,376
Unearned Revenue	4,813
Net Pension Liability	(15,785)
Deferred Inflows Related to Pensions	(56,227)
Total Adjustments	<u>549,087</u>
Net Cash Used by Operating Activities	<u><u>\$ (234,294)</u></u>

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

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

Use of Estimates

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

Basis of Accounting

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

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

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

**CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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

Budgeting

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

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

Cash and Cash Equivalents

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

It is the Authority's policy to invest all temporary cash surpluses. At June 30, 2021, the Authority was holding \$792,637 in short-term residual investments of surplus cash.

Restricted Cash

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

Temporary Investments

The Authority considers all investments purchased with an original maturity of greater than three months to be temporary investments. As of June 30, 2021, the Authority did not have any temporary investments.

Receivables

Tenant accounts receivable consist of amounts owed for rent and miscellaneous other charges as noted on the rental register. Receivables are carried at original amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. In the opinion of management, an allowance of \$6 was necessary at June 30, 2021. Management regularly evaluates the customer balances to determine collectability. A receivable is considered to be past due when payment is extended beyond the stated agreement. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Inventories

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

Capital Assets and Depreciation

See Note 3.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Accounts Payable

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

Tenant security deposits are offset by the security deposit fund.

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

Unearned Revenue

Consists of amounts received from tenants and others, which are properly recognized in future periods. At times, the Authority contracts with farm labor employers to reserve beds at Lugar Seguro during peak times. These contracts require prepayments up to a year in advance. If the employer does not use the beds, the payments are nonrefundable unless the Authority is able to lease the units to someone else. Unearned revenue of \$25,916 (related to these contracts) at June 30, 2021, will be earned by November 15, 2021. The remaining amount in unearned revenue will be earned when consumed by tenants.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Accrued Compensated Absences

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

Other Accrued Liabilities

These accounts consist of accrued employee withholding and employee benefits.

Long-Term Debt

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

Restricted Net Position

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

Net Position

Net position is displayed in three components as follows:

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

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

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

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

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenue and Expenses

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

Donations and Nonexchange Transactions

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

Pensions

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

Deposits

Cash on hand as of June 30, 2021, was \$901. The carrying amount of the Authority's deposits, including certificates of deposit, was \$2,012,280 and the bank balances was \$2,012,280.

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

Investments

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

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 DEPOSITS AND INVESTMENTS

Investments (Continued)

As of June 30, 2021, the Authority had the following investments, which are measured at amortized cost:

Washington State Local Government Investment Pool (LGIP)	\$	792,637
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Investments in Local Government Investment Pool (LGIP)

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

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

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

NOTE 3 CAPITAL ASSETS AND DEPRECIATION

Land, structures, and equipment consist of the following at June 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Structures and Improvements	\$ 22,181,976	\$ 41,728	\$ -	\$22,223,704
Equipment	1,112,305	41,538	(24,917)	1,128,926
Total Capital Assets Being Depreciated	23,294,281	83,266	(24,917)	23,352,630
Less: Accumulated Depreciation	(11,022,243)	(616,830)	24,029	(11,615,044)
Total Capital Assets Being Depreciated, Net	12,272,038	(533,564)	(888)	11,737,586
Capital Assets Not Being Depreciated:				
Land	976,879	-	-	976,879
Construction in Progress	-	20,346	-	20,346
Total Capital Assets Not Being Depreciated	976,879	20,346	-	997,225
Total Capital Assets, Net	\$ 13,248,917	\$ (513,218)	\$ (888)	\$12,734,811

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

General Policies

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

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

Depreciable Capital Assets

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

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

NOTE 4 PENSION PLANS

The following table represents the aggregate pension amounts for all plans as of and for the year ended June 30, 2021:

Aggregate Pension Amounts - All Plans

Net Pension Liabilities	\$ 181,529
Deferred Outflows of Resources	111,901
Deferred Inflows of Resources	76,173
Pension Expense	738

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

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

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 PENSION PLANS (CONTINUED)

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

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

Public Employees' Retirement System (PERS)

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

PERS Plan 1

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least 5 years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and nonduty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of 5 years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The PERS Plan 1 member contribution rate is established by state statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

Actual Contribution Rate:	July 2020 - June 2021	
	Employer	Employee
PERS Plan 1	7.92 %	6.00 %
PERS Plan 1 UAAL	4.87	-
Administrative Fee	0.18	-
Total	<u>12.97 %</u>	<u>6.00 %</u>

The Authority's actual contribution to the plan was \$28,712 for the year ended June 30, 2021.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 PENSION PLANS (CONTINUED)

PERS Plan 2/3

PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least 5 years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65.

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

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

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing 5 years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after 5 years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5% and escalate to 15% with a choice of 6 options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 PENSION PLANS (CONTINUED)

PERS Plan 2/3 (Continued)

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

Actual Contribution Rate:	July 2020 - June 2021	
	Employer 2/3	Employee 2
PERS Plan 2/3	7.92 %	7.90 %
PERS Plan 1 UAAL	4.87	-
Administrative Fee	0.18	-
Employee PERS Plan 3	-	varies
Total	<u>12.97 %</u>	<u>7.90 %</u>

The Authority's actual contribution to the plan was \$46,871 for the year ended June 30, 2021.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study and the 2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

**CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

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

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 PENSION PLANS (CONTINUED)

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2% and represents WSIB's most recent long-term estimate of broad economic inflation.

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

Sensitivity of Net Pension Liability

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

Pension Trust	1% Decrease 6.40%	Current Discount Rate 7.40%	1% Increase 8.40%
PERS 1	\$ 154,246	\$ 123,145	\$ 96,022
PERS 2/3	363,279	58,384	(192,698)
Total	\$ 517,525	\$ 181,529	\$ (96,676)

Pension Plan Fiduciary Net Position

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

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 PENSION PLANS (CONTINUED)

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

At June 30, 2021, the Authority reported a total pension liability of \$181,529 for its proportionate share of the net pension liabilities as follows:

Pension Trust	Liability
PERS 1	\$ 123,145
PERS 2/3	58,384
Total	<u>\$ 181,529</u>

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

Pension Trust	Proportionate Share June 30, 2019	Proportionate Share June 30, 2020	Change in Proportion
PERS 1	0.003870 %	0.003488 %	(0.000382)%
PERS 2/3	0.004993 %	0.004565 %	(0.000428)%

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

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended June 30, 2021, the Authority recognized pension expense as follows:

Pension Trust	Pension Expense (Benefit)
PERS 1	\$ (7,356)
PERS 2/3	6,619
Total	<u>\$ (737)</u>

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 PENSION PLANS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources			Deferred Inflows of Resources		
	PERS 1	PERS 2/3	Total	PERS 1	PERS 2/3	Total
Differences Between Expected and Actual Experience	\$ -	\$ 20,901	\$ 20,901	\$ -	\$ (7,317)	\$ (7,317)
Changes of Assumptions	-	831	831	-	(39,881)	(39,881)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-	-	(686)	(2,965)	(3,651)
Changes in Proportion and Differences Between Housing Authority Contributions and Proportionate Share of Contributions	-	14,586	14,586	-	(25,324)	(25,324)
Housing Authority Contributions Subsequent to the Measurement Date	28,712	46,871	75,583	-	-	-
Total	<u>\$ 28,712</u>	<u>\$ 83,189</u>	<u>\$ 111,901</u>	<u>\$ (686)</u>	<u>\$ (75,487)</u>	<u>\$ (76,173)</u>

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date (\$28,712 for PERS 1 and \$46,871 for PERS 2/3) will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	PERS 1	PERS 2/3	Total
2022	\$ (3,111)	\$ (25,006)	\$ (28,117)
2023	(98)	(6,571)	(6,668)
2024	949	258	1,207
2025	1,574	1,378	2,952
2026	-	(4,659)	(4,659)
Thereafter	-	(4,569)	(4,569)
Total	<u>\$ (686)</u>	<u>\$ (39,169)</u>	<u>\$ (39,855)</u>

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 PARTICIPATION IN HOUSING AUTHORITY RISK RETENTION POOL

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

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

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

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

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

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

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

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

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

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

NOTE 6 LONG-TERM DEBT

Long-term debt as of June 30, 2021, consisted of the following:

Note Payable to the Department of Commerce

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

Note Payable to the Department of Commerce

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

Note Payable to the Department of Commerce

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

Note Payable to the Department of Commerce

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

**CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Note Payable to the Washington Community Reinvestment Association (WCRA)

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

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

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

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

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

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

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

Note Payable to the Housing Assistance Council (HAC)

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

Note Payable to the Department of Commerce

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

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 LONG-TERM DEBT (CONTINUED)

Note Payable to the Department of Commerce

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

Note Payable to Columbia Bank

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

Note Payable to the Department of Commerce

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

Note Payable to Umpqua Bank

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

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 LONG-TERM DEBT (CONTINUED)

The following is a summary of the long-term debt transactions for the year ended June 30, 2021:

Direct Borrowings and Direct Placements	Balances June 30, 2020	Additions	Reductions	Balances June 30, 2021	Due Within One Year
Notes Payable:					
Department of Commerce	\$ 192,396	\$ -	\$ -	\$ 192,396	\$ -
Department of Commerce	777,800	-	-	777,800	-
Department of Commerce	560,155	-	-	560,155	-
Department of Commerce	3,401,957	-	13,626	3,388,331	13,626
WCRA	472,793	-	21,454	451,339	23,001
USDA	707,910	-	26,509	681,401	28,074
USDA	276,582	-	10,357	266,225	10,968
USDA	165,082	-	1,355	163,727	1,430
HAC	357,425	-	17,384	340,041	18,089
Department of Commerce	532,660	-	25,177	507,483	25,488
Department of Commerce	427,982	-	12,303	415,679	12,550
Columbia Bank	248,814	-	11,901	236,913	12,121
Department of Commerce	3,000,000	-	-	3,000,000	-
Umpqua Bank	234,365	-	3,920	230,445	4,736
Total Long-Term Debt	11,355,921	-	143,986	11,211,935	150,083
Compensated Absences	59,289	7,039	-	66,328	49,746
Net Pension Liability	197,314	-	15,785	181,529	-
Total Long-Term Liabilities	<u>\$ 11,612,524</u>	<u>\$ 7,039</u>	<u>\$ 159,771</u>	<u>\$ 11,459,792</u>	<u>\$ 199,829</u>

Minimum payments due are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 150,083	\$ 149,223
2023	156,599	142,706
2024	169,426	138,615
2025	387,105	125,637
2026	178,937	110,281
2027-2031	1,023,200	422,889
2032-2036	1,093,265	151,052
2037-2041	392,626	32,487
2042-2046	962,925	9,599
2047-2051	3,697,768	2,138
2052-2056	3,000,000	-
Total	<u>\$ 11,211,935</u>	<u>\$ 1,284,625</u>

CITY OF OTHELLO HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 CONTINGENCIES

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

Periodically the Authority receives funding from the state of Washington Department of Commerce that is used to purchase and construct land and buildings. The Department of Commerce maintains the right to be reimbursed for this funding if the Authority is in violation of any terms or conditions of the contracts. At year-end, the Authority's management is not aware of any violations of Department of Commerce requirements. As of June 30, 2021, these amounts total \$8,841,844.

NOTE 8 RISKS AND UNCERTAINTIES

The World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. The full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

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

PERS 1					
Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.003488%	\$ 123,145	\$ 579,211	21.26%	68.64%
2019	0.003870%	148,815	542,626	27.42%	67.12%
2018	0.003918%	174,979	520,647	33.61%	63.22%
2017	0.004379%	207,799	512,613	40.54%	61.24%
2016	0.003789%	203,501	490,132	41.52%	57.03%
2015	0.004586%	239,890	525,833	45.62%	59.10%
2014	0.004820%	242,810	531,800	45.66%	61.19%

Notes to Schedule:

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

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

PERS 2/3					
Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.004565%	\$ 58,384	\$ 579,211	10.08%	97.22%
2019	0.004993%	48,499	542,626	8.94%	97.77%
2018	0.005054%	86,293	520,647	16.57%	95.77%
2017	0.005633%	195,715	512,613	38.18%	90.97%
2016	0.004862%	244,780	490,132	49.94%	85.82%
2015	0.005928%	211,811	525,833	40.28%	89.20%
2014	0.006205%	125,425	531,800	23.58%	93.29%

Notes to Schedule:

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

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

PERS 1					
Year	Contributions in		Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percent of Covered Payroll
	Statutorily Required Contribution	Relation to the Statutorily Required Contribution			
2021	\$ 28,712	\$ (28,712)	\$ -	\$ 591,798	4.85%
2020	27,570	(27,570)	-	579,211	4.76%
2019	27,749	(27,749)	-	542,626	5.11%
2018	26,188	(26,188)	-	520,647	5.03%
2017	24,452	(24,452)	-	512,613	4.77%
2016	23,379	(23,379)	-	490,132	4.77%
2015	21,078	(21,078)	-	525,833	4.01%

Notes to Schedule:

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

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

PERS 2/3					
Year	Contributions in		Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percent of Covered Payroll
	Statutorily Required Contribution	Relation to the Statutorily Required Contribution			
2021	\$ 46,871	\$ (46,871)	\$ -	\$ 591,798	7.92%
2020	45,874	(45,874)	-	579,211	7.92%
2019	40,779	(40,779)	-	542,626	7.52%
2018	38,996	(38,996)	-	520,647	7.49%
2017	31,936	(31,936)	-	512,613	6.23%
2016	30,535	(30,535)	-	490,132	6.23%
2015	26,404	(26,404)	-	525,833	5.02%

Notes to Schedule:

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

Housing Authority of the City of Othello
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Rental Housing Loans	10.415	56001 549626707 01-5 03	-	266,225	266,225	1 & 5
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Rental Housing Loans	10.415	56001 549626707 01-5 02	-	681,401	681,401	1 & 5
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Rental Housing Loans	10.415	56001 549626707 02-7	-	163,727	163,727	1 & 5
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Rental Housing Loans	10.415	56001 549626707 01-5 02	-	12,327	12,327	1 & 3
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Rental Housing Loans	10.415	56001 549626707 01-5 01	-	31,550	31,550	1 & 3
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Rental Housing Loans	10.415	56001 549626707 02-7	-	5,699	5,699	1 & 3
			Total CFDA 10.415:	-	1,160,929	1,160,929	
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Rental Assistance Payments	10.427	56-01-549626707- 015	-	220,920	220,920	1 & 4
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Rental Assistance Payments	10.427	56-01-549626707- 027	-	102,004	102,004	1 & 4
			Total CFDA 10.427:	-	322,924	322,924	
Section 8 Project-Based Cluster							
ASST SECRETARY FOR HOUSING- -FEDERAL HOUSING COMMISSIONER, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Section 8 Housing Assistance Payments Program	14.195	WA25L00018	-	24,806	24,806	1
ASST SECRETARY FOR HOUSING- -FEDERAL HOUSING COMMISSIONER, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Section 8 Housing Assistance Payments Program	14.195	WA19M000109	-	38,876	38,876	
			Total Section 8 Project-Based Cluster:	-	63,682	63,682	

ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Public and Indian Housing	14,850	WA19P02600000 119D	-	133	133	-	1
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Public and Indian Housing	14,850	WA19P02600000 120D	-	80,299	80,299	-	1
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Public and Indian Housing	14,850	WA19P02600000 121D	-	96,947	96,947	-	1
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Public and Indian Housing	14,850	WA026000000120 DC	-	8,944	8,944	-	1
Total CFDA 14,850:				-	186,323	186,323	-	
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Public Housing Capital Fund	14,872	WAW19P026501- 20	-	113,527	113,527	-	1
Total Federal Awards Expended:				-	1,847,385	1,847,385	-	

The accompanying notes are an integral part of this schedule.

Housing Authority of the City of Othello
Notes to the Schedule of Expenditures of Federal Awards
July 1, 2020 through June 30, 2021

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – PROGRAM COSTS

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

NOTE 3 – RURAL RENTAL HOUSING LOAN SUBSIDY CREDIT

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

NOTE 4 – RURAL RENTAL ASSISTANCE PAYMENTS

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

NOTE 5 – UNITED STATE DEPARTMENT OF AGRICULTURE

The Housing Authority has three USDA Rural Rental Housing Loans outstanding with balances totaling \$1,111,372.42 as of June 30, 2021.

NOTE 6 - INDIRECT COST RATE

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

[illegible]

[illegible]

72,000	Investment Income - Restricted	3	234	-	21	48	306	-	306
70,000	Total Revenue	590,535	524,644	49,575	173,555	985,746	2,324,065	(85,225)	2,238,840
91,100	Administrative Salaries	134,508	62,407	-	27,235	75,866	300,016	-	300,016
91,200	Auditing Fees	11,379	1,746	-	759	9,869	23,753	-	23,753
91,300	Management Fee	-	-	-	-	-	-	-	-
91,310	Book-keeping fee	-	-	-	-	-	-	-	-
91,400	Advertising and marketing	-	-	-	-	202	202	-	202
91,500	Employee Benefit Contributions - Admin	28,103	11,586	-	5,014	3,592	48,295	-	48,295
91,600	Office Expenses	10,285	6,117	-	767	8,622	25,791	-	25,791
91,700	Legal Expense	-	-	-	-	-	-	-	-
91,800	Travel	655	918	-	250	1,138	2,961	-	2,961
91,810	Allocated Overhead	-	-	-	-	-	-	-	-
91,900	Other	24,538	64,695	-	12,343	43,125	144,701	(76,041)	68,660
91,000	Total operating - Administrative	209,468	147,469	0	46,368	142,414	545,719	(76,041)	469,678
92,000	Asset Management fee	-	-	-	-	-	-	-	-
92,100	Tenant Services - Salaries	-	-	-	-	-	-	-	-
92,200	Relocation Costs	-	-	-	-	-	-	-	-
92,300	Employee Benefit Cont. - Tenant Service	-	-	-	-	-	-	-	-
92,400	Tenant Services - Other	-	-	-	-	-	-	-	-
92,500	Total tenant Services	0	0	0	0	0	0	0	0
93,100	Water	39,041	14,754	-	6,785	63,526	124,106	-	124,106
93,200	Electricity	8,980	12,902	-	4,820	37,731	64,433	-	64,433
93,300	Gas	199	-	-	-	1,770	1,969	-	1,969
93,400	Fuel	-	-	-	-	-	-	-	-
93,500	Labor	-	-	-	-	-	-	-	-
93,600	Sewer	39,203	54,677	-	15,222	85,584	194,686	-	194,686
93,700	Employee Benefit Cont - Utilities	-	-	-	-	-	-	-	-
93,800	Other Utilities Expense	23,072	25,088	-	11,566	45,181	104,907	-	104,907
93,000	Total Utilities	110,495	107,421	0	38,393	233,792	490,101	0	490,101
94,100	Ordinary Maint & Oper - Labor	63,148	40,986	-	17,393	187,829	309,356	-	309,356
94,200	Ordinary Maint & Oper - Materials	36,784	27,473	-	10,762	78,609	153,628	-	153,628
94,300	Ordinary Maint and Operation Contracts	5,449	9,992	-	1,549	13,569	30,559	(8,900)	21,659
94,500	Employee Benefits - Maintenance	13,104	7,633	-	3,203	(12,746)	11,194	-	11,194
94,000	Total Maintenance	118,485	86,084	0	32,907	267,261	504,737	(8,900)	495,837
95,100	Protective Services - Labor	-	-	-	-	-	-	-	-
95,200	Protective Services - Other Contract Co	839	-	-	-	659	1,498	-	1,498
95,300	Protective Services - Other	-	-	-	-	-	-	-	-
95,500	Employee Benefit Cont. - ProtectiveServ	-	-	-	-	-	-	-	-
95,000	Total Protective Services	839	0	0	0	659	1,498	0	1,498
96,110	Property Insurance	12,179	16,860	-	4,909	26,781	60,729	-	60,729
96,120	Liability Insurance	1,462	1,146	-	334	2,151	5,093	-	5,093
96,130	Workmen's Compensation	3,923	5,231	-	1,495	8,033	18,682	-	18,682
96,140	All other insurance	-	-	-	-	-	-	-	-
96,100	Total Insurance Premiums	17,564	23,237	0	6,738	36,965	84,504	0	84,504
96,200	Other General Expenses	12,749	179	-	-	3,721	16,649	-	16,649
96,210	Compensated Absences	20,744	11,239	-	4,464	34,132	70,579	-	70,579
96,300	Payments in Lieu of Taxes	15,874	3,000	-	1,200	16,713	36,787	-	36,787
96,400	Bad Debt - Tenant Rent	121	1,553	-	491	411	2,576	-	2,576
96,500	Bad Debt Mortgages	-	-	-	-	-	-	-	-
96,600	Bad Debt - Other	-	-	-	-	-	-	-	-
96,800	Severance Expense	-	-	-	-	-	-	-	-
96,000	Total other general expenses	49,488	15,971	0	6,155	54,977	126,591	0	126,591

96,710	Interest of mortgage (or bonds) payable	-	111,173	-	17,226	11,528	139,927	-	139,927
96,720	Interest on notes payable (short and long term)	-	-	-	-	16,790	16,790	(284)	16,506
96,730	Amortization of bond issue costs	-	-	-	-	-	-	-	-
96,700	Total Interest Expense and Amortization cost	0	111,173	0	17,226	28,318	156,717	(284)	156,433
96,900	Total Operating Expenses	506,339	491,355	-	147,787	764,386	1,909,867	(85,225)	1,824,642
97,000	Excess Revenue over Operating Expenses	84,196	33,289	49,575	25,778	221,360	414,198	0	414,198
97,100	Extraordinary Maintenance	-	-	-	-	-	-	-	-
97,200	Casualty Losses - Non-capitalized	-	-	-	-	-	-	-	-
97,300	Housing Assistance Payments	-	-	-	-	-	-	-	-
97,350	HAP Portability-In	-	-	-	-	-	-	-	-
97,400	Depreciation Expense	91,805	86,314	-	35,261	403,450	616,830	-	616,830
97,500	Fraud losses	92	-	-	-	-	92	-	92
97,600	Capital Outlays - Government funds	-	-	-	-	-	-	-	-
97,700	Debt Princ Payment - Governmental funds	-	-	-	-	-	-	-	-
97,800	Dwelling Units Rent Expense	-	-	-	-	-	-	-	-
90,000	Total Expenses	598,236	577,669	0	183,048	1,167,836	2,526,789	(85,225)	2,441,564
10,010	Operating Transfers In	101,038	-	-	-	-	101,038	-	101,038
10,020	Operating Transfers Out	(101,038)	-	-	-	-	(101,038)	-	(101,038)
10,030	Operating Tran from/to Prim Gov't	-	-	-	-	-	-	-	0
10,040	Operating Transfers from/to Comp Unit	-	-	-	-	-	-	-	0
10,070	Extraordinary Items (net gain/loss)	-	-	-	-	-	-	-	0
10,080	Special Items, Net Gain/Loss	-	-	-	-	-	-	-	0
10,091	Inter-AMP excess cash transfer in	-	-	-	-	-	-	-	0
10,092	Inter-AMP excess cash transfer out	-	-	-	-	-	-	-	0
10,093	Transfers between Programs and AMPs in	-	49,575	-	-	-	49,575	-	49,575
10,094	Transfers between Programs and AMPs out	-	-	(49,575)	-	-	(49,575)	-	(49,575)
10,100	Total Other Financing Sources	0	49,575	(49,575)	0	0	0	0	0
10,000	Excess (deficiency) of Operating Revenue	(7,701)	(3,450)	-	(9,483)	(182,090)	(202,724)	-	(202,724)
11,020	Required annual debt principal payments	0	77,030	0	11,293	54,981	143,304	-	143,304
11,030	Beginning Equity	1,557,016	(450,339)	-	(109,019)	3,156,640	4,154,298	-	4,154,298
11,040	Prior Period Adj. Equity Transfers, Cor	-	-	-	-	-	0	-	0
11,050	Changes in compensated Absence balance	-	-	-	-	-	-	-	-
11,060	Changes in Contingent Liability Balance	-	-	-	-	-	-	-	-
11,070	Changes in Unrecognized Pension Transit	-	-	-	-	-	-	-	-
11,080	Changes in Special Term/ Severance Bene	-	-	-	-	-	-	-	-
11,090	Changes in Allow - Dwelling Rents	-	-	-	-	-	-	-	-
11,100	Changes in Allow for - Other	-	-	-	-	-	-	-	-
11,170	Administrative fee equity	0	0	0	0	0	0	0	0
11,180	Housing assistance payments equity	-	-	-	-	-	-	-	-
11,190	Unit Months Available	660	924	-	252	1,056	2,892	-	2,892
11,210	Number of Unit Months Leased	645	890	-	246	1,038	2,819	-	2,819
11,270	Excess cash	210,513	-	-	-	-	210,513	-	210,513
11,610	Land Purchases	-	-	-	-	-	0	-	0
11,620	Building Purchases	-	-	-	-	-	0	-	0
11,630	Furniture & Equipment - Dwelling purchases	4,690	-	-	-	-	4690	-	4690
11,640	Furniture & Equipment - Administrative purchases	7,800	-	-	-	-	7800	-	7800
11,650	Leasehold Improvements purchases	-	-	-	-	-	0	-	0
11,660	Infrastructure purchases	0	-	-	-	-	0	-	0
13,510	CFFP Debt Service Payments	0	-	-	-	-	0	-	0
13,901	Replacement housing factor funds	0	-	-	-	-	0	-	0

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

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