



Office of the Washington State Auditor Pat McCarthy

November 17, 2022

Board of Commissioners
Housing Authority of Okanogan County
Omak, Washington

Contracted CPA Firm's Audit Report on Financial Statements and Federal Single Audit

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements and compliance with federal grant requirements of the Housing Authority of Okanogan County for the fiscal year ended December 31, 2020. 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 or the Housing Authority of Okanogan County's compliance with federal grant agreements and, accordingly, we do not express an opinion on those financial statements or on compliance.

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive.

Pat McCarthy, State Auditor
Olympia, WA

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HOUSING AUTHORITY OF OKANOGAN COUNTY

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Authority of Okanogan County
Omak, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities (primary government) and the discretely presented component unit of the Housing Authority of Okanogan County (the Authority), as of and for the year ended December 31, 2020, 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 Housing Authority of Okanogan County as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 7, 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Awards Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. The Financial Data Schedule presented on pages 40 through 44 is presented for the purpose of additional analysis as required by HUD, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 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, Hill & Company, P.S.

October 4, 2021
Seattle, Washington

Housing Authority of Okanogan County
Management's Discussion and Analysis
Year ended December 31, 2020

This narrative overview and analysis of the Housing Authority of Okanogan County's (HAOC) performance for the year ended December 31, 2020 is provided as a supplement to HAOC's year-end financial statements. Please read it in conjunction with the basic financial statements following this section, and the notes to the basic financial statements. The management's discussion and analysis is presented in conformance with the Government Accounting Standards Board (GASB) financial reporting model as set forth in GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*.

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

FINANCIAL HIGHLIGHTS

- Net position of HAOC increased by approximately \$216,000 from 2019 to 2020. This is a result largely due to an increase in developer fee revenue of \$106,000 and other increases in Tenant Revenue of approximately \$101,000.
- As of December 31, 2020, the liabilities and deferred inflows of resources of HAOC exceeded assets and deferred outflows of resources by approximately \$228,000 (net position). Of this amount, approximately \$409,000 is restricted as to its allowable usage.
- Operating revenues increased by approximately \$322,000 (16%) from 2019 to 2020, primarily due to increases in intergovernmental, tenant based, and developer fee income.
- Nonoperating revenues, net of nonoperating expenses increased by approximately \$39,000 (17%) from 2019 to 2020, primarily related to new funding contracts.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

Housing Authority of Okanogan County
Management's Discussion and Analysis
December 31, 2020

The **Statement of Cash Flows** reports how HAOC's cash and cash equivalents were used and provided by its operating, noncapital financing, capital and related financing, and investing activities during the period reported. The net of these activities is added to the beginning year cash balance to reconcile to the cash and cash equivalents balances at December 31, 2020 and 2019. HAOC uses the direct method of presenting cash flows, which includes a reconciliation of operating activities to operating loss. This statement provides answers to such questions as where did cash come from, how was cash used, and what was the change in the cash balance during the year.

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

FINANCIAL ANALYSIS

Net Position

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

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets, unrestricted	\$ 666,786	194,273
Other current assets, restricted	465,212	432,727
Capital assets, net	3,881,260	2,800,823
Other noncurrent assets	<u>167,228</u>	<u>-</u>
Total assets	<u>5,180,486</u>	<u>3,427,823</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow of resources	<u>25,079</u>	<u>25,047</u>
 Total assets and deferred outflow of resources	<u><u>\$ 5,205,565</u></u>	<u><u>3,452,870</u></u>
 LIABILITIES		
Current and other liabilities	\$ 846,432	180,701
Current liabilities payable from restricted assets	55,977	41,590
Noncurrent liabilities	<u>4,500,626</u>	<u>3,626,903</u>
Total liabilities	<u>5,403,035</u>	<u>3,849,194</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflow of resources	<u>30,914</u>	<u>48,462</u>
 NET POSITION		
Invested in capital assets, net of related debt	(685,032)	(803,864)
Temporarily restricted net position	408,537	391,137
Unrestricted net position	<u>48,111</u>	<u>(32,059)</u>
Total net position	<u>(228,384)</u>	<u>(444,786)</u>
 Total liabilities, deferred inflow of resources, and net position	<u><u>\$ 5,205,565</u></u>	<u><u>3,452,870</u></u>

Housing Authority of Okanogan County
Management's Discussion and Analysis
December 31, 2020

Unrestricted current assets are comprised of cash and cash equivalents, receivables, investments, and prepaid items. Unrestricted current assets are approximately 243% higher at December 31, 2020 than December 31, 2019, which represents an increase of approximately \$473,000. This increase is primarily related to cash which has resulted from the inflow of construction funding, development fees and rental income for the acquisition and rehabilitation of Pateros Gardens, the developer fees from Meadow Point Family Housing, and CARES ACT administrative fees for the Mainstream and Housing Choice Voucher programs.

Restricted current assets are comprised of cash and investments that are restricted for repayment of security deposits and other contractual obligations related to federal funding that was unspent at the end of the year. As the result of expanding their housing programs, restricted current assets increased by approximately \$32,000 in 2020.

Current and other liabilities consist of accounts payable, accrued wages and payroll taxes, compensated absences, revolving loan payable, unearned revenue, and current portion of long-term debt. Current liabilities increased approximately \$666,000, a 368% increase. The fluctuations are primarily increased volume in payments to vendors due to new housing projects, deferred lease revenue and advance funding received from HUD.

Current liabilities payable from unrestricted assets primarily consist of tenant security deposits and restricted, unspent funds from the federal government. These liabilities reflected an increase from 2019 to 2020 of approximately \$14,000, a 35% increase. With the addition of Pateros Gardens, additional tenants were served and increased the tenant security deposit liability.

Noncurrent liabilities consist of long-term debt, pension liabilities, and the long-term portion of compensated absences. Increases in noncurrent liabilities were approximately \$874,000 from 2019 to 2020, \$1,500,000 of new long-term borrowings, offset by \$650,000 of long-term borrowing repayments.

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

Total net position of HAOC increased by approximately \$216,000 from 2019 to 2020.

HAOC's current ratio reflects the relationship between current assets and current liabilities and is a measure of HAOC's ability to pay short-term obligations. At December 31, 2020 and 2019, HAOC's current ratio was 1.25 and 2.82, respectively.

Housing Authority of Okanogan County
Management's Discussion and Analysis
December 31, 2020

Revenues, Expenses, and Changes in Net Position

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

	<u>2020</u>	<u>2019</u>
Revenue:		
Intergovernmental- operating	\$ 1,655,941	1,561,595
Tenant and other	641,225	413,606
Intergovernmental - nonoperating	273,212	260,971
Investment revenue	643	2,587
Total revenue	<u>2,571,021</u>	<u>2,238,759</u>
Expenses:		
Administration	385,227	315,430
Utilities	177,259	158,057
Ordinary maintenance and operations	103,713	151,007
Depreciation	171,570	159,370
Housing assistance payments	1,483,096	1,467,280
Insurance premiums	25,485	24,066
Interest expense	7,923	36,947
Loss on disposal of capital assets	346	-
Total expenses	<u>2,354,619</u>	<u>2,312,157</u>
Change in net position	216,402	(73,398)
Net position, beginning of year	<u>(444,786)</u>	<u>(371,388)</u>
Net position, end of year	<u>\$ (228,384)</u>	<u>(444,786)</u>

In 2020 revenues increased by approximately 15%, primarily due to an increase in intergovernmental, tenant, and developer fee revenue offset partially by a decrease in investment revenue.

Total expenses increased by approximately 2% from 2019 to 2020, primarily due to administration, utilities, depreciation, and housing assistance payments expenses all increasing in 2020 offset partially by a decrease in ordinary maintenance and operations and interest expense.

Administrative expenses in 2020 increased by approximately \$70,000 (22%) from 2019. Utilities increased by approximately \$19,000 (12%) from 2019. Ordinary maintenance and operation expenses decreased by approximately \$47,000 (31%) from 2019. Housing assistance payments increased by approximately \$16,000 (1%) from 2019. The overall changes were attributed to budget changes, fluctuations in costs of doing business and the addition of new properties.

Housing Authority of Okanogan County
Management's Discussion and Analysis
December 31, 2020

CAPITAL ASSETS

In 2020, approximately \$172,000 of depreciation expense was recognized, however, this was offset with approximately \$2,162,000 of additions and approximately \$916,000 of transfers/retirements, resulting in an increase in net capital assets of approximately \$1,080,000. Additional information on HAOC's capital assets can be found in Note 6 to the basic financial statements.

DEBT ADMINISTRATION

All debt service payments were made in 2020 as scheduled. Additional information on HAOC's long-term debt can be found in Note 7 to the basic financial statements.

ECONOMIC FACTORS AFFECTING HAOC'S FUTURE

HAOC did not see a significant decline in their programs or funding as a result of COVID-19. Although some tenant accounts have increased due to delayed payments, this is a small portion of the HAOC's overall tenants served.

During 2020, HAOC continued to expand their housing portfolio which has lessened the dependence on future HUD funding and creates more financial stability for the HAOC. The community impact is seen as more families have access to affordable housing without the reliance on the Federally funded voucher programs.

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

REQUESTS FOR INFORMATION

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

Nancy Nash-Mendez
Executive Director

Phone:

409-422-3721

Address:

431 5th Avenue West

Omak, Washington 98841

HOUSING AUTHORITY OF OKANOGAN COUNTY
STATEMENT OF NET POSITION
December 31, 2020

	Housing Authority	Component Unit
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash - unrestricted	\$ 590,240	71,606
Receivables - tenants, net of allowance	15,034	-
Receivables - other, net of allowance	50,300	-
Prepaid expenses and other assets	11,212	-
Total unrestricted	<u>666,786</u>	<u>71,606</u>
Cash - other restricted	238,303	-
Cash - tenant security deposits	56,675	-
Investments - restricted	170,234	-
Total restricted	<u>465,212</u>	<u>-</u>
Total current assets	<u>1,131,998</u>	<u>71,606</u>
NONCURRENT ASSETS		
Capital assets not being depreciated:		
Land	564,763	-
Construction in progress	114,180	2,220,033
Capital assets being depreciated:		
Buildings	2,947,555	-
Furniture, equipment, and machinery - dwellings	57,589	-
Furniture, equipment, and machinery - administration	13,564	-
Improvements	2,140,272	-
Accumulated depreciation	(1,956,663)	-
Total capital assets	<u>3,881,260</u>	<u>2,220,033</u>
Other noncurrent assets:		
Investment in Partnership - Component Unit	50,000	-
Notes receivable - Component Unit	117,000	-
Deferred lease asset	-	296,499
Interest receivable	228	-
Total other noncurrent assets	<u>167,228</u>	<u>296,499</u>
Total assets	<u>5,180,486</u>	<u>2,588,138</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow of resources related to pensions	25,079	-
Total assets and deferred outflows of resources	<u>\$ 5,205,565</u>	<u>2,588,138</u>

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

HOUSING AUTHORITY OF OKANOGAN COUNTY
STATEMENT OF NET POSITION, CONTINUED
December 31, 2020

	Housing Authority	Component Unit
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 159,201	-
Construction costs payable	-	386,075
Revolving loan payable	83,007	4,261
Retainage payable	22,792	94,449
Accrued wages and payroll taxes payable	21,137	-
Accrued compensated absences - current portion	6,474	-
Accrued interest	-	228
Unearned revenue	531,189	-
Current portion of long-term debt	<u>22,632</u>	<u>-</u>
Total payable from unrestricted assets	<u>846,432</u>	<u>485,013</u>
 Tenant security deposits payable from restricted assets	 <u>55,977</u>	 <u>-</u>
Total current liabilities	<u>902,409</u>	<u>485,013</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	4,437,861	1,002,952
Note payable - Housing Authority	-	117,000
Net pension liability	53,469	-
Accrued compensated absences, net of current portion	9,296	-
Total noncurrent liabilities	<u>4,500,626</u>	<u>1,119,952</u>
Total liabilities	<u>5,403,035</u>	<u>1,604,965</u>
DEFERRED INFLOW OF RESOURCES		
Deferred inflow of resources related to pensions	<u>30,914</u>	<u>-</u>
NET POSITION		
Invested in capital assets, net of related debt	(685,032)	1,217,081
Temporarily restricted net position	408,537	-
Unrestricted net position	<u>48,111</u>	<u>(233,908)</u>
Total net position	<u>(228,384)</u>	<u>983,173</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 5,205,565</u>	<u>2,588,138</u>

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

HOUSING AUTHORITY OF OKANOGAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended December 31, 2020

	Housing Authority	Component Unit
OPERATING REVENUE		
Intergovernmental revenue	\$ 1,655,941	-
Net tenant rental revenue	502,962	-
Other revenue	132,420	-
Other tenant revenue	5,843	-
Total operating revenue	<u>2,297,166</u>	<u>-</u>
OPERATING EXPENSES		
Administrative		
Administrative wages	128,745	-
Tenant services wages	12,553	-
Auditing fees	27,127	-
Employee benefit contributions	26,570	-
Other operating - administrative	190,017	-
Tenant services	215	-
Total administrative	<u>385,227</u>	<u>-</u>
Utilities		
Electricity	17,960	-
Other utilities expense	34,045	-
Sewer	57,929	-
Water	67,325	-
Total utilities	<u>177,259</u>	<u>-</u>
Ordinary maintenance and operations		
Contract costs	44,336	-
Maintenance and operations wages	38,387	-
Materials and other	20,990	-
Total ordinary maintenance and operations	<u>103,713</u>	<u>-</u>
General expenses		
Depreciation expense	171,570	-
Housing assistance payments	1,483,096	-
Insurance premiums	25,485	-
Other general expenses	-	-
Total general expenses	<u>1,680,151</u>	<u>-</u>
Total operating expenses	<u>2,346,350</u>	<u>-</u>
Net operating loss	<u>(49,184)</u>	<u>-</u>
NON-OPERATING ACTIVITIES		
Interest expense	(7,923)	-
Intergovernmental revenue	273,212	-
Investment revenue - restricted	629	-
Investment revenue - unrestricted	14	-
Other non-operating expense	(346)	-
Total non-operating revenues & expenses	<u>265,586</u>	<u>-</u>
CAPITAL CONTRIBUTIONS		
Partner capital contributions	<u>-</u>	<u>983,173</u>
CHANGE IN NET POSITION	216,402	983,173
NET POSITION - BEGINNING OF YEAR	<u>(444,786)</u>	<u>-</u>
NET POSITION - END OF YEAR	<u>\$ (228,384)</u>	<u>983,173</u>

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

HOUSING AUTHORITY OF OKANOGAN COUNTY
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

	Housing Authority	Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenants and others	\$ 835,271	-
Housing assistance receipts	1,853,050	-
Payments to employees	(214,277)	-
Payments to vendors and suppliers	(1,890,481)	-
Net cash provided (used) by operating activities	<u>583,563</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental grants and contracts	273,212	-
Net cash provided by noncapital financing activities	<u>273,212</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(1,229,563)	(1,739,281)
Payments on ground lease to Primary Government	-	(179,499)
Borrowing on revolving loans	69,905	4,261
Borrowing on long-term debt	1,448,833	1,002,952
Principal payments on long-term debt	(579,925)	-
Capital contributions	-	983,173
Interest paid	(16,887)	-
Net cash provided (used) by capital and related financing activities	<u>(307,637)</u>	<u>71,606</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in partnership - component unit	(50,000)	-
Interest received	643	-
Net cash provided (used) by investing activities	<u>(49,357)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	499,781	71,606
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>555,671</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,055,452</u>	<u>71,606</u>
CASH AND CASH EQUIVALENTS CONSISTS OF		
Cash - unrestricted	\$ 590,240	71,606
Cash - other restricted	238,303	-
Cash - tenant security deposits	56,675	-
Investments - restricted	170,234	-
Total cash and cash equivalents	<u>\$ 1,055,452</u>	<u>71,606</u>

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

HOUSING AUTHORITY OF OKANOGAN COUNTY
STATEMENT OF CASH FLOWS, CONTINUED
For the Year Ended December 31, 2020

	Housing Authority	Component Unit
RECONCILIATION OF NET OPERATING ACTIVITIES TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Cash flows from operating activities:		
Operating income (loss)	\$ (49,184)	-
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	171,570	-
Noncash pension adjustment	(20,541)	-
(Increase) decrease in cash due to changes in assets:		
Receivables	(2,011)	-
Prepaid expenses and other assets	(3,206)	-
Increase (decrease) in cash due to changes in liabilities:		
Accounts payable	81,387	-
Accrued wages and taxes payable	14,542	-
Unearned revenue	378,781	-
Tenant security deposits	14,387	-
Compensated absences	(2,162)	-
	<u>632,747</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 583,563</u>	<u>-</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Deferred lease asset financed by note receivable to component unit	<u>\$ 117,000</u>	<u>117,000</u>

During the year ended December 31, 2020, HAOC placed in service \$162,784 of construction in progress that was paid for in 2019.

During the year ended December 31, 2020, Meadow Point at Omak LLLP (the discretely presented component unit) used accounts payable to purchase \$386,075 in capital assets.

Housing Authority of Okanogan County

Notes to Financial Statements

December 31, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

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

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

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

HAOC owns the following properties: 1) Caribou Trail Housing, a 24-unit multifamily apartment complex housing low to moderate-income families; 2) Twisp Gardens Apartments, a 16-unit Elderly/Disabled apartment complex for low-income families with 16 USDA Rural Development subsidized units; 3) IronStraw Farmworker Housing, a 6-unit complex housing low-income seasonal agricultural workers and their families; 4) Land in Omak; 5) Vista Park Homes, a 24 unit apartment complex housing low-income seasonal agricultural workers and their families; 6) Sagebrush Acres and Country Homestead, two single family homes for individuals with chronic disability; 7) Pateros Gardens 16-units multifamily apartment complex housing low to moderate income families. 8) Meadowlark Senior Housing is currently under construction and will be a 16-unit senior housing, servicing low to moderate income seniors.

Discretely Presented Component Unit

Whispering Brooks LLC (Whispering Brooks) is a limited liability company that is wholly owned by HAOC and is a component unit of HAOC. Whispering Brooks is the General Partner of Meadow Point at Omak LLLP (Meadow Point) which is a Washington limited liability limited partnership, formed in November 2018 to acquire, construct, rehabilitate, develop, repair, improve, maintain, operate, manage, lease, dispose of and otherwise deal with a 46-unit apartment property located in Omak, Washington. Pursuant to the Amended and Restated Agreement of the Limited Liability Limited Partnership, dated November 1, 2020, Whispering Brooks LLC is the General Partner, BFIM Special Limited Partner, Inc. is the Special Limited Partner, and BF FRE 2018, Limited Partnership is the Investor Limited Partner.

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

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

Meadow Point is discretely presented in the “Component Unit” column of the financial statements. Meadow Point is fiscally dependent on Whispering Brooks according to the terms of the partnership agreement. The agreement includes a legal obligation for the Whispering Brooks to fund operating deficits up to specified limits. Meadow Point is included in the HAOC’s reporting entity since it is fiscally dependent on the Whispering Brooks and Whispering Brooks has financial benefits and potential financial burdens from this entity. Meadow Point does not provide services exclusively or almost exclusively to the benefit of HAOC. See Note 12 Related Party Transactions for further information.

Reporting entity

HAOC is a municipal corporation governed by a six-member board appointed by the Okanogan County Board of Commissioners. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. HAOC currently has one component unit, Meadow Point. HAOC is a legally separate agency from Okanogan County. The County does not have the ability to affect the operations of HAOC, nor does HAOC provide financial benefit to, or impose a financial burden on Okanogan County.

Basis of accounting

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

Summary of significant accounting policies

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

Budgeting

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

Cash and cash equivalents

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

Restricted funds

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

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

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

Accounts receivable

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

Capital assets

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

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

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its future service utility has declined significantly and unexpectedly. HAOC is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. No such events or circumstances were encountered as of December 31, 2020.

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

The estimated useful lives are as follows:

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

Deferred inflows and outflows of resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. HAOC's deferred inflows of resources are typically related to the net position liability. HAOC had \$30,914 in deferred inflows of resources as of December 31, 2020.

Deferred outflows of resources represent a disbursement of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until that time. HAOC's deferred outflows of resources are typically related to the net pension liability. HAOC had \$25,079 in deferred outflows of resources as of December 31, 2020.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems.

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

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

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

Compensated absences

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

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

Revenue and expenses

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

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

Subsequent events

Subsequent events have been evaluated through October 4, 2021, which is the date the financial statements were available to be issued.

Tax status

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

Use of estimates

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

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

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

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.

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 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. It requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred instead of being capitalized as part of the historical cost of the capital asset.

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.

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

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

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.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 3 – DEPOSITS

Deposits, including those in restricted assets, are defined as cash or cash equivalents on deposit with financial institutions. At December 31, 2020, the carrying amount of HAOC's cash accounts deposited with financial institutions was \$1,055,452 and the bank balances were \$1,055,209. HAOC's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC). HAOC has on file form HUD-51999, General Depository Agreement with Wells Fargo.

Cash and cash equivalents consist of the following at December 31, 2020:

Cash – unrestricted	\$ 590,240
Cash – other restricted	238,303
Cash – tenant security deposits	56,675
Investments – restricted	<u>170,234</u>
Total cash and cash equivalents	1,055,452
Less: cash on hand	<u>243</u>
Total deposits	\$ <u>1,055,209</u>

NOTE 4 – INVESTMENTS

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

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

NOTE 4 – INVESTMENTS, CONTINUED

As of December 31, 2020, HAOC has no long-term investments. HAOC maintains an operating and reserve escrow account with Washington Community Reinvestment Association (WCRA) for the Caribou Trail Apartments. This account includes an original deposit for project improvements that has not been completely drawn down, as well as a monthly \$300 deposit into each account. The balance at December 31, 2020 was \$170,234.

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, HAOC's deposits may not be returned. HAOC follows HUD policies, which requires collateral for all deposits not covered by federal depository insurance. At December 31, 2020, none of HAOC's deposits and investments were exposed to custodial credit risk.

Concentration of credit risk

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

Credit risk

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

Concentration of interest rate risk

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

NOTE 5 – RECEIVABLES

Receivables at December 31, 2020 consist of the following:

Tenants	\$ 15,974
Intergovernmental	<u>52,597</u>
Total receivables before allowance	68,571
Less: allowance for doubtful accounts	<u>(3,237)</u>
Total receivables, net	<u>\$ 65,334</u>

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

NOTE 6 – CAPITAL ASSETS

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

	January 1, 2020	Increases	Transfers/ Retirements	December 31, 2020
Capital assets not depreciated				
Land	\$ 531,027	33,736	-	564,763
Construction in progress	162,784	860,582	(909,186)	114,180
Total capital assets not depreciated	693,811	894,318	(909,186)	678,943
Capital assets being depreciated				
Buildings	2,409,954	537,601	-	2,947,555
Improvements	1,417,462	728,919	(6,109)	2,140,272
Machinery and equipment	57,664	700	(775)	57,589
Furniture and equipment	13,564	-	-	13,564
Total capital assets being depreciated	3,898,644	1,267,220	(6,884)	5,158,980
Accumulated depreciation				
Buildings	1,087,139	105,899	-	1,193,038
Improvements	644,317	65,146	(5,829)	703,634
Machinery and equipment	46,612	525	(710)	46,427
Furniture and equipment	13,564	-	-	13,564
Total accumulated depreciation	1,791,632	171,570	(6,539)	1,956,663
Total capital assets, net	\$ 2,800,823	1,989,968	(909,531)	3,881,260

The following is a summary of the changes in capital assets of HAOC's component unit:

	January 1, 2020	Increases	Transfers/ Retirements	December 31, 2020
Capital assets not being depreciated	\$ -	2,220,033	-	2,220,033
Capital assets (net) being depreciated	-	-	-	-
Total capital assets, net	\$ -	2,220,033	-	2,220,033

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

NOTE 7 – LONG-TERM DEBT

The following is a summary of the outstanding balances on notes payable from direct borrowings of the Housing Authority as of December 31, 2020:

	Balance
Caribou Trails Apartments	
A note to Washington Community Reinvestment Association, payable at \$2,377 per month, including interest at 7.5%. Final payment is due April, 2028.	\$ 160,540
A note to Washington State Department of Commerce, payable at \$5,000 per month, until June 30, 2028 when interest begins to accrue. Remaining principal is amortized over the 21 consecutive years thereafter. Final payment is due June 30, 2048.	450,000
A note to Washington State Department of Commerce, payable at \$1,643 per month, including interest at 1% per month. Final payment is due June 30, 2048.	41,195
Twisp Gardens Apartments	
A note to Rural Development, payable at \$939 per month, which includes a monthly interest subsidy payment of \$554 and a Housing Authority Borrower principal and interest payment of \$385. Interest at is 5.875%. Final payment is due on or before September 15, 2054.	165,299
A note to Washington State Department of Commerce, payable at \$1,248 per quarter, including interest at 1%. Final Payment is due June 30, 2044.	104,465
A noninterest bearing note to Washington State Department of Commerce. Repayment is deferred until June 30, 2044. If at the end of the forty-year commitment period, all terms and conditions of the award have been met, the recoverable grant will convert to a full grant on June 30, 2044 with no expectation of repayment.	467,799
IronStraw Farmworker Housing	
A noninterest bearing note to Washington State Department of Commerce. Repayment is deferred until October 31, 2052.	967,836
A noninterest bearing note to Washington State Department of Commerce. Repayment is deferred until October 31, 2052. If at the end of the forty-two year commitment period, all terms and conditions of the award have been met, the loan will be converted to a recoverable grant with no expectation of repayment.	18,723
Vista Park Homes	
A noninterest bearing note to Washington State Department of Commerce, payable at \$5,000 per year, Final Payment is due December 31, 2049 with a balloon payment for any principal outstanding.	598,260
A noninterest bearing note to Washington State Department of Commerce, payable at \$5,000 per year, Final Payment is due on or before December 31, 2049.	89,285

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

NOTE 7 – LONG-TERM DEBT, CONTINUED

Sagebrush Acres and Country Homestead

A noninterest bearing note to CTED (Commerce) Housing Finance Unit. Repayment is deferred until March 31, 2051. If at the end of the term the terms and conditions of the award have been met, the recoverable grant will convert to a full grant on March 31, 2051 with no expectation of repayment.

217,146

Pateros Gardens

A noninterest bearing note to Washington State Department of Commerce Repayment is deferred until March 31, 2060. If at the end of the end of the commitment period, all terms and conditions of the award have been met, the recoverable grant will convert to a full grant on June 30, 2044 with no expectation of repayment.

1,179,945

Total Long-Term Debt

4,460,493

Long-Term Debt Payable Within One Year

22,632

Long-Term Debt Payable After One Year

\$ 4,437,861

Minimum payments are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 22,632	22,160
2022	24,093	20,699
2023	36,895	19,540
2024	38,595	17,840
2025	40,422	16,013
2026-2030	188,469	67,595
2031-2035	161,852	60,955
2036-2040	173,537	49,270
2041-2045	647,682	35,435
2046-2050	704,804	19,363
2051-2055	1,241,567	4,418
2056-2060	1,179,945	-
Thereafter	-	-
Total	<u>\$ 4,460,493</u>	<u>333,288</u>

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

NOTE 7 – LONG-TERM DEBT - CONTINUED

Changes in long-term liabilities are as follows:

	Balance 1/1/2020	Additions	Reductions	Balance 12/31/2020	Due Within One Year
USDA Rural Development	\$ 445,700	12,009	292,410	165,299	\$ 1,602
HTF	2,053,942	-	3,924	2,050,018	3,964
CTED	-	1,400,000	220,055	1,179,945	-
ORFH	10,876	36,824	47,700	-	-
HFU	904,691	-	-	904,691	-
WCRA	176,377	-	15,837	160,540	17,066
Total notes payable on direct borrowings	3,591,586	1,448,833	579,926	4,460,493	22,632
Compensated absences	17,932	-	2,162	15,770	6,474
Net pension liability	56,430	-	2,961	53,469	-
Total long-term liabilities	<u>\$ 3,665,948</u>	<u>1,448,833</u>	<u>585,049</u>	<u>4,529,732</u>	<u>\$ 29,106</u>

The following is a summary of the outstanding balances on notes payable from direct borrowings of the Component Unit – Meadow Point:

	Balance
Meadow Point Apartments	
A note to CTED (Commerce) Housing Trust Fund in the amount of \$3,000,000. As of December 31, 2020 the note was not fully drawn. Repayment is deferred until March 31, 2038 when interest of 1% begins to accrue. Remaining principal is amortized over the 25 consecutive years thereafter. Final payment is due March 31, 2062.	\$ 1,002,952
A sponsor loan by the Housing Authority of Okanogan County. The loan bears Interest at 1.17% compounded annually, and payments are due solely from distributions of Cash Flow and/or Capital Transaction proceeds in accordance with Section 10.1 of the Amended and Restated of Limited Liability Limited Partnership of Barrower dated as of November 1, Agreement 2020 (the "Partnership Agreement"). Repayment of the full balance of the Note, is due and payable on or before December 31, 2060.	117,000
Total Long-Term Debt	<u>\$ 1,119,952</u>

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

NOTE 7 – LONG-TERM DEBT - CONTINUED

Minimum payments are due as follows on the Component Unit's notes payable from direct borrowings:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ -	-
2022	-	-
2023	-	-
2024	-	-
2025	-	-
2026-2030	-	-
2031-2035	-	-
2036-2040	-	-
2041-2045	-	-
2046-2050	-	-
2051-2055	-	-
2056-2060	117,000	69,665
2061-2065	<u>1,002,952</u>	<u>297,666</u>
Total	<u>\$ 1,119,952</u>	<u>367,331</u>

Changes in long-term liabilities at the Component Unit are as follows:

<u>Type of Debt</u>	<u>Balance</u> <u>1/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2020</u>	<u>Due Within</u> <u>One Year</u>
HTF	\$ -	1,002,952	-	1,002,952	\$ -
Housing Authority	-	117,000	-	117,000	-
Total direct borrowings on notes payable	<u>\$ -</u>	<u>1,119,952</u>	<u>-</u>	<u>1,119,952</u>	<u>\$ -</u>

NOTE 8 – TEMPORARILY RESTRICTED NET POSITION

Temporarily restricted net position of \$408,537 of funds received from governmental agencies are restricted for providing housing assistance to qualifying individuals and families, administrative, operating, and capital reserves.

NOTE 9 – OPERATING LEASES

HOAC leases office space under a lease agreement expiring September 30, 2021. This lease is considered an operating lease for accounting purposes. Lease expense for the year ended December 31, 2020 was \$9,166.

Future minimum rental commitments for these leases are as follows:

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

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

NOTE 10 – PENSION PLANS

For purposes of measuring the net pension liability or asset, 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.

The following table represents the aggregate pension amounts for all plans for the fiscal year 2020:

Aggregate Pension Amounts - All Plans:	
Pension Liabilities	\$ (53,469)
Pension Assets	-
Deferred Outflows of Resources	25,079
Deferred Inflows of Resources	(30,914)
Pension Expense/Expenditures	(166)

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

NOTE 10 – PENSION PLANS - CONTINUED

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 1	Actual Contribution Rates	
	Employer	Employee
January - August 2020:		
PERS Plan 1	7.92 %	6.00 %
PERS Plan 1 UAAL	4.76	
Administrative Fee	0.18	
Total	<u>12.86 %</u>	<u>6.00 %</u>
September - December 2020:		
PERS Plan 1	7.92 %	6.00 %
PERS Plan 1 UAAL	4.87	
Administrative Fee	0.18	
Total	<u>12.97 %</u>	<u>6.00 %</u>

The HAOC contributes to the plan through PERS Plan 1 UAAL contributions for participants of Plan 2/3. There are no participants in Plan 1. The HAOC's contributions to Plan 1 UAAL were \$7,555 for the year ended December 31, 2020.

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

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

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

NOTE 10 – PENSION PLANS - CONTINUED

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

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

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 2/3	Actual Contribution Rates	
	Employer 2/3	Employee2
January - August 2020:		
PERS Plan 2/3	7.92 %	7.90 %
PERS Plan 1 UAAL	4.76	
Administrative Fee	0.18	
Employee PERS Plan 3		Varies
Total	<u>12.86 %</u>	<u>7.90 %</u>
September - December 2020:		
PERS Plan 2/3	7.92 %	7.90 %
PERS Plan 1 UAAL	4.87	
Administrative Fee	0.18	
Employee PERS Plan 3		Varies
Total	<u>12.97 %</u>	<u>7.90 %</u>

The HAOC's contributions to the plan were \$12,511 for the year ended December 31, 2020. Combined with the Plan 1 UAAL contributions, the total Plan 2/3 employer contributions were \$20,066 for the year ended December 31, 2020.

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

NOTE 10 – 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:** 7.40%

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

There were minor 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 7.40 percent.

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

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

NOTE 10 – PENSION PLANS - CONTINUED

Long-Term Expected Rate of Return

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

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 2.20 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target	Percent 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%
Total	100 %	

Sensitivity of NPL

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

Plan	1% Decrease (6.40%)	Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1	45,460	36,294	28,300
PERS 2/3	106,875	17,176	(56,691)

Pension Plan Fiduciary Net Position

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

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

NOTE 10 – PENSION PLANS - CONTINUED

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

At December 31, 2020, the HAOC reported a total pension liability of \$53,469 for its proportionate share of the net pension liabilities as follows:

Plan	2020
PERS 1 Liability	\$ (36,293)
PERS 2/3 Liability	(17,176)
Total Liability	\$ (53,469)

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

Plan	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	0.001104%	0.001028%	-0.000076%
PERS 2/3	0.001439%	0.001343%	-0.000096%

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

The collective net pension liability was measured as of June 30, 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 December 31, 2020, the HAOC recognized pension expense as follows:

Plan	2020
PERS 1 Pension Expense	\$ (1,340)
PERS 2/3 Pension Expense	1,174
Total Pension Expense	\$ (166)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, the HAOC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

NOTE 10 – PENSION PLANS - CONTINUED

PERS 1	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	-
Net difference between projected and actual investment earnings on pension plan investments	-	(202)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	<u>3,777</u>	<u>-</u>
Total	<u>\$ 3,777</u>	<u>(202)</u>

PERS 2/3	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 6,149	(2,153)
Net difference between projected and actual investment earnings on pension plan investments	-	(872)
Changes of assumptions	245	(11,733)
Changes in proportion and differences between contributions and proportionate share of contributions	8,657	(15,954)
Contributions subsequent to the measurement date	<u>6,251</u>	<u>-</u>
Total	<u>\$ 21,302</u>	<u>(30,712)</u>

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

<u>Year Ending December 31,</u>	<u>PERS 1</u>	<u>PERS 2/3</u>
2021	\$ (917)	\$ (7,879)
2022	(29)	(2,519)
2023	280	(510)
2024	464	117
2025	-	(3,399)
Thereafter	-	(1,470)

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

NOTE 11 – PARTICIPATION IN HOUSING AUTHORITY RISK RETENTION POOL

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

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

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

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

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

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

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

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

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

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

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

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

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

NOTE 12 - RELATED PARTY TRANSACTIONS

As described in Note 1, HAOC's wholly-owned subsidiary, Whispering Brooks LLC, entered into an agreement on November 1, 2020 with its discretely presented component unit, Meadow Point at Omak LLLP (Meadow Point), and investors, who are taking advantage of the federal tax credit program that provides tax incentives for investing in low-income housing. Whispering Brooks LLC is allocated about 0.01% of all profits, losses, and tax credits pursuant to the terms of the partnership or operating agreements, with the remainder allocated to the investor limited partner. As of December 31, 2020 the project has not been finished yet and is still under construction.

Ground Lease

Under the agreement with the Whispering Brooks LLC, HAOC is leasing land to its component unit, Meadow Point at Omak LLLP, for a term of 99 years. The land held for lease is recorded as a non-depreciable asset in the amount of \$180,000 as of December 31, 2020 at the Authority. The Ground Lease provides for total up-front rent payments in the amount of \$297,000, of which \$180,000 was paid contemporaneously with Investment Closing with the balance funded by the Seller Loan, and \$117,000 is financed through a note payable to the HAOC by the component unit. The initial \$297,000 payment is recorded as deferred lease asset for the component unit, and as deferred lease revenue for the Housing Authority. The deferred lease is amortized on a straight-line basis over the life of the lease.

Project-based Housing Assistance Payment (HAP) Contract

On November 1, 2020 the partnership entered into a HAP Contract with HAOC. Pursuant to the HAP Contract 25 of the 46 dwelling units are required to be maintained and operated as project-based rental assistance units in the Project under Section 8 of the Housing Act.

Partnership Management Fees

Pursuant to the Partnership Agreement, the partnership is required to pay \$7,500 annually from available Cash Flow and Capital Transaction proceeds commencing in the Fiscal Year during which the Completion Date occurs (prorated for a partial Fiscal Year) and increasing annually thereafter by 3.00% payable pursuant to the terms of the Partnership Management Agreement.

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

NOTE 12 - RELATED PARTY TRANSACTIONS, CONTINUED

Operating Deficits

Pursuant to the agreement Whispering Brooks LLC is required to establish a reserve account for operating deficits (the Operating Reserve) in the initial amount of \$164,001. The Operating Reserve shall be fully funded from the proceeds of the Third Installment of the Capital Contributions of the Investor Limited Partner; provided, however, that if for any reason such proceeds shall be insufficient to fully fund the Operating Reserve at such time, the General Partner shall promptly fund any such shortfall.

Developer Service Agreement

On November 1, 2020 Meadow Point entered into a development services agreement with HAOC and Office of Rural and Farmworker Housing (ORFH). The agreement provides for a developer fee of \$1,000,000 (or such lesser amount as may be permitted by the Credit Agency). The balance of the Development Fee shall be deemed to have been earned pro rata as and when the dwelling units in the Project have been completed and are ready to be placed in service. The Development Fee shall be paid in phases, 25% to HAOC and 75% to ORFH.

Long Term Debt

As described in Note 7 Long Term Debt, Meadow Point has a loan with HAOC as of December 31, 2020 of \$117,000. The loan is not payable until December 31, 2060.

Distribution of Cash Flows

Subject to Requisite Approvals and the Regulatory Agreements, (i) net rental income generated through the Development Obligation Date shall be used to pay the Cumulative Priority Distribution to the Investor Limited Partner and the excess shall be includable in Designated Proceeds and applied to pay Development Costs (including the Development Fee), provided, however, that any balance remaining after payment in full of all Development Costs (including the Development Fee) shall be distributed as Cash Flow in accordance with the priorities set forth below, and (ii) after the Development Obligation Date, Cash Flow for each Fiscal Year (or fractional portion thereof) shall be distributed, within ninety (90) days after the end of each Fiscal Year, in the following order of priority:

First, to the Investor Limited Partner in an amount equal to the Cumulative Priority Distribution (including any accrued but unpaid Cumulative Priority Distribution from prior Fiscal Years)

Second, to the Investor Limited Partner in an amount equal to any theretofore unpaid Tax Credit Shortfall Payments;

Third, to payment of the Deferred Development Fee Note and any accrued but unpaid interest thereon;

Fourth, to payment of the Partnership Management Fee;

Fifth, to repayment of the Seller Loan;

Sixth, to payment of the any outstanding Operating Expense Loans and any Development Cost Loans (pro rata);

Seventh, 0.01% to the General Partner (first, as payment of the Supervisory Management Fee and, thereafter, as a distribution) and 99.99% to the Investor Limited Partner.

Housing Authority of Okanogan County

Notes to Financial Statements, continued

December 31, 2020

NOTE 13 – CONTINGENCIES AND LITIGATION

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

Periodically HAOC receives funding from the State of Washington Department of Commerce that is used to purchase and construct land and buildings. The Department of Commerce maintains the right to be reimbursed for this funding if HAOC is in violation of any terms or conditions of the contracts. At year end, HAOC's management is not aware of any violations of Department of Commerce requirements. As of December 31, 2020 these amounts total \$4,134,654.

NOTE 14 – REVOLVING LOAN PAYABLE

At December 31, 2020, the Authority maintained a revolving loan payable with the Office of Farmworker and Rural Housing (ORFH) for the purposes of pre-development costs on the Meadowlark property. The revolving loan is secured by the Meadowlark property. The interest rate terms under the revolving loan are variable, and the current rate is 3.5% per annum. As of December 31, 2020, \$83,007 had been drawn down in support of development activities. The loan is due and payable upon the Authority securing permanent financing for the project. Changes in short-term debt for the year ended December 31, 2020 are as follows:

	Balance at 1/1/2020	Additions	Reductions	Balance at 12/31/2020
Revolving loan fund with the Office of Rural and Farmworker Housing for development costs at 3.5% interest and payable upon closing of the project's permanent financing. Secured by Meadowlark property.	\$ 13,102	69,905	-	83,007

NOTE 15 – RISKS AND UNCERTAINTIES

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

NOTE 16 – SUBSEQUENT EVENTS

Subsequent to year-end HAOC secured a loan in the amount of \$300,000 from Rural Community Assistance Corporation for the Meadowlark Senior Project. The loan is payable in full on the maturity date of October 1, 2062.

HAOC also signed an agreement for the purchase of Elmwood and Peachtree Place Apartments in December 2020, though the actual transfer of funds for the purchase took place in June 2021. HAOC purchased the Elmwood Apartments for \$1.41M less the outstanding amount of the USDA Rural Development Mortgage, which HAOC will assume with the purchase of the apartments. HAOC purchased the Peachtree Apartments for \$1.56M less the outstanding amount of the USDA Rural Development Mortgage, which HAOC will assume with the purchase of the apartments.

Housing Authority of Okanogan County
Schedules of Required Supplementary Information
As of June 30, 2020
Last 10 Fiscal Years*

Schedule of Proportionate Share of the Net Pension Liability:

PERS 1	2020	2019	2018	2017	2016	2015
Housing Authority's proportion of the net pension liability (asset)	0.001028%	0.110400%	0.001576%	0.001383%	0.001273%	0.001236
Housing Authority's proportionate share of the net pension liability (asset)	\$ 36,294	\$ 42,453	\$ 70,385	\$ 65,624	\$ 68,366	\$ 64,654
Housing Authority's covered-employee payroll	-	-	-	-	-	-
Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

PERS 2/3	2020	2019	2018	2017	2016	2015
Housing Authority's proportion of the net pension liability (asset)	0.001343%	0.143900%	0.002016%	0.001779%	0.001629%	0.001597%
Housing Authority's proportionate share of the net pension liability (asset)	\$ 17,176	\$ 13,977	\$ 34,421	\$ 61,812	\$ 82,019	\$ 32,281
Housing Authority's covered-employee payroll	\$ 156,369	\$ 153,466	\$ 176,062	\$ 185,618	\$ 166,294	\$ 150,359
Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.98%	9.11%	19.55%	33.30%	49.32%	21.47%
Plan fiduciary net position as a percentage of the total pension liability	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Housing Authority will present information for only those years for which information is available.

Housing Authority of Okanogan County
Schedules of Required Supplementary Information
For the Year Ended December 31, 2020
Last 10 Fiscal Years*

Schedule of Employer Contributions:

PERS 1	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 7,555	\$ 7,542	\$ 8,907	\$ 9,204	\$ 7,932	\$ 6,595
Contributions in relation to the contractually required contribution	<u>7,555</u>	<u>7,542</u>	<u>8,907</u>	<u>9,204</u>	<u>7,932</u>	<u>6,595</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Housing Authority's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A

PERS 2/3	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 12,511	\$ 11,898	\$ 13,202	\$ 12,928	\$ 10,360	\$ 8,767
Contributions in relation to the contractually required contribution	<u>12,511</u>	<u>11,898</u>	<u>13,202</u>	<u>12,928</u>	<u>10,360</u>	<u>8,767</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Housing Authority's covered-employee payroll	\$ 156,369	\$ 153,466	\$ 176,062	\$ 185,618	\$ 166,294	\$ 150,359
Contributions as a percentage of covered-employee payroll	8.00%	7.75%	7.50%	6.96%	6.23%	5.83%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Housing Authority will present information for only those years for which information is available.

Notes to Required Supplementary Information:

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

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

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

HOUSING AUTHORITY OF OKANOGAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures				Note
				From Pass- Through Awards	From Direct Awards	From COVID Awards	Passed through to Subrecipients	
Rural Housing Service, Department of Agriculture Rural Housing Service, Department of Agriculture	Rural Rental Housing Loans	10.415	56-024-91 169473-010	\$ -	166,809	-	166,809	1,2,3
	Rural Rental Housing Loans	10.415	Interest subsidy	-	6,649	-	6,649	1,2,3
			Total CFDA 10.415:	-	173,458	-	173,458	
Rural Housing Service, Department of Agriculture	Rural Rental Assistance Payments	10.427	56-024-91169473-010	-	93,470	-	93,470	1,2,3
Office Of Community Planning and Development, Dept of Housing And Urban Development (via WA State Dept of Commerce)	Home Investment Partnerships Program	14.239	15-42401-111 A-B	225,964	-	-	225,964	1,2,3
Housing Voucher Cluster								
Office Of Public and Indian Housing, Dept of Housing and Urban Development	Section 8 Housing Choice Vouchers	14.871	WA07IDV0104	-	1,176,614	26,535	1,203,149	1,2,3
Office Of Public and Indian Housing, Dept of Housing and Urban Development	Mainstream Vouchers	14.879	WA07IDV0104	-	431,037	21,755	452,792	1,2,3
		Total Housing Voucher Cluster:		-	1,607,651	48,290	1,655,941	*
		Total Federal Awards Expended:		\$ 225,964	1,874,579	48,290	2,148,833	

* Denotes a major program

HOUSING AUTHORITY OF OKANOGAN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – PROGRAM COSTS

The amounts shown as federal expenditures for the Supportive Housing for Persons with Disabilities (5-Year Main Stream) Program (CFDA 14.879) represents grant portions of the program costs. Entire program costs, including HAOC's portion, totaled \$423,161 for the year ended December 31, 2020.

Amounts shown as federal expenditures for the Washington State (Department of Commerce) HOME Tenant Based Rental Assistance (TBRA) Program (CFDA 14.239) represent grant portions of the program costs. Entire program costs, including HAOC's portion, totaled \$225,964 for the year ended December 31, 2020.

The amounts shown as federal expenditures for the USDA Rural Development programs represent grant portions of the program costs for the Twisp Gardens Apartments (CFDA 10.415 and 10.427). Included are outstanding loan balance at year-end, annual interest subsidy per USDA RD loan agreement, and rental assistance payments. Entire program costs, including HAOC's portion, totaled \$165,743 for the year ended December 31, 2020. The balance outstanding on the loan at December 31, 2020 was \$165,299.

NOTE 3 – DE MINIMIS COST RATE

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

Fiscal Year End: 12/31/2020

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2020

	14. MSC Mainstream CARES Act Funding	6.1 Component Unit - Discretely Presented	2 State/Local	10.415 Rural Rental Housing Loans	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	14. HCC HCV CARES Act Funding	10.427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$11,778	\$71,606	\$246,442	\$25,362	\$124,404	\$18,702	\$149,186	\$14,366		\$661,846		\$661,846
112 Cash - Restricted - Modernization and Development												
113 Cash - Other Restricted				\$60,577						\$60,577		\$60,577
114 Cash - Tenant Security Deposits			\$177,726	\$9,208						\$186,934		\$186,934
115 Cash - Restricted for Payment of Current Liabilities			\$47,467							\$47,467		\$47,467
100 Total Cash	\$11,778	\$71,606	\$471,635	\$95,147	\$124,404	\$18,702	\$149,186	\$14,366	\$0	\$956,824	\$0	\$956,824
121 Accounts Receivable - PHA Projects												
122 Accounts Receivable - HUD Other Projects												
124 Accounts Receivable - Other Government						\$4,208	\$2,168			\$6,376		\$6,376
125 Accounts Receivable - Miscellaneous			\$20,629							\$20,629		\$20,629
126 Accounts Receivable - Tenants			\$11,382	\$2,172			\$2,420			\$15,974		\$15,974
126.1 Allowance for Doubtful Accounts - Tenants			\$0	-\$513		\$0	\$0			-\$513		-\$513
126.2 Allowance for Doubtful Accounts - Other			\$0			\$0	\$0			\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current												
128 Fraud Recovery					\$6,844		\$14,091			\$20,935		\$20,935
128.1 Allowance for Doubtful Accounts - Fraud					-\$805		-\$1,491			-\$2,296		-\$2,296
129 Accrued Interest Receivable			\$228							\$228		\$228
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0	\$88,717	\$1,659	\$6,039	\$4,208	\$17,188	\$0	\$0	\$117,811	-\$52,249	\$65,562
131 Investments - Unrestricted			\$170,234							\$170,234		\$170,234
132 Investments - Restricted												
135 Investments - Restricted for Payment of Current Liability												
142 Prepaid Expenses and Other Assets			\$10,147	\$617	\$119	\$56	\$273			\$11,212		\$11,212
143 Inventories												
143.1 Allowance for Obsolete Inventories												
144 Inter Program Due From												
145 Assets Held for Sale												
150 Total Current Assets	\$11,778	\$71,606	\$740,733	\$97,423	\$130,562	\$22,966	\$166,647	\$14,366	\$0	\$1,256,081	-\$52,249	\$1,203,832
161 Land			\$502,763	\$62,000						\$564,763		\$564,763
162 Buildings			\$2,545,755	\$401,800						\$2,947,555		\$2,947,555
163 Furniture, Equipment & Machinery - Dwellings			\$38,179	\$19,410						\$57,589		\$57,589
164 Furniture, Equipment & Machinery - Administration							\$13,564			\$13,564		\$13,564
165 Leasehold Improvements			\$1,547,531	\$592,741						\$2,140,272		\$2,140,272
166 Accumulated Depreciation			-\$1,320,153	-\$622,946			-\$13,564			-\$1,956,663		-\$1,956,663
167 Construction in Progress		\$2,220,033	\$114,180							\$2,334,213		\$2,334,213
168 Infrastructure												
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$2,220,033	\$3,428,255	\$453,005	\$0	\$0	\$0	\$0	\$0	\$6,101,293	\$0	\$6,101,293
171 Notes, Loans and Mortgages Receivable - Non-Current			\$117,000							\$117,000		\$117,000
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due												
173 Grants Receivable - Non Current												
174 Other Assets		\$296,499								\$296,499		\$296,499

[illegible]

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2020

	14.MSC Mainstream CARES Act Funding	6.1 Component/ Unit - Discretely Presented	10.415 Rural Rental Housing Loans	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	10.427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue			\$34,014						\$382,188		\$382,188
70400 Tenant Revenue - Other			\$237						\$5,843		\$5,843
70500 Total Tenant Revenue	\$0	\$0	\$33,777	\$0	\$0	\$0	\$0	\$0	\$388,031	\$0	\$388,031
70600 HUD PHA Operating Grants	\$21,754	\$162,305	\$93,470	\$431,037	\$225,964	\$1,176,614	\$26,535		\$2,137,679	-\$136,970	\$2,000,709
70610 Capital Grants											
70710 Management Fee									\$0	-\$45,804	-\$45,804
70720 Asset Management Fee											
70730 Book Keeping Fee											
70740 Front Line Service Fee											
70750 Other Fees											
70700 Total Fee Revenue									\$0	-\$45,804	-\$45,804
70800 Other Government Grants			\$6,649						\$47,248		\$47,248
71100 Investment Income - Unrestricted		\$11	\$2						\$13		\$13
71200 Mortgage Interest Income											
71300 Proceeds from Disposition of Assets Held for Sale											
71310 Cost of Sale of Assets											
71400 Fraud Recovery				\$6,039		\$5,122			\$11,161		\$11,161
71500 Other Revenue			\$500						\$169,032		\$169,032
71600 Gain or Loss on Sale of Capital Assets											
72000 Investment Income - Restricted		\$610	\$19						\$629		\$629
70000 Total Revenue	\$21,754	\$0	\$134,417	\$437,076	\$225,964	\$1,181,736	\$26,535	\$0	\$2,753,793	-\$182,774	\$2,571,019
91100 Administrative Salaries		\$44,537	\$10,544	\$28,137	\$8,749	\$36,778			\$128,745		\$128,745
91200 Auditing Fees	\$11,027	\$2,650					\$13,450		\$27,127		\$27,127
91300 Management Fee			\$12,736						\$55,462	-\$38,304	\$17,158
91310 Book-keeping Fee	\$5,983	\$21,811	\$7,035	\$4,423	\$2,162	\$10,775	\$7,298		\$59,487		\$59,487
91400 Advertising and Marketing	\$1,623	\$3,437	\$543	\$499	\$80	\$882	\$2,223		\$9,487		\$9,487
91500 Employee Benefit contributions - Administrative			\$1,714	\$6,439	\$1,712	\$8,625			\$26,570		\$26,570
91600 Office Expenses	\$2,921	\$7,333	\$2,071	\$2,285	\$504	\$5,551	\$3,564		\$24,229		\$24,229
91700 Legal Expense				\$80	\$32	\$218			\$1,314		\$1,314
91800 Travel			\$741	\$272	\$216	\$803			\$4,645		\$4,645
91810 Allocated Overhead											
91900 Other		\$55,222	\$3,753	\$3,330	\$1,137	\$8,661			\$72,103		\$72,103
91000 Total Operating - Administrative	\$21,754	\$0	\$39,357	\$45,465	\$14,592	\$72,293	\$26,535	\$0	\$409,169	-\$38,304	\$370,865
92000 Asset Management Fee			\$7,500						\$7,500	-\$7,500	\$0
92100 Tenant Services - Salaries									\$11,247		\$11,247
92200 Relocation Costs											
92300 Employee Benefit Contributions - Tenant Services											
92400 Tenant Services - Other									\$1,234		\$1,234
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$12,481	\$0	\$12,481
93100 Water			\$14,188						\$67,325		\$67,325
93200 Electricity			\$2,103						\$17,960		\$17,960
93300 Gas											

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2020

	14.MSC Mainstream CARES Act Funding	6.1 Component Unit - Discretely Presented	10.415 Rural Rental Housing Loans	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	10.427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
93400 Fuel											
93500 Labor									\$57,929		\$57,929
93600 Sewer			\$13,230								
93700 Employee Benefit Contributions - Utilities											
93800 Other Utilities Expense											
93900 Total Utilities	\$0	\$0	\$3,822	\$0	\$0	\$0	\$0	\$0	\$34,045		\$34,045
94100 Ordinary Maintenance and Operations - Labor		\$143,916	\$33,343	\$0	\$0	\$0	\$0	\$0	\$177,259	\$0	\$177,259
94200 Ordinary Maintenance and Operations - Materials and Other		\$19,136	\$11,574						\$30,710		\$30,710
94300 Ordinary Maintenance and Operations Contracts		\$15,773	\$4,761	\$114	\$45	\$300			\$20,993		\$20,993
94500 Employee Benefit Contributions - Ordinary Maintenance		\$29,822	\$11,739	\$679	\$273	\$1,830			\$44,343		\$44,343
94000 Total Maintenance	\$0	\$6,103	\$1,565	\$793	\$318	\$2,130	\$0	\$0	\$7,668		\$7,668
95100 Protective Services - Labor		\$70,834	\$29,639	\$793	\$318	\$2,130	\$0	\$0	\$103,714	\$0	\$103,714
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	\$0	\$0	\$0
96110 Property Insurance		\$5,102	\$2,081						\$7,183		\$7,183
96120 Liability Insurance		\$16,123	\$454	\$458	\$202	\$1,065			\$18,302		\$18,302
96130 Workmen's Compensation											
96140 All Other Insurance											
96100 Total Insurance Premiums	\$0	\$21,225	\$2,535	\$458	\$202	\$1,065	\$0	\$0	\$25,485	\$0	\$25,485
96200 Other General Expenses											
96210 Compensated Absences											
96300 Payments in Lieu of Taxes											
96400 Bad debt - Tenant Rents											
96500 Bad debt - Mortgages											
96600 Bad debt - Other											
96800 Severance Expense											
96000 Total Other General Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96710 Interest of Mortgage (or Bonds) Payable											
96720 Interest on Notes Payable (Short and Long Term)			\$10,829						\$7,923		\$7,923
96730 Amortization of Bond Issue Costs											
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$10,829	\$0	\$0	\$0	\$0	\$0	\$7,923	\$0	\$7,923
96900 Total Operating Expenses	\$21,754	\$0	\$123,203	\$46,716	\$15,112	\$75,488	\$26,535	\$0	\$743,531	-\$45,804	\$697,727
97000 Excess of Operating Revenue over Operating Expenses	\$0	\$0	\$11,214	\$390,360	\$210,852	\$1,106,248	\$0	\$0	\$2,010,262	-\$136,970	\$1,873,292
97100 Extraordinary Maintenance											
97200 Casualty Losses - Non-capitalized											
97300 Housing Assistance Payments			\$161	\$380,452	\$200,582	\$993,407			\$1,574,602	-\$136,970	\$1,437,632
97350 HAP Portability-In				\$47,616					\$47,616		\$47,616
97400 Depreciation Expense			\$42,379						\$171,572		\$171,572
97500 Fraud Losses											
97600 Capital Outlays - Governmental Funds											

Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2020

Submission Type: Audited/Single Audit

	14.MSC Mainstream CARES Act Funding	6.1 Component Unit - Discretely Presented	10.415 Rural Rental Housing Loans	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	10.427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
97700 Debt Principal Payment - Governmental Funds											
97800 Dwelling Units Rent Expense											
90000 Total Expenses	\$21,754	\$0	\$165,743	\$427,168	\$215,694	\$1,116,511	\$26,535	\$0	\$2,537,321	-\$182,774	\$2,354,547
10010 Operating Transfer In											
10020 Operating transfer Out											
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)									\$344		\$344
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	-\$71	\$0	-\$71
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$0	\$0	-\$31,326	\$9,908	\$10,270	\$65,225	\$0	\$0	\$216,401	\$0	\$216,401
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$0	\$0	-\$182,082	-\$14,045	\$6,549	\$2,548	\$0	\$0	-\$444,785		-\$444,785
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		\$983,173							\$983,173		\$983,173
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						-\$7,987			-\$7,987		-\$7,987
11180 Housing Assistance Payments Equity						\$75,760			\$75,760		\$75,760
11190 Unit Months Available			348	900	336	1980			3756		3756
11210 Number of Unit Months Leased			344	873	291	1885			3585		3585
11270 Excess Cash											
11610 Land Purchases											
11620 Building Purchases											
11630 Furniture & Equipment - Dwelling Purchases											
11640 Furniture & Equipment - Administrative Purchases											
11650 Leasehold Improvements Purchases											
11660 Infrastructure Purchases											
13510 CFFP Debt Service Payments											
13901 Replacement Housing Factor Funds											

FINNEY, NEILL & COMPANY, P.S.

C E R T I F I E D P U B L I C A C C O U N T A N T S

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

Board of Commissioners
Housing Authority of Okanogan County
Omak, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Housing Authority of Okanogan County (the "Authority"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 4, 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 determining 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a material weakness.

**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*.

Housing Authority of Okanogan County's Response to Findings

Housing Authority of Okanogan County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Finney, Hill & Company, P.S.

October 4, 2021
Seattle, Washington

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

Board of Commissioners
Housing Authority of Okanogan County
Omak, Washington

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of Okanogan County ("the Authority's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2020. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Housing Authority of Okanogan County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Finney, Hill & Company, P.S.

October 4, 2021
Seattle, Washington

HOUSING AUTHORITY OF OKANOGAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2020

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be
reported in accordance with the Uniform Guidance? yes X no

Identification of major programs:

CFDA Numbers
14.871, 14.879

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

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualifies as low-risk auditee? X yes no

HOUSING AUTHORITY OF OKANOGAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
For the year ended December 31, 2020

Section II – Financial Statement Findings

2020-001 – Component Unit Presentation and Year End Accounting

Federal Award

Not applicable. The finding relates to financial reporting.

Finding

Internal control processes over financial reporting did not ensure timely accounting of financial statement activity or the identification and proper presentation of discretely presented component units.

Repeat Finding

This is not considered a repeat finding.

Criteria

Good accounting practices require (1) all accounting transactions be recorded timely and accurately, (2) financial statement accounts and line items be reconciled and (3) proper identification, classification and presentation of all component units prior to the onset of the audit engagement.

Condition and Context

The initial financial statement draft and supporting trial balances provided by the Authority did not include all accounting transactions for the year. There were material changes to the financial statement balances and footnote disclosures which were made related to construction accounting, notes payable, capital assets, and certain other balances.

In addition, the initial draft of the financial statements did not properly identify or present a discretely presented component unit.

Cause

Management's internal financial statement preparation process did not ensure that all accounting activity for the year had been recorded and did not properly identify or present a discretely presented component unit.

Effect

An internal control weakness in financial reporting exists because material adjustments and presentation corrections were identified by the auditor's procedures and not by the Authority. As a result, there is the risk that financial statements and disclosures may be materially inaccurate. Insufficient controls over the preparation of financial statements and related disclosures limits the ability to prevent or detect a misstatement in the Authority's year-end financial statements. In addition, the Authority was not able to provide timely or accurate financials to the Board and Federal oversight agencies. This matter has also caused delays in the completion of the annual financial statement and compliance audit.

Questioned Costs

None.

HOUSING AUTHORITY OF OKANOGAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
For the year ended December 31, 2020

Section II – Financial Statement Findings, continued

2020-001 – Component Unit Presentation and Year End Accounting, continued

Recommendations

We recommend the Authority implement procedures to ensure that all accounting transactions are recorded timely. We recommend the draft of the financial statements be reviewed for accuracy and completeness prior to being provided to the auditor. We recommend the Authority thoroughly review all associated entities to determine the proper identification and presentation of discretely presented component units.

Views of Management and Corrective Action Plan

Management's response is reported in the "Management's Corrective Action Plan" at the end of this report.

Contact Person Nancy Nash Mendez, Executive Director

Section III –Federal Award Findings and Questioned Costs

NONE

MANAGEMENT CORRECTIVE ACTION PLAN

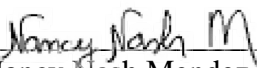
The following is management's response and corrective action plan for the audit findings identified in the audit reporting package for the year ending December 31, 2020.

2020-001 – Component Unit Presentation and Year End Accounting

We agree with the finding. We experienced a number of staff changes and organizational challenges during the year. The Housing Authority of Okanogan County, due to the size of our agency, have outsourced the preparation of our year-end financial statement's compilation to a national CPA firm who themselves also experience staffing challenges during 2020.

We acknowledge that the initial draft of the financial statements and supporting trial balance provided to the auditor required multiple corrections and audit adjustments. In addition, the reporting package was redrafted to properly present a discrete component unit.

We understand the auditor's findings and have taken steps to correct the issues identified by increasing oversight of the year end compilation by both the Executive Director and board members of the Housing Authority of Okanogan County.

Signature:  Date: 10/4/2021
Nancy Nash Mendez, Executive Director

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

NONE