Office of the Washington State Auditor
Pat McCarthy

November 3, 2022

Board of Commissioners
Anacortes Housing Authority
Anacortes, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of the Anacortes Housing Authority for the fiscal year ended March 31, 2021. The Housing Authority contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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ANACORTES HOUSING AUTHORITY
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021

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Board of Commissioners
Anacortes Housing Authority
Anacortes, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities (primary government) and the discretely presented component unit of the Anacortes Housing Authority (the Authority) as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Anacortes Housing Authority as of March 31, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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<u>INDEPENDENT AUDITORS' REPORT, CONTINUED</u>

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 8, schedule of the Authority's proportionate share of the net pension liability on page 36, and schedule of employer contributions on page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Financial Data Schedules are presented for the purpose of additional analysis as required by HUD and are not a required part of the basic financial statements.

The Financial Data Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Finney, Neill & Company, P.S.

December 7, 2021
Seattle, Washington

As management of the Housing Authority of the City of Anacortes (dba Anacortes 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 fiscal year ended March 31, 2021. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Financial Highlights

- The Authority's total unrestricted cash balance at March 31, 2021 was $1,002,939.
- The Authority had total revenue of $1,298,625 for the year ended March 31, 2021, which included net rental revenue of $866,107, grant revenue of $354,872 other operating revenue of $77,646, and interest income of $405.
- During the 2021 fiscal year, the Authority expended $382,881 in federal grant revenues in the public housing program.
- The Authority had total expenses of $1,449,806 for the year ended March 31, 2021, which included operating expense of $1,190,950, depreciation expense of $213,895, and interest expense of $44,961.
- The Authority's net capital assets increased during the year by $1,189,548 and fixed assets dispositions during the year totaled $1,599.
- The Authority's net position at March 31, 2021 was $5,464,377 representing an increase of $611,324.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements comprise three components: 1) entity-wide financial statements, 2) required supplementary financial information, and 3) notes to the financial statements.

Financial Statements

In accordance with the reporting requirements of accounting principles generally accepted in the United States of America (GAAP), the statements include "Statement of Net Position," "Statement of Revenues, Expenses and Changes in Net Position," and the "Statement of Cash Flows."

The Authority's government-wide financial statements include:

Statement of Net Position – The Statement of Net Position reports all financial and capital resources as well as obligations of the Authority. The Statement of Net Position is presented in the format where assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position. Assets and liabilities are presented in order of liquidity, and are classified as "current" (generally, those assets convertible into cash within one year), and "non-current". The purpose of this statement is to provide readers with a snapshot of the fiscal condition of the Authority as of a certain point in time.

Net Position is reported in three categories:

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted: This component of Net Position consists of restricted assets where constraints have been placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc., net of any offsetting, associated liabilities.

Unrestricted: This component of Net Position consists of consists of assets, deferred outflow of resources, liabilities, and deferred inflows of resources that are not included in the determination of "Net Investment in Capital Assets" or "Restricted".

Statement of Revenues, Expenses and Changes in Net Position - This statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative expenses, utilities, and maintenance expenses, and depreciation; and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense. This statement presents information showing how the Authority's Net Position, as described above, changed during the year. The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position", which is similar to Net Income or Loss. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Statement of Cash Flows - This Statement of Cash Flows discloses net cash provided by, or used for operating activities, non-capital financing activities, capital and related financing activities, and investing activities. This statement shows where cash came from, how it was used, and the change in the cash balance during the year.

The Authority's basic financial statements also include notes to the financial statements that explain some of the information in the government-wide financial statements and provide more data supporting the numbers in these statements.

Other Supplementary Financial Information

Effective September 1, 1998 the Department of Housing and Urban Development's Real Estate Assessment Center (REAC) established standards for the submission of "Uniform Financial Reporting Standards for HUD Housing Programs". The standards include the creation of GAAP based "Financial Data Schedules" and electronic reporting requirements. The report is a more easily readable fund based columnar format that is inclusive of all HUD and public fund financial reports of the Authority. The reports include a "Balance Sheet" and a "Statement of Operations".

Notes to the Financial Statements

The "Notes to the Financial Statements" provide additional information that is essential to a full understanding of the data provided in the basic financial statements. They are intended to disclose all pertinent matters as prescribed under GAAP.

Authority-Wide Financial Analysis

Condensed Statement of Net Position

A brief condensed comparative analysis of the current and prior year net position and performance follows.

	2021	2020
Current assets	1,309,840	1,169,455
Capital assets	6,112,730	4,923,182
Other assets	351,249	378,941
Deferred outflows	66,801	63,282
Total assets and deferred outflows of resources	7,840,620	6,534,860
Current liabilities	292,658	177,071
Long-term debt outstanding	1,850,154	1,227,728
Other liabilities	189,458	195,652
Deferred inflows	43,973	81,356
Total liabilities and deferred inflows of resources	2,376,243	1,681,807
Net position		
Invested in capital assets, net of related debt	4,184,943	3,636,706
Restricted	276,495	296,167
Unrestricted	1,002,939	920,180
	5,464,377	4,853,053
Total liabilities, deferred inflows of resources and net position	7,840,620	6,534,860

Long Term debt outstanding includes $1,227,728 payable by the Authority on behalf of the AHA-Bayview Apartments LP for 2021 and $1,286,417 for 2020. This balance payable reflects the bonds payable and notes payable issued by the Authority for the acquisition and construction of the project. See Note 11 for additional information.
Current assets increased by $140,385 for the fiscal year ended 2021 as compared to 2020. This amount resulted primarily from a increase in cash.

Capital assets increased by $1,1189,548 for the fiscal year ended 2021 as compared to 2020. This increase resulted primarily from the acquisition of additional properties. Total liabilities increased by $694,436 largely due to the increase in long term debt.

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2021	2020
Operating revenues	1,298,625	1,361,263
Non-operating revenues	405	9,640
Total revenues	1,299,030	1,370,903
Operating expenses	1,404,845	1,258,612
Non-operating expenses	44,961	44,711
Total expenses	1,449,806	1,303,323
Capital grant contributions and other contributions	762,100	383,042
Change in Net Position	611,324	450,622
Net Position, Beginning of Year	4,853,053	4,402,431
Net Position, End of Year	5,464,377	4,853,053

Tenant rental revenue increased a nominal $140 in 2021 compared to 2020. HUD subsidy decreased by $49,179 in 2021 compared to 2020. The change resulted primarily due to the change in HUD operating subsidy.

Operating expenses in 2021 increased by $146,233, compared to 2020. This was primarily due to an increase in depreciation, administrative, utilities, and maintenance expenses.

The factors noted above and capital contributions in 2020 resulted in a $611,324 increase in net position. In 2021, the excess of operating expenses over revenues was ($106,220), compared to the 2020 excess of operating revenues over expenses in the amount of $102,651.

Net position may serve over time as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities by $5,464,377 at the close of the most recent fiscal year. The total assets are reported at $7,840,620 of which $4,184,943 are capital assets (net of related debt), $66,801 are deferred outflows, and $351,249 are other assets. Unrestricted net assets total $1,002,939.

The largest portion of the Authority's equity (approximately 77%) reflects its investment in capital assets (e.g., buildings, machinery, and equipment). The Authority uses these capital assets to provide housing services to low and moderate-income tenants; consequently, these assets are not available for future spending. The unrestricted net resources of the Authority are available for future use to provide additional housing services and resources.

Management's analysis of the Authority's overall financial position and results of financial operations indicate a positive change. The net financial position increased by $611,324, which included a financial accounting decrease for depreciation expense of $213,895.

Management's Overall Financial Analysis

Management's analysis of the Authority's overall financial position and results of financial operations indicates an increase in net position of $611,324. There are no significant restrictions, commitments or other limitations which significantly affect the availability of resources for future use. Future HUD funding changes with federal appropriations and affects HUD subsidy available to the Authority.

Capital Assets

As of March 31, 2021, the Authority's net investment in capital assets for its activities was $6,112,730, net of accumulated depreciation, which is included in the Statement of Net Position and the Notes as Capital Assets. This investment in capital assets includes buildings, improvements, land, equipment and also construction in progress. During fiscal year 2021, the Authority had $1,189,548 in capital asset additions. A schedule of Capital Asset activity is included in Note 5.

Long-Term Debt

The long-term debt of the Authority consists solely of bonds and a loan incurred for the purpose of constructing the Bayview Apartments, as described in Note 11. The total loan and bond liabilities reported by the Authority are $2,015,487 of which $1,850,154 is classified as non-current and $165,333 is classified as current liabilities.

The Authority began the year with a $1,286,476 beginning balance in long-term debt, made payments on outstanding bonds and notes, incurred additional debt and concluded the year with an ending balance of $2,015,487.

The Authority is in good standing with all debt obligations and foresees no eminent difficulties with meeting its scheduled payment obligations.

A "Debt Maturities Schedule" is included in Note 11.

Economic Factors Affecting the Authority's Future

The Authority receives the bulk of its operational funding from the United States Department of Housing and Urban Development (HUD) which, like all federal agencies, depends on congressional appropriations. As market pressures continue to increase, the need for the Authority's services remain in high demand.

The Housing Authority is currently working with local government, private investors and through a local sales tax to increase the supply of affordable housing in the community of Anacortes. Over the last two years, the Housing Authority has obtained several properties and is in the process of redevelopment and restoration. The mission of the Housing Authority is to provide affordable housing. Currently the Housing Authority is working on any available avenues to expand affordable housing options in its community.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Brian Clark, Executive Director, Housing Authority of the City of Anacortes, 719 Q Avenue Anacortes, Washington 98221.

ANACORTES HOUSING AUTHORITY
STATEMENT OF NET POSITION
March 31, 2021

Assets and Deferred Outflows of Resources		Primary Government	Component Unit
Current assets:			
Cash and cash equivalents	$	912,167	138,367
Cash and cash equivalents - restricted		326,411	119,412
Tenant rent receivables, net		33,581	7,024
Inventory-materials		25,344	-
Prepaid expenses and other assets		12,337	4,324
Total current assets		1,309,840	269,127
Non-current assets:			
Investment in component unit		351,249	-
Other non-current assets		-	1,073
Capital assets:			
Capital assets not being depreciated		2,352,316	250,000
Construction in process		61,273	-
Depreciable capital assets		10,025,570	5,873,211
Accumulated depreciation		(6,326,429)	(2,163,482)
Capital assets, net of accumulated depreciation		6,112,730	3,959,729
Total noncurrent assets		6,463,979	3,960,802
Total assets		7,773,819	4,229,929
Deferred outflow of resources (related to pensions)		66,801	-
Total assets & deferred outflow of resources	$	7,840,620	4,229,929
Liabilities, Deferred Inflows, and Net Position			
Current liabilities:			
Accounts payable	$	32,891	31,669
Tenant security deposits		60,709	7,500
Unearned revenues		13,193	1,471
Accounts payable - PILOT		4,035	-
Accrued interest payable		12,917	2,681
Accumulated leave payable - current		3,580	-
Current maturities of long-term debt		165,333	54,393
Total current liabilities		292,658	97,714
Non-current liabilities:			
Long term debt, net of current maturities		1,850,154	1,041,949
Accumulated leave payable - long term		32,221	-
Accrued pension		157,237	-
Total non-current liabilities		2,039,612	1,041,949
Deferred inflow of resources (related to pensions)		43,973	-
Total liabilities & deferred inflow of resources		2,376,243	1,139,663
Net position:			
Net investment in capital assets		4,184,943	2,863,387
Restricted		276,495	111,912
Unrestricted		1,002,939	114,967
Total net position		5,464,377	3,090,266
Total liabilities, deferred inflows, and net position	$	7,840,620	4,229,929

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

ANACORTES HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended March 31, 2021

	Primary Government	Component Unit
Operating revenues:		
Net rental revenues	$ 866,107	223,722
HUD operating subsidies	354,872	-
Other operating revenues	77,646	259
Total operating revenues	1,298,625	223,981
Operating expenses:		
Administrative	530,689	25,986
Utilities	87,059	13,457
Maintenance & operations	508,698	48,437
Insurance	26,774	6,886
Other general	34,044	22,958
Extraordinary maintenance	3,686	-
Depreciation & amortization	213,895	148,596
Total operating expenses	1,404,845	266,320
Operating income (loss)	(106,220)	(42,339)
Non-operating revenues & expenses:		
Interest revenue	405	76
Interest expense	(44,961)	(42,985)
Total non-operating revenues & expenses	(44,556)	(42,909)
Income (loss) before contributions	(150,776)	(85,248)
HUD capital grant revenue	162,100	-
Other capital contributions	600,000	-
Total contributions	762,100	-
Changes in net position	611,324	(85,248)
Net position at beginning of year	4,853,053	3,175,514
Net position at end of year	$ 5,464,377	3,090,266

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

ANACORTES HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended March 31, 2021

	Primary Government	Component Unit
Cash flows provided by (used in) operating activities:		
Receipts from tenants	$ 850,778	220,441
Receipts from HUD operating subsidies	354,872	-
Receipts from other operations	105,338	259
Payments to suppliers	(747,951)	(120,630)
Payments to employees	(489,815)	-
Net cash provided by (used in) operating activities:	73,222	100,070
Cash flows from capital and related financing activities:		
Capital expenditures	(1,403,443)	-
Capital contributions	762,100	-
Proceeds from direct borrowing on notes payable	787,700	-
Payments on bonds and notes payable	(58,689)	(53,308)
Interest payments	(43,736)	(43,070)
Net cash provided by (used in) capital and related financing activities	43,932	(96,378)
Cash flows provided by (used in) investing activities:		
Interest received	405	76
Net cash provided by (used in) investing activities:	405	76
Net increase (decrease) in cash and cash equivalents	117,559	3,768
Cash and cash equivalents at beginning of year	1,121,019	254,011
Cash and cash equivalents at end of year	$ 1,238,578	257,779
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	$ 912,167	138,367
Cash and cash equivalents - restricted	326,411	119,412
Cash and cash equivalents, Statement of Net Position	$ 1,238,578	257,779
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:		
Operating income (loss)	$ (106,220)	(42,339)
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation & amortization	213,895	148,596
(Increase) decrease in assets:		
Inventory	(103)	-
Accounts receivable	4,935	(4,184)
Prepaid expenses and other assets	(3,485)	(526)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(58,219)	(2,380)
Unearned revenue	7,428	903
Security deposits	10,531	-
Accrued leave payable	4,460	-
Total adjustments	179,442	142,409
Net cash provided by (used in) operating activities	$ 73,222	100,070

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

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Housing Authority of the City of Anacortes (dba Anacortes Housing Authority), (the Authority) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

Reporting Entity
The Authority is a municipal corporation incorporated in 1968 and is governed by a five-member appointed board. As required by GAAP, management has considered all potential component units in defining the reporting entity. These financial statements present the Authority (the primary government) and its component units. The component units discussed below are included in the Authority's reporting entity because of the significance of their operational or financial relationships with the Authority.

As defined by GAAP established by the Governmental Accounting Standards Board (GASB), the reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component units' board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government, or (c) the component unit is financially dependent on the primary government.

Component units are reported as part of the reporting entity under either the blended or discrete method of presentation. There are two situations where blending is allowed (1) when the board of the component unit is substantially the same as that of the primary government and (2) when the component unit serves the primary government exclusively, or almost exclusively. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Authority.

Discretely Presented Component Unit - The Authority has one component unit which meets the criteria for discrete presentation in the Authority's financial statements. A separate "Component Unit" column is presented in the financial statements to distinguish the balances and transactions from those of the primary government.

The Authority has two component units: AHA-Bayview Apartments Limited Partnership (AHA-Bayview), a 46-unit tax credit project located in Anacortes which is presented as a blended component unit, and the Wilson Hotel Housing, LLC, a 25-unit apartment project located in Anacortes which is a discretely-presented component unit. Both of these entities have calendar years ending December 31 and information presented is for the calendar year ended December 31, 2020. It is the opinion of the Authority's bond counsel that the component units do not constitute a public entity.

Copies of the audited statements for the component unit entities can be obtained by contacting the Authority. Condensed financial information for each of the component units is provided in Note 12.

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

AHA-Bayview Apartments Limited Partnership – AHA-Bayview Apartments Limited Partnership is a legally separate entity formed to take advantage of low-income housing tax credits needed to finance the project. In 2018, the limited partner withdrew from the partnership and assigned its ownership interest to the Housing Authority, which assumed the debt of the partnership to complete the merger transaction.

Basis of Presentation, Measurement Focus, and Basis of Accounting
The accounting records of the Authority are maintained and reported in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW and the Federal Department of Housing and Urban Development. The Authority must report using GAAP and the Authority has elected to report as a single-enterprise proprietary fund.

The proprietary fund is composed of one program which is the Public Housing Program. Under the Public Housing Program, the Authority provides low-income individuals with housing within the city limits of Anacortes in Skagit County. This program includes 19 apartment complexes, with 112 apartment units owned and operated by the Authority.

The proprietary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include fees and charges from providing services in connection with the ongoing operations of providing affordable housing. Operating revenues also include operating subsidies and grants provided by Housing and Urban Development (HUD) for each unit rented to qualified tenants in the public housing and Section 8 programs. The principal operating revenues of the Authority are rental income and HUD operating subsidies. Operating expenses for the Authority include expenses for administrative, maintenance and operation, utilities, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Recently Adopted Accounting Principles
GASB Statement No. 83, *Certain Asset Retirement Obligations*, standardizes requirements for the recognition and measurement of asset retirement obligations, other than landfills, to reduce inconsistency in financial reporting and enhance comparability. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. There was no impact to the Authority's financial statements as a result of implementing this statement.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Placements* requires additional disclosures in the notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. There was no financial impact to the Authority's financial statements as a result of implementing this statement, and the disclosures related to debt have been updated to conform to the requirements in this statement.

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

GASB Statement No. 84, *Fiduciary Activities*, defines criteria for identifying activities that state and local governments should report as fiduciary activities and how they should be reported. There was no impact to the Authority's financial statements as a result of implementing this statement.

GASB Statement 90, *Majority Equity Interests*, requires governments to record a majority equity interest in a legally separate organization as an equity method investment if the government's holding of the equity interest meets the definition of an investment, unless it is held by a special purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment or permanent fund. Those governments and funds should measure the majority equity interest at fair value. There was no impact to the Authority's financial statements as a result of implementing this statement.

New Accounting Standards to be Adopted in Future Years

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

GASB Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, is effective for years beginning after December 15, 2020. Its objective is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest costs incurred before the end of a construction period. The standard will require that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

GASB Statement No. 91, *Conduit Debt Obligations,* is effective for reporting periods beginning after December 15, 2021. This Statement will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

GASB Statement No. 93, *Replacement of Interbank Offered Rates (IBOR),* is effective for reporting periods beginning after June 15, 2021. Its objective is to address accounting and financial reporting implications that result from the replacement of an IBOR.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* is effective for fiscal years beginning after June 15, 2022. Its objective is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs), and to provide guidance for accounting and financial reporting for availability payment arrangements (APAs).

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* is effective for fiscal years beginning after June 15, 2022. Its objective is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users.

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, is effective for fiscal years beginning after June 15, 2021, except for certain provisions which are effective immediately.

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

Cash and Cash Equivalents
For purposes of the statements of cash flows, all unrestricted and restricted cash and highly liquid unrestricted investment with an original maturity of three months or less are considered to be cash equivalents (See Note 3). Investments include deposits with original maturities exceeding three months, and securities and other assets held by trustees.

Investments
See Note 3, Deposits and Investments.

Inventories
Inventories are valued at cost using the first-in first-out method, which approximates the market value.

Tenant Receivables
Tenant receivables consist of amounts due from tenants for rent and other charges. For bad debt purposes, the Authority uses the direct write-off method for receivables that management has specifically identified as uncollectible. Accounts receivables are shown as net of an allowance for uncollectible accounts. As of March 31, 2021, the allowance for uncollectible accounts was $3,034.

Capital Assets
Capital assets are defined by the Authority as assets with an individual cost of more than $2,500 and an estimated useful life in excess of one year. Capital assets are recorded at cost (where the historical cost is known). Where historical cost is not known, assets are recorded at estimated historical cost. Assets acquired through contribution are recorded at acquisition value at the time received. Capital assets are depreciated using the straight-line method with depreciation commencing in the acquisition year and ceasing in the disposal year. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which are as follows:

Land and construction in progress - No depreciation
Building - 40 years
Improvements - 15 years
Dwelling equipment – 7
Computers and office equipment - 3 to 7 years
Miscellaneous equipment - 5 to 15 years

Capital project costs clearly associated with the acquisition, development, and construction of a real estate project, including indirect costs and interest, are capitalized as a cost of that project. Major outlays for capital assets, improvements and major repairs that increase useful lives are capitalized. The cost of normal maintenance and repairs are expensed when incurred.

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Restricted Assets

In accordance with bond resolutions, loan and regulatory agreements, and certain related agreements, separate restricted cash and cash equivalent accounts are required to be established. The assets held in these accounts are restricted for specific uses. See Note 4.

Tenant Security Deposits

Upon moving into a project, tenants are required to pay a security deposit, which is refundable when the tenant vacates the apartment, provided the apartment's physical condition is satisfactory.

Operating Revenues/Expenses

The Authority reports operating revenues as defined by GASB. Operating revenues include fees and charges from providing services in connection with the ongoing operations of providing affordable housing. Operating revenues also include operating subsidies and grants provided by Housing and Urban Development (HUD) for each unit rented to qualified tenants in the public housing and Section 8 programs. The use of this classification is based on guidance from HUD, the primary user of the financial statements. Operating expenses are those expenses that are directly incurred while in the operation of providing affordable housing. Other subsidies and grants are reported as non-operating revenues and are presented as cash provided by non-capital financing activities in the statement of cash flows.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as annual leave. The Authority records unpaid leave for compensated absences as an expense and liability when incurred. Annual leave may be accumulated from year to year but upon resignation, termination or death, the maximum hours payable will be the sum of one year's earned leave plus 10 working days. Therefore, the compensated absences are calculated using each employees annual leave balance up to a maximum of one year earned leave plus 10 working days (for example, leave earned per month 8 hours x 12 months = 96 plus 8 hours x 10 working days = 80 for a total of 176).

Long Term Debt

See Note 11

Use of Estimates

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

Pensions

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

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of contributions to pension plans subsequent to the June 30 measurement date and the Authority's proportionate share of deferred outflows related to those plans. Pension plan contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year. Deferred outflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of the Authority's proportionate share of deferred inflows related to pension plans. Deferred inflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred inflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Unearned Revenue

The Authority has unearned revenue from operating lease payments, operating grant payments, and tenant rent payments received in advance of the period in which these are considered earned. The operating grant payments were paid by grantors and will be recognized as revenue in the following fiscal year when the related qualifying expenditures occur. Unearned tenant rent payments were received by year-end before they were due.

Tax Exemption

The Authority is qualified as a tax-exempt organization under the provisions of Section 115(1) of the Internal Revenue Code. Under state law (RCW 35.82.210) the Authority is exempt from all income taxes imposed by cities, counties, the state or any political subdivision thereof. Accordingly, no provision for income taxes is reflected in the accompanying statements. See Note 7.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

State laws and certain operating and funding agreements require that the Authority maintain occupancy in housing projects at specified numbers of low-income families. In addition, debt agreements may require maintenance of debt service coverage ratios and reserves. There have been no material violations of finance related legal or contractual provisions.

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash deposits are held with financial institutions and are entirely insured or collateralized and are classified as cash and cash equivalents in the statement of net position. All deposits in excess of the FDIC insurance limit are covered by the Public Deposit Protection Commission of the State of Washington, which is a multiple financial institution collateral pool, established under Chapter 39.58 of the Revised Code of Washington.

NOTE 3 - DEPOSITS AND INVESTMENTS, continued

Certain cash deposits and investments are classified as restricted assets if their use for general operating purposes is legally or contractually prohibited. Restricted cash and investments held by the Housing Authority comprise primarily tenant security deposits, debt service reserves, and reserves held for future capital improvements on properties owned by the Housing Authority.

Custodial credit risk is the risk that in the event of a failure of the counter-party to an investment transaction the Authority would not be able to recover the value of the investment or collateral securities.

The Authority's deposits and investments consist of bank money market deposits. As of March 31, 2021, there were bank deposits that exceeded FDIC insurance limits and were exposed to custodial credit risks. The Authority does not have a policy that addresses custodial credit risk for deposits.

NOTE 4 - RESTRICTED ASSETS

Tenant Security Deposits
Upon moving into a project, tenants are required to pay a security deposit, which is refundable when the tenant vacates the apartment, provided the apartment's physical condition is satisfactory. Resident security deposits are maintained in separate cash accounts.

AHA Bayview - Replacement and Other Reserves
Under the terms of the partnership and loan agreements, AHA Bayview is required to make annual contributions of $18,438, increasing 3 percent annually, into a replacement reserve and is also to fund a debt service reserve. Approval from lender and/or other third party is required to access the funds.

Wilson Hotel
Under the terms of the operating agreement, Wilson Hotel is required to maintain replacement and operating reserves. The replacement reserve is to be funded at $250 per unit per year, increasing 3.5 percent annually. The operating reserve is to be maintained at $56,000. Approval from lender and/or other third party is required to access the funds.

At March 31, 2021, the following restricted reserves were held:

	Primary Government	Component Unit
Tenant security deposits	$ 49,916	7,500
Replacement of structures and equipment	161,047	54,243
Debt service and operating reserves	115,448	57,669
	$ 326,411	119,412

NOTE 5 - CAPITAL ASSETS

The following is a summary of capital asset activity for the years ended March 31, 2021 and December 31, 2020 (component unit), respectively:

Primary Government

	Beginning Balance	Increases	Transfers and Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,680,115	504,000	-	2,184,115
Buildings	168,201	-	-	168,201
Construction in progress	-	61,273	-	61,273
Total capital assets not being depreciated	1,848,316	565,273	-	2,413,589
Capital assets being depreciated:				
Building	8,196,771	838,170	-	9,034,941
Equipment	248,794	-	(1,599)	247,195
Land improvements	743,434	-	-	743,434
Total capital assets being depreciated	9,188,999	838,170	(1,599)	10,025,570
Less accumulated depreciation	(6,114,133)	(213,895)	1,599	(6,326,429)
Total capital assets being depreciated, net of accumulated depreciation	3,074,866	624,275	-	3,699,141
Total capital assets, net	$ 4,923,182	1,189,548	-	6,112,730

NOTE 5 - CAPITAL ASSETS, continued

Component Unit - Wilson Hotel Housing LLC

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 250,000	-	-	250,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	250,000	-	-	250,000
Capital assets being depreciated:				
Building	5,841,946	-	-	5,841,946
Equipment	31,265	-	-	31,265
Land improvements	-	-	-	-
Total capital assets being depreciated	5,873,211	-	-	5,873,211
Less accumulated depreciation	(2,017,033)	(146,449)	-	(2,163,482)
Total capital assets being depreciated, net of accumulated depreciation	3,856,178	(146,449)	-	3,709,729
Total capital assets, net	$ 4,106,178	(146,449)	-	3,959,729

NOTE 6 - CONSTRUCTION IN PROGRESS AND HUD CAPITAL FUND PROGRAM

Construction in progress represent expenses to date on capital projects funded by HUD through the Capital Funds Program. The Authority receives an annual capital funds allocation and is required to obligate these funds within two years and expend the funds within four years. The construction is for modernization and remodeling work performed on many buildings and grounds located in Anacortes that the Authority owns and uses for residential rental housing for low-income individuals. The grant funds are also used for related operating and administrative costs.

As of March 31, 2021, HUD Capital Fund Program expenditures were as follows:

	Project Authorization	Obligated at 3/31/2021	Expended at 3/31/2021	Required Future Financing
Housing Project WA19P010501-19	$ 288,308	232,134	232,134	$ -
Housing Project WA19P010501-20	313,898	106,406	106,406	-
Housing Project WA19P010501-21	330,656	-	-	-
	$ 932,862	338,540	338,540	$ -

As of March 31, 2021, construction in progress activity included projects funded by the capital fund program totaling $0. See Note 5.

These notes are an integral part of the financial statements.

NOTE 7 - PAYMENT IN LIEU OF TAXES

The Authority is by law exempt from all federal, state and local taxes. The Authority has elected to pay a "payment in lieu of taxes" (PILOT) based principally on the amount levied as the annual tax upon the property prior to the time of its acquisition by the Authority or based upon 10% of the shelter rent charged less utilities, whichever is less. The PILOT applies only to the Public Housing Program. Payments are made annually. During the year ended March 31, 2021, the expense totaled $4,035.

NOTE 8 – OPERATING SUBSIDY

In accordance with federal law, the tenant is charged a dwelling rental rate based on a percentage of the tenant's annual earnings after certain deductions. HUD is required by federal law to provide an operating subsidy to the Authority on the conventional housing programs. HUD has designed a formula (performance funding formula) to update the formula factors annually and effects frequent changes in administration of the formula and post fiscal yearend adjustments. An ACC contract is then executed for Housing Assistance Payments. HUD then determines what percentage of the calculated formula amount will be used for funding purposes. The percentage used each year has historically varied between 86% and 100%.

NOTE 9 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions*, as of and for the year ended March 31, 2020:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ 157,237
Deferred outflows of resources	$ 66,801
Deferred inflows of resources	$ 43,973
Pension expense	$ 2,747

State Sponsored Pension Plans

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

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

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

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

NOTE 9 – PENSION PLANS, continued

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as 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 five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

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

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee**
April – August 2020:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	**12.86%**	**6.00%**
September 2020 – March 2021:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	**12.97%**	**6.00%**

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

NOTE 9 – PENSION PLANS, continued

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

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

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

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5% 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 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) were as follows:

PERS Plan 2/3			
Actual Contribution Rates	**Employer 2/3**	**Employee 2**	**Employee 3**
April – August 2020:			
PERS Plan 2/3	7.92%	7.90%	Varies
PERS Plan 1 UAAL	4.76%		Varies
Administrative Fee	0.18%		Varies
Total	**12.86%**	**7.90%**	
September 2020 – March 2021:			
PERS Plan 2/3	7.92%	7.90%	Varies
PERS Plan 1 UAAL	4.87%		Varies
Administrative Fee	0.18%		Varies
Total	**12.97%**	**7.90%**	

The actual PERS plan contributions were $26,279 to PERS Plan 1 and $27,397 to PERS Plan 2/3 for the year ended March 31, 2021.

NOTE 9 – PENSION PLANS, continued

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

Mortality rates were based on 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 of 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.

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 percent was used to determine the total liability.

NOTE 9 – PENSION PLANS, continued

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 and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

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

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

Sensitivity of the 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 percent, as well as what the housing authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 152,654	$ 121,874	$ 95,031
PERS 2/3	220,037	35,363	(116,716)

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.

NOTE 9 – PENSION PLANS, continued

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

At March 31, 2021, the Authority reported a total pension liability of $157,237 for its proportionate share of the net pension liabilities as follows (measured as of June 30, 2020):

	Liability (or Asset)
PERS 1	$ 121,874
PERS 2/3	35,363

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

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	% 0.003628	% 0.003452	% (0.000176)
PERS 2/3	0.002876	0.002765	(0.000111)

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

The collective net pension liability was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability 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 March 31, 2021, the Authority recognized pension expense as follows:

	Pension Expense
PERS 1	$ (1,200)
PERS 2/3	3,947
TOTAL	$ 2,747

NOTE 9 – PENSION PLANS, continued

Deferred Outflows of Resources and Deferred Inflows of Resources

At March 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ 0
Net difference between projected and actual investment earnings on pension plan investments	0	679
Changes of assumptions	0	0
Changes in proportion and differences between contributions and proportionate share of contributions	0	0
Contributions subsequent to the measurement date	19,920	0
Total	$ 19,920	$ 679

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 12,659	$ 4,432
Net difference between projected and actual investment earnings on pension plan investments	0	1,796
Changes of assumptions	504	24,156
Changes in proportion and differences between contributions and proportionate share of contributions	12,936	12,911
Contributions subsequent to the measurement date	20,782	0
Total	$ 46,881	$ 43,295
Total – all plans	$ 66,801	$ 43,973

NOTE 9 – PENSION PLANS, continued

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

Year ended March 31:	PERS 1	PERS 2/3
2021	$ (3,079)	$ (15,176)
2022	(97)	(4,010)
2023	940	126
2024	1,558	4,874
2025	0	(942)
Thereafter	0	(2,067)
Total	$ (679)	$ (17,196)

NOTE 10 – RISK MANAGEMENT

The 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 purchases $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.

NOTE 10 – RISK MANAGEMENT, continued

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

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

Settled claims have not exceeded insurance coverage during the past three years. As of March 31, 2021, prepaid insurance totaled $6,098.

NOTE 11 - LONG-TERM DEBT

Long-term debt is comprised of the following at March 31, 2021:

	Principal Balance
Housing Revenue Bonds	
The Authority issued single-purpose, tax-exempt housing revenue bonds of $1,400,000 to construct the AHA-Bayvew Apartments project. The bonds require varying principal and interest payments due semi-annually over 30 years, with future maturities shown in the schedule below. The annual total of debt service payments varies between $65,575 and $70,881. Interest on the long-term debt varies from 2.25 to 5.875 percent. The interest rate at December 31, 2020 was 5.75 percent. The Authority has assigned its rights to receive lease and loan payments to the bond trustee as security for payment of the principal and interest on the bonds. This bond issue has met the federal requirements so as not to be considered a federal arbitrage bond.	$ 575,000
Notes Payable from Direct Borrowings	
Note payable to WA State Department of Commerce - Housing Trust Fund in quarterly payments of $7,591, including interest at 1 percent, beginning June 2005 through June 2044. Note is secured by AHA-Bayview land and building assets.	652,787
Note payable to Savibank in monthly payments of $3,412, including interest at 3.25 percent, beginning April 1, 2021. Note is secured by building and land assets at 804 24th Street.	700,000
Forgivable note payable under the Paycheck Protection Program (PPP) for $87,7000. If terms and conditions under the PPP loan agreement are met, the loan is eligible for forgiveness in its entirety, along with any accrued interest. Any unforgiven portion of the loan balance are payable to Banner Bank in eighteen equal monthly payments, including interest at 1.00 percent, beginning August 2021.	87,700
Total debt	$ 2,015,487

The Authority has loaned the proceeds from the housing revenue bonds and Housing Trust Fund note payable and leased the Bayview Apartments' property to its blended component unit, AHA – Bayview Apartments Limited Partnership, under a lease agreement, which terminates in 2101. Under the lease and loan agreement, the Partnership is obligated, on behalf of the Authority, to pay in full all amounts due under the Washington Housing Trust Fund loan agreement and the Housing Revenue Bonds.

NOTE 11 - LONG-TERM DEBT, continued

All long-term debt is non-recourse, and consists of the following:

	Current	Long Term	Total
Housing Revenue Bonds	$ 35,000	540,000	575,000
Notes from Direct Borrowings	42,633	1,310,154	1,352,787
PPP Forgivable Loan	87,700	-	87,700
	$ 165,333	1,850,154	2,015,487

Debt service requirements for the bonds and direct borrowings are due as follows:

Years Ending	Housing Revenue Bonds		Notes from Direct Borrowings		Total	
March 31,	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 35,000	32,688	130,333	28,918	165,333	61,606
2023	35,000	30,675	43,242	28,069	78,242	58,744
2024	40,000	28,494	44,057	27,254	84,057	55,748
2025	40,000	26,144	45,008	26,304	85,008	52,448
2026	45,000	23,647	45,926	25,385	90,926	49,032
2027 to 2031	255,000	75,641	244,250	112,308	499,250	187,949
2032 to 2036	125,000	7,491	620,361	70,590	745,361	78,081
2037 to 2041	-	-	141,783	23,342	141,783	23,342
2042 to 2046	-	-	125,527	4,166	125,527	4,166
	$ 575,000	224,780	1,440,487	346,336	2,015,487	571,116

Changes in Long-Term Liabilities

During the year ended March 31, 2021, the following changes occurred in long-term liabilities:

	Balance 03/31/20	Additions	Reductions	Balance 03/31/21	Due Within One Year
Housing Revenue Bonds	$ 610,000	-	(35,000)	575,000	$ 35,000
Notes from direct borrowings	676,476	700,000	(23,689)	1,352,787	42,633
PPP forgivable loan - direct borrowing	-	87,700	-	87,700	87,700
Total debt	1,286,476	787,700	(58,689)	2,015,487	165,333
Accumulated leave	31,341	4,460	-	35,801	3,580
Accrued pension	167,445	-	(10,208)	157,237	-
Total accrued long-term items	198,786	4,460	(10,208)	193,038	3,580
Total long-term liabilities	$ 1,485,262	792,160	(68,897)	2,208,525	$ 168,913

The Authority did not have any short-term debt activities during the year.

NOTE 11 - LONG-TERM DEBT, continued

Paycheck Protection Program Loan
In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses.

The Authority entered into a note payable for $87,700 with Banner Bank under the PPP loan program administered by the Small Business Administration. The loan is unsecured and incurs interest at 1.0%. Monthly principal and interest payments of $4,936 are due beginning August 2021, and the loan matures in February 2023. However, all or a portion of the PPP loan and any accrued interest may be forgiven if certain terms and conditions of the program are met.

The Authority's accounting policy for recognition of revenue from forgiveness of the PPP loan is to recognize the revenue when the loan forgiveness application is accepted by the lender. No revenue was recognized during the year ended March 31, 2021. As of March 31, 2021, the Authority has presented the PPP loan balance of $87,700, in the current portion of long-term debt on the statement of net position.

Component Unit – The Wilson Hotel Housing LLC
Substantially all the rental property and equipment of the Wilson Hotel Housing LLC is pledged as collateral on the mortgages. No member is individually liable on the mortgage notes.

As of December 31, 2020, direct borrowings from notes payable consist of the following:

	Current	Long Term	Total
WCRA note payable	$ 12,624	366,462	379,086
CTED note payable	16,719	540,517	557,236
City of Anacortes	25,050	160,095	185,145
	54,393	1,067,074	1,121,467
Less: debt issuance costs, net of amort.	-	(25,125)	(25,125)
	$ 54,393	1,041,949	1,096,342

The WCRA loan is payable in monthly installments of $3,227, including interest at the rate of 7 percent per annum, through June 1, 2037.

The DCTED loan, in the amount of $750,000, requires no payments and no interest accrual until August 1, 2007. Subsequent to August 1, 2007, the loan is to accrue interest at 2 percent, compounded quarterly. Quarterly payments of $6,935 beginning November 30, 2007 are to be paid over the 39-year amortization period. The loan maturity date is August 31, 2046.

The City of Anacortes loan accrues interest at the rate of 1 percent per year. Interest only payments are to be made annually beginning March 31, 2007. Additional payments of principal are to be made in an amount totaling 50 percent of available net cash flow, as defined in the operating agreement. The loan maturity date is March 31, 2047.

NOTE 11 - LONG-TERM DEBT, continued

Debt service requirements for Wilson Hotel Housing LLC are as follows for the years ending December 31:

	Notes from Direct Borrowings		
	Principal	Interest	Total
2021	$ 54,393	38,521	92,914
2022	30,591	37,712	68,303
2023	31,914	36,390	68,304
2024	33,314	34,990	68,304
2025	34,796	33,507	68,303
2026 to 2030	199,542	141,975	341,517
2031 to 2035	252,805	88,713	341,518
2036 to 2040	173,609	33,696	207,305
2041 to 2045	129,631	18,211	147,842
2046 to 2050	180,872	3,895	184,767
	$ 1,121,467	467,610	1,589,077

NOTE 12 - MAJOR COMPONENT UNIT INFORMATION

Blended Component Unit

The Authority serves as AHA - Bayview Apartments Limited Partnership's sole general partner. AHA - Bayview Apartments Limited Partnership's limited partner is AHA Instrumentality LLC which is 100% controlled by the Authority. As such, the governing body of the Authority and the partnership are substantively the same which in turn gives the Authority operational responsibility for the AHA - Bayview Apartments Limited Partnership. Consequently, AHA - Bayview Apartments Limited Partnership's balances and transactions are "blended" with those of the Authority. AHA Bayview Apartments Limited Partnership condensed financial statements.

The AHA Bayview Apartments condensed statement of net position at December 31, 2020:

Capital assets, net of accumulated depreciation	$ 1,297,720
Other assets	650,478
Total assets	$ 1,948,198
Other liabilities	$ 62,302
Long-term debt	1,204,164
Total liabilities	1,266,466
Net position:	
Net investment in capital assets	93,556
Restricted: reserves	286,795
Unrestricted	301,381
Total net position	681,732
Total liabilities and net position	$ 1,948,198

NOTE 12 - MAJOR COMPONENT UNIT INFORMATION, continued

AHA Bayview Apartments condensed statement of revenues, expenses, and changes in net position for the year ended December 31, 2020:

Operating revenue:	
Rent, net	$ 351,854
Other	12,885
Total operating revenue	364,739
Operating expenses:	
Administrative	49,226
Utilities	30,960
Operating and maintenance	116,357
Taxes and insurance	7,536
Other general	21,001
Depreciation and amortization	61,037
Total operating expenses	286,117
Net operating income	78,622
Interest expense	(45,677)
Change in net position	$ 32,945

AHA Bayview Apartments condensed statement of cash flows for the year ended December 31, 2020:

Net cash provided by (used in):	
Operating activities	$ 83,481
Capital and related financing activities	(58,689)
Investing activities	-
Net increase (decrease) in cash and cash equivalents	24,792
Cash and cash equivalents, beginning of year	598,012
Cash and cash equivalents, end of year	$ 622,804

Discretely Presented Component Unit

The Wilson Hotel Housing LLC is the sole discretely presented component unit and is a Low-Income Housing Tax Credit company whose members have limited rights regarding the operations of the company and the Authority, as Managing Member, controls the day-to-day operations of the company. As such, the Authority has certain rights and responsibilities which enable it to impose its will on the Wilson Hotel Housing LLC due to its significant influence as the Managing Member and also due to its financial relationships with the company. It is for this reason that the Wilson Hotel Housing LLC is discretely presented on the Authority's financial statements.

NOTE 12 - MAJOR COMPONENT UNIT INFORMATION, continued

During 2003, the Wilson Hotel Housing LLC (the Company) was formed as a limited liability company pursuant to Title 25 of the Revised Code of Washington, to acquire, rehabilitate and operate a 25-unit apartment project and six units of commercial space on the ground floor of a building located in Anacortes. The Authority is the managing member and three National Equity Fund limited partnerships are the Investor Members. The project has received a mix of low-income housing tax credits, historic tax credits, State Housing Trust Fund money and a Federal Home Loan Bank Affordable Program grant. The Company has also received County 2060 funds and CDBG funds. The Authority had hired Beacon Developer for development and consultation services. The project was substantially completed during the year 2006.

The Authority performs management of the project. During 2020, the Authority charged management fees of $11,047, of which $11,047 was payable at December 31, 2020.

The Wilson Hotel Housing LLC condensed statement of net position at December 31, 2020:

Capital assets, net of accumulated depreciation	$ 3,959,729
Other assets	270,200
Total assets	$ 4,229,929
Other liabilities	$ 43,321
Long-term debt	1,096,342
Total liabilities	1,139,663
Net position:	
Net investment in capital assets	2,863,387
Restricted: reserves	111,912
Unrestricted	114,967
Total net position	3,090,266
Total liabilities and net position	$ 4,229,929

The Wilson Hotel Housing LLC condensed statement of revenues, expenses, and changes in net position for the year ended December 31, 2020:

Operating revenue:	
Rent, net	$ 223,722
Other	262
Total operating revenue	223,984
Operating expenses:	
Administrative	25,986
Utilities	13,457
Operating and maintenance	48,437
Taxes and insurance	6,886
Other general	22,961
Depreciation and amortization	148,596
Total operating expenses	266,323
Net operating income	(42,339)
Interest income	76
Interest expense	(42,985)
Change in net position	$ (85,248)

NOTE 13 – CONTINGENCIES AND CONCENTRATIONS

In connection with various Federal and State grant programs, the Housing Authority is obligated to administer related programs and spend funds in accordance with regulatory restrictions and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the Housing Authority to refund program monies. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the Housing Authority expects such amount, if any, to be immaterial.

The Authority's primary assets are the apartment projects. The Authority's operations are concentrated in the multi-family real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE 14 – IMPACT OF COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization characterized an outbreak of a novel strain of coronavirus (COVID-19) as a pandemic, and it continues to date. As anticipated, Anacortes Housing Authority has seen some impacts from the pandemic; however, CARES funds, including PPP loan funds, received in early 2020 helped offset many of the operational costs experienced from COVID. There has also been a slight decrease in expected revenue as the Washington State eviction moratorium prevented the Authority from enacting the rent increases programmed in the budget. Development projects have also been impacted as the supply chain disruption has resulted in increased estimated costs and the need to seek additional funding. Increased COVID cases from the Delta variant may lead to additional work stoppages. The potential future financial impact of the ongoing pandemic cannot be estimated.

NOTE 15 – SUBSEQUENT EVENTS

On May 13, 2021, the Authority was notified that the Payroll Protection Program loan received in 2020 was forgiven for the amount of $87,700.

Subsequent events have been evaluated through December 7 2021, which is the date the financial statements were available to be issued.

ANACORTES HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30*
LAST 10 FISCAL YEARS **

PERS 1		2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability	%	0.003452	0.003628	0.003685	0.003122	0.002240	0.003224	0.003812
Employer's proportionate share of the net pension liability	$	121,874	139,509	164,573	148,141	120,299	168,645	192,031
Covered payroll	$	399,972	392,776	378,005	299,730	326,289	289,723	338,672
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	30.47	35.52	43.54	49.42	36.87	58.21	56.70
Plan fiduciary net position as a percentage of the total pension liability	%	68.64	67.12	63.22	61.24	57.01	59.10	61.19

PERS 2/3		2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	%	0.002765	0.002876	0.002837	0.002338	0.002874	0.002546	0.003245
Employer's proportionate share of the net pension liability	$	35,363	27,936	48,439	81,234	144,704	90,970	65,593
Covered payroll	$	324,781	313,023	299,001	227,789	290,334	225,949	275,372
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	10.89	8.92	16.20	35.66	49.84	40.26	23.82
Plan fiduciary net position as a percentage of the total pension liability	%	97.22	97.77	95.77	90.97	85.11	89.20	93.29

* The amounts presented for each fiscal year were determined as of the June year-end that occurred within the fiscal year.

**These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available

ANACORTES HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED MARCH 31, 2021
LAST 10 FISCAL YEARS*

PERS 1		2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$	26,279	25,744	25,807	23,019	8,068	14,819	16,873
Contributions in relation to the statutorily or contractually required contributions	$	(26,279)	(25,744)	(25,807)	(23,019)	(8,068)	(14,819)	(16,873)
Contribution deficiency (excess)	$	0	0	0	0	0	0	0
Covered payroll	$	421,158	400,457	389,944	355,290	310,531	346,837	289,292
Contributions as a percentage of covered payroll	%	6.24	6.43	6.62	6.48	2.60	4.27	5.83

PERS 2/3		2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$	27,397	25,197	23,306	20,289	10,537	11,342	13,709
Contributions in relation to the statutorily or contractually required contributions	$	(27,397)	(25,197)	(23,306)	(20,289)	(10,537)	(11,342)	(13,709)
Contribution deficiency (excess)	$	0	0	0	0	0	0	0
Covered payroll	$	345,918	320,753	310,440	280,750	240,561	281,641	225,992
Contributions as a percentage of covered payroll	%	7.92	7.86	7.51	7.23	4.38	4.03	6.07

* These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED MARCH 31, 2021

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

Changes of assumptions: Actuarial results reported in the DRS Participating Employer Financial Information (PEFI) report reflect the following changes in assumptions and methods: 1) how terminated and vested member benefits are valued was corrected, 2) how the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved, and 3) the average expected remaining service lives calculation was revised. It is used to recognize the changes in pension expense to no longer discount future years of service back to the present day.

HA City of Anacortes (WA010)

ANACORTES, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit   Fiscal Year End: 03/31/2021

	Project Total	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	2 State/Local	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
111 Cash - Unrestricted	$375,042		$336,009	$222,426		$933,477	-$32,102	$901,375
112 Cash - Restricted - Modernization and Development			$276,495			$276,495		$276,495
113 Cash - Other Restricted								
114 Cash - Tenant Security Deposits	$30,350		$10,300	$20,059		$60,709		$60,709
115 Cash - Restricted for Payment of Current Liabilities								
100 Total Cash	$405,392	$257,779	$622,804	$242,485	$0	$1,528,460	-$32,102	$1,496,358
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects								
124 Accounts Receivable - Other Government								
125 Accounts Receivable - Miscellaneous								
126 Accounts Receivable - Tenants	$13,248	$7,497	$23,367			$44,112		$44,112
126.1 Allowance for Doubtful Accounts -Tenants	-$1,243	-$473	-$1,791			-$3,507		-$3,507
126.2 Allowance for Doubtful Accounts - Other								
127 Notes, Loans, & Mortgages Receivable - Current				$46,021		$46,021	-$46,021	$0
128 Fraud Recovery								
128.1 Allowance for Doubtful Accounts - Fraud								
129 Accrued Interest Receivable								
120 Total Receivables, Net of Allowances for Doubtful Accounts	$12,005	$7,024	$21,576	$46,021	$0	$86,626	-$46,021	$40,605
131 Investments - Unrestricted								
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets	$6,239	$4,324	$6,098			$16,661		$16,661
143 Inventories	$25,344					$25,344		$25,344
143.1 Allowance for Obsolete Inventories	$0					$0		$0
144 Inter Program Due From								
145 Assets Held for Sale								
150 Total Current Assets	$448,980	$269,127	$650,478	$288,506	$0	$1,657,091	-$78,123	$1,578,968
161 Land	$866,515	$250,000	$520,000	$797,600		$2,434,115		$2,434,115
162 Buildings	$2,123,389	$5,841,946	$1,853,560	$1,197,845		$11,016,740		$11,016,740
163 Furniture, Equipment & Machinery - Dwellings	$74,076			$11,808		$85,884		$85,884
164 Furniture, Equipment & Machinery - Administration	$105,320	$31,265	$55,991			$192,576		$192,576
165 Leasehold Improvements	$4,028,348					$4,028,348		$4,028,348
166 Accumulated Depreciation	-$5,169,700	-$2,163,482	-$1,131,831	-$24,898		-$8,489,911		-$8,489,911
167 Construction in Progress				$61,273		$61,273		$61,273
168 Infrastructure	$743,434					$743,434		$743,434

HA City of Anacortes (WA010)
ANACORTES, WA
Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit | Fiscal Year End: 03/31/2021

	Project Total	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	2 State/Local	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
160 Total Capital Assets, Net of Accumulated Depreciation	$2,771,382	$3,959,729	$1,297,720	$2,043,628	$0	$10,072,459	$0	$10,072,459
171 Notes, Loans and Mortgages Receivable - Non-Current		$0		$1,192,787		$1,192,787	-$1,192,787	$0
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due								
173 Grants Receivable - Non Current								
174 Other Assets	$0	$1,073				$1,073		$1,073
176 Investments in Joint Ventures				$351,249		$351,249		$351,249
180 Total Non-Current Assets	$2,771,382	$3,960,802	$1,297,720	$3,587,664	$0	$11,617,568	-$1,192,787	$10,424,781
200 Deferred Outflow of Resources	$66,801					$66,801		$66,801
290 Total Assets and Deferred Outflow of Resources	$3,287,163	$4,229,929	$1,948,198	$3,876,170	$0	$13,341,460	-$1,270,910	$12,070,550
311 Bank Overdraft								
312 Accounts Payable <= 90 Days	$26,282	$1,711	$5,135	$1,427		$34,555		$34,555
313 Accounts Payable >90 Days Past Due								
321 Accrued Wage/Payroll Taxes Payable								
322 Accrued Compensated Absences - Current Portion	$3,580					$3,580		$3,580
324 Accrued Contingency Liability								
325 Accrued Interest Payable		$2,681	$11,021	$12,917		$26,619	-$11,021	$15,598
331 Accounts Payable - HUD PHA Programs								
332 Account Payable - PHA Projects								
333 Accounts Payable - Other Government	$4,035					$4,035		$4,035
341 Tenant Security Deposits	$30,350	$7,500	$10,300	$20,059		$68,209		$68,209
342 Unearned Revenue	$9,449	$1,471	$3,744			$14,664		$14,664
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		$30,000	$35,000	$77,633		$142,633	-$35,000	$107,633
344 Current Portion of Long-term Debt - Operating Borrowings								
345 Other Current Liabilities	$47					$47		$47
346 Accrued Liabilities - Other		$29,958	$32,102			$62,060	-$32,102	$29,958
347 Inter Program - Due To								
348 Loan Liability - Current								
310 Total Current Liabilities	$73,743	$73,321	$97,302	$112,036	$0	$356,402	-$78,123	$278,279
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		$1,066,342	$1,169,164	$1,850,154		$4,085,660	-$1,169,164	$2,916,496
352 Long-term Debt, Net of Current - Operating Borrowings								
353 Non-current Liabilities - Other								
354 Accrued Compensated Absences - Non Current	$32,221					$32,221		$32,221
355 Loan Liability - Non Current	$87,700					$87,700		$87,700

HA City of Anacortes (WA010)

ANACORTES, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 03/31/2021

	Project Total	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	2 State/Local	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
356 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities	$157,237					$157,237		$157,237
350 Total Non-Current Liabilities	$277,158	$1,066,342	$1,169,164	$1,850,154	$0	$4,362,818	-$1,169,164	$3,193,654
300 Total Liabilities	$350,901	$1,139,663	$1,266,466	$1,962,190	$0	$4,719,220	-$1,247,287	$3,471,933
400 Deferred Inflow of Resources	$43,973					$43,973		$43,973
508.4 Net Investment in Capital Assets	$2,771,382	$2,863,487	$93,556	$115,841		$5,844,266		$5,844,266
511.4 Restricted Net Position		$111,912	$276,495			$388,407		$388,407
512.4 Unrestricted Net Position	$120,907	$114,867	$311,681	$1,798,139	$0	$2,345,594	-$23,623	$2,321,971
513 Total Equity - Net Assets / Position	$2,892,289	$3,090,266	$681,732	$1,913,980	$0	$8,578,267	-$23,623	$8,554,644
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$3,287,163	$4,229,929	$1,948,198	$3,876,170	$0	$13,341,460	-$1,270,910	$12,070,550

HA City of Anacortes (WA010)

ANACORTES, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit   Fiscal Year End: 03/31/2021

	Project Total	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	2 State/Local	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$465,751	$224,195	$250,107	$145,023		$1,085,076		$1,085,076
70400 Tenant Revenue - Other	$13,258		$11,681	$6,240		$31,179		$31,179
70500 Total Tenant Revenue	$479,009	$224,195	$261,788	$151,263	$0	$1,116,255	$0	$1,116,255
70600 HUD PHA Operating Grants	$382,881		$101,746		$32,345	$516,972		$516,972
70610 Capital Grants								
70710 Management Fee								
70720 Asset Management Fee								
70730 Book Keeping Fee								
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue						$0	$0	$0
70800 Other Government Grants								
71100 Investment Income - Unrestricted	$49	$76		$152		$277		$277
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery								
71500 Other Revenue	$5,378	$259	$1,000	$706,139		$712,776	-$55,533	$657,243
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted			$204	$42,941		$43,145	-$42,941	$204
70000 Total Revenue	$867,317	$224,530	$364,738	$900,495	$32,345	$2,389,425	-$98,474	$2,290,951
91100 Administrative Salaries	$238,332			$10,000		$248,332		$248,332
91200 Auditing Fees	$41,504	$7,101	$7,635			$56,240		$56,240
91300 Management Fee		$11,047	$23,423			$34,470	-$32,102	$2,368
91310 Book-keeping Fee								
91400 Advertising and Marketing								
91500 Employee Benefit contributions - Administrative	$57,655			$1,104		$58,759		$58,759
91600 Office Expenses	$45,705	$5,900	$8,485	$65,343		$125,433		$125,433
91700 Legal Expense	$1,128	$376	$4,124	$752		$6,380		$6,380
91800 Travel								
91810 Allocated Overhead								
91900 Other	$1,377	$1,562	$5,559	$864		$9,362		$9,362
91000 Total Operating - Administrative	$385,701	$25,986	$49,226	$78,063	$0	$538,976	-$32,102	$506,874
92000 Asset Management Fee								

HA City of Anacortes (WA010)
ANACORTES, WA
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 03/31/2021

	Project Total	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	2 State/Local	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
92100 Tenant Services - Salaries								
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services								
92400 Tenant Services - Other								
92500 Total Tenant Services	$0	$0	$0	$0	$0	$0	$0	$0
93100 Water	$16,908	$7,616	$26,127	$1,267		$51,918		$51,918
93200 Electricity	$12,041	$3,572	$4,833	$2,057		$22,503		$22,503
93300 Gas	$648	$2,269		$18		$2,935		$2,935
93400 Fuel								
93500 Labor								
93600 Sewer	$26,982					$26,982		$26,982
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense								
93000 Total Utilities	$56,579	$13,457	$30,960	$3,342	$0	$104,338	$0	$104,338
94100 Ordinary Maintenance and Operations - Labor	$149,973	$12,842	$41,700	$3,160		$207,675		$207,675
94200 Ordinary Maintenance and Operations - Materials and Other	$44,626	$3,293	$17,339	$317		$65,575		$65,575
94300 Ordinary Maintenance and Operations Contracts	$149,802	$32,302	$57,318	$10,201	$32,345	$281,968		$281,968
94500 Employee Benefit Contributions - Ordinary Maintenance	$38,437			$276		$38,713		$38,713
94000 Total Maintenance	$382,838	$48,437	$116,357	$13,954	$32,345	$593,931	$0	$593,931
95100 Protective Services - Labor								
95200 Protective Services - Other Contract Costs								
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95000 Total Protective Services	$0	$0	$0	$0	$0	$0	$0	$0
96110 Property Insurance	$11,868	$5,942	$5,048	$2,278		$25,136		$25,136
96120 Liability Insurance	$3,814	$944	$2,488			$7,246		$7,246
96130 Workmen's Compensation								
96140 All Other Insurance	$1,278					$1,278		$1,278
96100 Total insurance Premiums	$16,960	$6,886	$7,536	$2,278	$0	$33,660	$0	$33,660
96200 Other General Expenses		$22,958	$11,029	$1,933		$35,920	-$2,350	$33,570
96210 Compensated Absences	$4,460					$4,460		$4,460
96300 Payments in Lieu of Taxes	$4,035			$9,621		$13,656		$13,656
96400 Bad debt - Tenant Rents	$7,466	$473	$12,322			$20,261		$20,261

HA City of Anacortes (WA010)
ANACORTES, WA
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 03/31/2021

	Project Total	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	2 State/Local	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96800 Severance Expense								
96000 Total Other General Expenses	$15,961	$23,431	$23,351	$11,554	$0	$74,297	-$2,350	$71,947
96710 Interest of Mortgage (or Bonds) Payable		$42,985	$33,915	$1,896		$78,796	-$33,915	$44,881
96720 Interest on Notes Payable (Short and Long Term)	$124		$6,676	$42,941		$49,741	-$6,676	$43,065
96730 Amortization of Bond Issue Costs		$2,147	$2,736			$4,883	-$2,736	$2,147
96700 Total Interest Expense and Amortization Cost	$124	$45,132	$43,327	$44,837	$0	$133,420	-$43,327	$90,093
96900 Total Operating Expenses	$858,163	$163,329	$270,757	$154,028	$32,345	$1,478,622	-$77,779	$1,400,843
97000 Excess of Operating Revenue over Operating Expenses	$9,154	$61,201	$93,981	$746,467	$0	$910,803	-$20,695	$890,108
97100 Extraordinary Maintenance	$3,686					$3,686		$3,686
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments								
97350 HAP Portability-In								
97400 Depreciation Expense	$145,478	$146,449	$61,037	$7,380		$360,344		$360,344
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	$1,007,327	$309,778	$331,794	$161,408	$32,345	$1,842,652	-$77,779	$1,764,873
10010 Operating Transfer In	$86,061					$86,061	-$86,061	$0
10020 Operating transfer Out	-$86,061					-$86,061	$86,061	$0
10030 Operating Transfers from/to Primary Government								
10040 Operating Transfers from/to Component Unit								
10050 Proceeds from Notes, Loans and Bonds								
10060 Proceeds from Property Sales								
10070 Extraordinary Items, Net Gain/Loss								
10080 Special Items (Net Gain/Loss)								
10091 Inter Project Excess Cash Transfer In								
10092 Inter Project Excess Cash Transfer Out								
10093 Transfers between Program and Project - In								
10094 Transfers between Project and Program - Out								
10100 Total Other financing Sources (Uses)	$0	$0	$0	$0	$0	$0	$0	$0

HA City of Anacortes (WA010)

ANACORTES, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 03/31/2021

	Project Total	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	2 State/Local	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-$140,010	-$85,248	$32,944	$739,087	$0	$546,773	-$20,695	$526,078
11020 Required Annual Debt Principal Payments	$0	$53,308	$106,445	$58,689	$0	$218,442		$218,442
11030 Beginning Equity	$3,032,299	$3,175,514	$648,788	$1,174,893	$0	$8,031,494		$8,031,494
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	$0					$0		$0
11050 Changes in Compensated Absence Balance								
11060 Changes in Contingent Liability Balance								
11070 Changes in Unrecognized Pension Transition Liability								
11080 Changes in Special Term/Severance Benefits Liability								
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents								
11100 Changes in Allowance for Doubtful Accounts - Other								
11170 Administrative Fee Equity								
11180 Housing Assistance Payments Equity								
11190 Unit Months Available	1332	300	552	139	0	2323		2323
11210 Number of Unit Months Leased	1323	300	548	139	0	2310		2310
11270 Excess Cash	$275,398					$275,398		$275,398
11610 Land Purchases	$0					$0		$0
11620 Building Purchases	$0					$0		$0
11630 Furniture & Equipment - Dwelling Purchases	$0					$0		$0
11640 Furniture & Equipment - Administrative Purchases	$0					$0		$0
11650 Leasehold Improvements Purchases	$0					$0		$0
11660 Infrastructure Purchases	$0					$0		$0
13510 CFFP Debt Service Payments	$0					$0		$0
13901 Replacement Housing Factor Funds	$0					$0		$0

FINNEY, NEILL & COMPANY, P.S.
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Commissioners
Anacortes Housing Authority
Anacortes, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Anacortes Housing Authority (the "Authority"), as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 7, 2021.

Internal Control Over Financial Reporting

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

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

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

9757 Greenwood Avenue North • Seattle, WA 98103 • (206) 298-9811 • FAX: 298-9772

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standard, continued*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finney, Neill & Company, P.S.

December 7, 2021
Seattle, Washington

ANACORTES HOUSING AUTHORITY
Schedule of Findings and Responses
For the year ended March 31, 2021

Our audit disclosed no findings that are required to be reported.

ANACORTES HOUSING AUTHORITY
Schedule of Prior Year Findings and Responses

No matters were reported.