Office of the Washington State Auditor
Pat McCarthy

January 30, 2023

Board of Commissioners
Housing Authority of Kittitas County
Ellensburg, 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 Kittitas County for the fiscal year ended December 31, 2021. The Housing Authority contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements or the Housing Authority of Kittitas 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,

Pat McCarthy, State Auditor

Olympia, WA

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HOUSING AUTHORITY OF KITTITAS COUNTY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2021

WITH
REPORT OF INDEPENDENT AUDITORS

HOUSING AUTHORITY OF KITTITAS COUNTY
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YEAR ENDED DECEMBER 31, 2021

NOVOGRADAC & COMPANY LLP®

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners of the
Housing Authority of Kittitas County:

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the primary government and the aggregate discretely presented component units of the Authority, as of December 31, 2021, and the changes in their net position and, where applicable, their cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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Auditors' Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required pension information 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 an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 is 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 November 9, 2022 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Novogradac & Company LLP

November 9, 2022
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Housing Authority and Financial Statements

The Housing Authority of Kittitas County (the "Authority") was established in 1970 by Kittitas County, Washington. The Authority owns a Rural Rental Housing property, which is operated by a third-party property manager.

The Discretely Presented Component Units consist of two limited liability limited partnerships. The properties are eligible for low-income housing tax credits.

The mission of the Authority is to assist those it serves with safe, decent and affordable housing opportunities while serving to improve the quality of their lives. The Authority attempts to create opportunities for residents to increase their self-sufficiency and independence while assuring fiscal integrity in the programs it administers.

The Authority is proud to present its basic financial statements for the period ended December 31, 2021, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). GAAP requires the inclusion of three basic financial statements: The Statement of Net Position (balance sheet); the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. In addition, GAAP requires the inclusion of a Management's Discussion and Analysis ("MD&A") section as required supplementary information.

The basic financial statements provide both long-term and short-term information about the Authority's overall financial condition. The basic financial statements also include notes that explain financial data reported in the statements and provide more detailed information related to those balances. The statements are followed by a section of other supplementary information that further explains and supports the information in the basic financial statements, including information required to be reported by the Authority's main oversight agency, the U.S. Department of Housing and Urban Development ("HUD").

Financial Analysis

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the Authority and its Component Units at the end of the fiscal year. The purpose of the Statement of Net Position is to give the financial statement readers a snapshot of the fiscal condition of the Authority as of a certain point in time. It presents end-of-year data for assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.

Financial Analysis (continued)

Total assets of the Primary Government at December 31, 2021 are $12,932,287. Current assets are comprised of several categories. Cash and cash equivalents include the cash and investments maturing within 90 days. Accounts receivable include tenant receivables, receivables from other governments and receivables from component units. Prepaid expenses and inventory are also assets of the Authority. Non-current assets include capitalized costs, mortgages receivable, certain investments held for operating and replacement reserves and capital assets. Capital assets include land, buildings, construction in progress, equipment and accumulated depreciation of those assets. Additionally, deferred outflows of resources related to GASB 68 total $21,883.

Total liabilities of the Primary Government are $1,962,619 at December 31, 2021. Liabilities are also presented in current and non-current portions. Current liabilities include accounts payable, other accrued liabilities, unearned revenue, retainage payable and current portions of long-term debt. A liability is considered to be current if it is due within one year. Long-term liabilities consist of notes and mortgages payable over a period of years. Additionally, deferred inflows of resources in the amount of $276,518 are related to GASB 68.

Net position represents the Authority's equity, a portion of which is restricted for certain uses. Net position is divided into three major categories. The first category, invested in capital assets net of related debt, shows the equity in land, structures, construction in progress and equipment, net of related capital debt outstanding. The next net category is restricted net position. This component of net position has external limitations on the way in which it may be used. The last category is unrestricted net position. This component of net position is available to use for any lawful and prudent purpose of the Authority.

Statement of Revenues, Expenses and Changes in Net Position
The purpose of the statement of revenues, expenses and changes in net position is to present the revenues earned by the Authority, both operating and non-operating, and the expenses incurred, operating and non-operating, and any other revenues, expenses, gains, or losses received or spent by the Authority. Generally, the operating revenues are amounts received for providing housing to tenants. Non-operating revenues are funds received for which goods or services are not provided, except that non-operating revenues also include operating grants and subsidies. Capital contributions represent capital grants received to improve or develop capital assets of the Authority.

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the period ended December 31, 2021.

Financial Analysis (continued)

Statement of Net Position	2021	2020	Increase (Decrease)	Percent Variance
Assets:				
Cash & other current assets	$ 4,194,089	$ 10,506,668	$ (6,312,579)	-60.1%
Restricted cash & noncurrent assets	6,950,998	130,103	6,820,895	5242.7%
Capital assets, net	1,765,317	1,807,492	(42,175)	-2.3%
Deferred outflows of resources	21,883	74,590	(52,707)	-70.7%
Total assets and deferred outflows of resources	12,932,287	12,518,853	413,434	3.3%
Liabilities:				
Current liabilities	116,544	83,448	33,096	39.7%
Noncurrent liabilities	1,846,075	1,591,278	254,797	16.0%
Deferred inflows of resources	276,518	71,114	205,404	288.8%
Total liabilities and deferred inflows of resources	2,239,137	1,745,840	493,297	28.3%
Net position:				
Invested in capital assets	(89,448)	345,445	(434,893)	-125.9%
Restricted net position	552,094	130,103	421,991	324.4%
Unrestricted net position	10,230,504	10,297,465	(66,961)	-0.7%
Total net position	$ 10,693,150	$ 10,773,013	$ (79,863)	-0.7%

Statement of Revenues, Expenses & Changes in Net Position	2021	2020	Increase (Decrease)	Percent Variance
Operating revenue & expense				
Operating revenue	$ 757,357	$ 2,661,253	$ (1,903,896)	-71.54%
Operating expenses	814,569	933,916	(119,347)	-12.78%
Operating loss	(57,212)	1,727,337	(1,784,549)	-103.31%
Non-operating revenues & expenses	(22,651)	(37,001)	14,350	-38.78%
Change in net position	(79,863)	1,690,336	(1,770,199)	-104.72%
Net position, beginning of year	10,773,013	9,082,677	1,690,336	18.61%
Net position, end of year	$ 10,693,150	$ 10,773,013	$ (79,863)	-0.74%

Overall Financial Position and Results of Operations

The Authority's financial position is sound; the fundamental activities of housing performed routinely.

Financial Highlights Primary Government

1) On June 2, 2021, the Authority entered into a LAP Loan Agreement with the Washington State Housing Finance Commissioner in the original amount of $403,000.00 for its Pine Terrace Apartments, a Rural Rental Housing property. The loan bears interest at 1% per annum and is due in full on June 30, 2029. The loan is secured by the property.

Capital Asset and Debt Administration

Kittitas RAD LLLP began an occupied-rehab of the property consisting of 110 units in September 2019. Kittitas RAD LLLP entered into loan agreements with the Authority that total $7,500,000, not inclusive of the deferred gain on sale. Payment of these loans are contingent upon cash flow and have been secured by deeds of trust on the property.

Alder Terrace LLLP began an occupied-rehab of the property consisting of 51 units in September 2019. Alder Terrace LLLP entered into a loan agreement with the Authority that totals $2,500,000, not inclusive of the deferred gain on sale. Payment of this loan is contingent upon cash flow and has been secured by a deed of trust on the property.

Economic Factors Affecting the Authority's Future

Availability of finance capital is essential for the Authority to meet its commitment to the growth of local housing opportunities. The current financial and political climate makes it steadily more challenging for the Authority to finance worthy projects. Federal tax credits for low-income housing are an especially important tool for attracting capital to low-income housing. The Washington State Housing Finance Commission ("WSHFC") establishes the priorities for the award of tax credits within the state. The Authority's service area has historically been classified as non-metro, typically putting local projects at a competitive disadvantage for WSHFC awards and increasing the challenge in raising capital.

Request for information

This financial report is designed to provide a general overview of the Authority and its Component Units for all those interested. Questions concerning any of the information presented in this report or requests for additional information should be addressed to:

Jennifer Ellis, Executive Director, at 107 West 11th Ave, Ellensburg WA 98926.

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF KITTITAS COUNTY
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2021

ASSETS

	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Current assets:			
Cash and cash equivalents	$ 3,725,240	$ 621,644	$ 4,346,884
Tenant security deposits	11,081	73,038	84,119
Accounts receivable	212,308	14,878	227,186
Other assets	198	153,889	154,087
Pension asset	242,332	-	242,332
Prepaid expenses	2,930	-	2,930
Inventories	-	46,582	46,582
Total current assets	4,194,089	910,031	5,104,120
Non-current assets:			
Restricted cash	552,094	341,491	893,585
Notes receivable, non-current	4,006,555	-	4,006,555
Developer fees receivable	2,392,349	-	2,392,349
Capital assets, net	1,765,317	33,875,060	35,640,377
Total non-current assets	8,716,315	34,216,551	42,932,866
Total assets	12,910,404	35,126,582	48,036,986

DEFERRED OUTFLOWS OF RESOURCES

	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
State of Washington P.E.R.S.	21,883	-	21,883
Total assets and deferred outflows of resources	$ 12,932,287	$ 35,126,582	$ 48,058,869

HOUSING AUTHORITY OF KITTITAS COUNTY
STATEMENT OF NET POSITION (continued)
AS OF DECEMBER 31, 2021

LIABILITIES

	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Current liabilities:			
Accounts payable	$ 29,900	$ 33,277	$ 63,177
Accrued expenses	21,814	-	21,814
Tenant security deposits	11,081	72,988	84,069
Prepaid rent	510	7,431	7,941
Accrued compensated absences, current	23,365	-	23,365
Notes payable, current	10,024	-	10,024
Accrued interest payable	19,850	1,059,294	1,079,144
Total current liabilities	116,544	1,172,990	1,289,534
Non-current liabilities:			
Accrued compensated absences, non-current	1,334	-	1,334
Notes payable, non-current	1,844,741	27,559,772	29,404,513
Other non-current liabilities	-	2,559,163	2,559,163
Total non-current liabilities	1,846,075	30,118,935	31,965,010
Total liabilities	1,962,619	31,291,925	33,254,544
DEFERRED INFLOWS OF RESOURCES			
State of Washington P.E.R.S.	276,518	-	276,518
NET POSITION			
Net position:			
Net investment in capital assets	(89,448)	6,315,288	6,225,840
Restricted	552,094	341,491	893,585
Unrestricted	10,230,504	(2,822,122)	7,408,382
Total net position	10,693,150	3,834,657	14,527,807
Total liabilities, deferred inflows of resources and net position	$ 12,932,287	$ 35,126,582	$ 48,058,869

HOUSING AUTHORITY OF KITTITAS COUNTY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Operating revenues:			
Tenant revenue	$ 70,232	$ 1,592,870	$ 1,663,102
Subsidy revenue	103,918	-	103,918
Other revenues	583,207	3,440	586,647
Total operating revenues	757,357	1,596,310	2,353,667
Operating expenses:			
Administrative	430,860	379,580	810,440
Utilities	23,109	122,441	145,550
Ordinary repairs and maintenance	256,728	337,231	593,959
Insurance and general expenses	22,157	244,868	267,025
Depreciation	81,715	1,182,741	1,264,456
Total operating expenses	814,569	2,266,861	3,081,430
Operating loss	(57,212)	(670,551)	(727,763)
Non-operating revenues (expenses):			
Investment income	43	4	47
Mortgage interest income	217	-	217
Interest expense	(21,863)	(834,008)	(855,871)
Casualty losses, non-capitalized	(1,048)	-	(1,048)
Net non-operating revenues (expenses)	(22,651)	(834,004)	(856,655)
Loss before capital contributions	(79,863)	(1,504,555)	(1,584,418)
Special items - capital contributions	-	4,800,000	4,800,000
Change in net position	(79,863)	3,295,445	3,215,582
Total net position, beginning of year	10,773,013	539,212	11,312,225
Total net position, end of year	$ 10,693,150	$ 3,834,657	$ 14,527,807

HOUSING AUTHORITY OF KITTITAS COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Primary Government
Cash Flows from Operating Activities:	
Cash received from tenants and others	$ 931,679
Cash received from grantors	95,382
Cash paid to employees	(480,674)
Cash paid to vendors and suppliers	(318,604)
Net cash provided by operating activities	227,783
Cash Flows from Noncapital Financing Activities:	
Casualty losses	(1,048)
Net cash used in noncapital financing activities	(1,048)
Cash Flows from Capital and Related Financing Activities:	
Proceeds from issuance of notes payable	403,000
Principal payments of notes payable	(15,014)
Interest paid on long term debt	(13,831)
Net cash provided by capital and related financing activities	374,155
Cash Flows from Investing Activities:	
Investment income received	260
Issuance of notes receivable	(4,006,555)
Net cash used in investing activities	(4,006,295)
Net decrease in cash and cash equivalents and restricted cash	(3,405,405)
Cash and cash equivalents and restricted cash, beginning of year	7,693,820
Cash and cash equivalents and restricted cash, end of year	$ 4,288,415

Reconciliation of cash and cash equivalents and restricted cash to the Statement of Net Position is as follows:

Cash and cash equivalents	$ 3,725,240
Tenant security deposits	11,081
Restricted cash	552,094
Cash and cash equivalents and restricted cash, end of year	$ 4,288,415

See accompanying notes to financial statements

HOUSING AUTHORITY OF KITTITAS COUNTY
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

		Primary Government
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$	(57,212)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		81,715
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable		270,269
Prepaid expenses		11,220
Inventory		14,663
Other assets		(526)
Pension asset		(242,332)
Deferred outflows of resources		52,707
Accounts payable		21,534
Accrued expenses		(10,274)
Tenant security deposits liability		1,196
Prepaid rent		(1,761)
Accrued compensated absences		5,761
Accrued pension liability		(124,581)
Deferred inflows of resources		205,404
Net cash provided by operating activities	$	227,783

HOUSING AUTHORITY OF KITTITAS COUNTY
COMBINING STATEMENT OF NET POSITION -
DISCRETELY PRESENTED COMPONENT UNITS
AS OF DECEMBER 31, 2021

ASSETS

	Alder Terrace Affordable Housing, LLLP	Kittitas RAD Affordable Housing Portfolio, LLLP	Total Discretely Presented Component Units
Current assets:			
Cash and cash equivalents	$ 220,394	$ 401,250	$ 621,644
Tenant security deposits	32,653	40,385	73,038
Accounts receivable	7,418	7,460	14,878
Other assets	44,019	109,870	153,889
Inventories	27,730	18,852	46,582
Total current assets	332,214	577,817	910,031
Non-current assets:			
Restricted cash	68,174	273,317	341,491
Capital assets, net	12,516,840	21,358,220	33,875,060
Total non-current assets	12,585,014	21,631,537	34,216,551
Total assets	$ 12,917,228	$ 22,209,354	$ 35,126,582

See accompanying notes to financial statements.

HOUSING AUTHORITY OF KITTITAS COUNTY
COMBINING STATEMENT OF NET POSITION -
DISCRETELY PRESENTED COMPONENT UNITS (continued)
AS OF DECEMBER 31, 2021

LIABILITIES

	Alder Terrace Affordable Housing, LLLP	Kittitas RAD Affordable Housing Portfolio, LLLP	Total Discretely Presented Component Units
Current liabilities:			
Accounts payable	$ 33,277	$ -	$ 33,277
Tenant security deposits	32,603	40,385	72,988
Prepaid rent	4,792	2,639	7,431
Accrued interest payable	444,891	614,403	1,059,294
Total current liabilities	515,563	657,427	1,172,990
Non-current liabilities:			
Notes payable, non-current	10,333,203	17,226,569	27,559,772
Other non-current liabilities	392,349	2,166,814	2,559,163
Total non-current liabilities	10,725,552	19,393,383	30,118,935
Total liabilities	11,241,115	20,050,810	31,291,925

NET POSITION

	Alder Terrace Affordable Housing, LLLP	Kittitas RAD Affordable Housing Portfolio, LLLP	Total Discretely Presented Component Units
Net position:			
Net investment in capital assets	2,183,637	4,131,651	6,315,288
Restricted	68,174	273,317	341,491
Unrestricted	(575,698)	(2,246,424)	(2,822,122)
Total net position	1,676,113	2,158,544	3,834,657
Total liabilities, deferred inflows of resources and net position	$ 12,917,228	$ 22,209,354	$ 35,126,582

See accompanying notes to financial statements.

HOUSING AUTHORITY OF KITTITAS COUNTY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - DISCRETELY PRESENTED COMPONENT UNITS
FOR YEAR ENDED DECEMBER 31, 2021

	Alder Terrace Affordable Housing, LLLP	Kittitas RAD Affordable Housing Portfolio, LLLP	Total Discretely Presented Component Units
Operating revenues:			
Tenant revenue	$ 597,066	$ 995,804	$ 1,592,870
Other revenues	1,063	2,377	3,440
Total operating revenues	598,129	998,181	1,596,310
Operating expenses:			
Administrative	130,349	249,231	379,580
Utilities	26,238	96,203	122,441
Ordinary repairs and maintenance	117,033	220,198	337,231
Insurance and general	98,371	146,497	244,868
Depreciation	452,008	730,733	1,182,741
Total operating expenses	823,999	1,442,862	2,266,861
Operating loss	(225,870)	(444,681)	(670,551)
Non-operating revenues (expenses):			
Investment income	4	-	4
Interest expense	(386,862)	(447,146)	(834,008)
Net non-operating revenues (expenses)	(386,858)	(447,146)	(834,004)
Loss before capital contributions	(612,728)	(891,827)	(1,504,555)
Capital contributions	2,000,000	2,800,000	4,800,000
Change in net position	1,387,272	1,908,173	3,295,445
Total net position, beginning of year	288,841	250,371	539,212
Total net position, end of year	$ 1,676,113	$ 2,158,544	$ 3,834,657

See accompanying notes to financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Housing Authority of Kittitas County (the "Authority") is a governmental, public corporation created under federal and state housing laws for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in Kittitas County, Washington (the "County"). The Authority is responsible for operating certain low-rent housing programs in the County under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a board of commissioners which is essentially autonomous, but is responsible to HUD. An executive director is appointed by the Authority's board of commissioners to manage the day-to-day operations of the Authority.

B. Basis of Accounting / Financial Statement Presentation

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The programs of the Authority are organized as separate accounting entities. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position (program equity), revenues, and expenses. The individual programs account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The programs of the Authority are combined and considered an enterprise fund. An enterprise fund is used to account for activities that are operated in a manner similar to those found in the private sector.

The Authority's enterprise fund is accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Authority's financial statements are prepared in accordance with GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended ("GASB 34"). GASB 34 requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows. GASB 34 also requires the Authority to include Management's Discussion and Analysis as part of the Required Supplementary Information.

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB 33, *Accounting and Financial Reporting for Non-exchange Transactions* ("GASB 33"), grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity

In accordance with GASB 61, *The Financial Reporting Entity Omnibus - An Amendment of GASB Statement No. 14 and No. 34*, the Authority's basic financial statements include those of the Authority and any component units. Component units are legally separate organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

1. The primary government (Authority) is legally entitled to or can otherwise access the organization's resources.

2. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.

3. The primary government is obligated in some manner for the debt of the organization.

Based on the application of the above criteria, this report includes all programs and activities operated by the Authority, including the following discretely presented component units.

Kittitas RAD Affordable Housing Portfolio, LLLP
Kittitas RAD Affordable Housing Portfolio, LLLP ("Kittitas RAD") was formed as a limited partnership in May 2018 and began operations in September 2019. The Authority sold its Public and Indian Housing units to Kittitas RAD as part of the conversion through the Rental Assistance Demonstration Program ("RAD"). The purpose of Kittitas RAD is to rehabilitate and operate one hundred and ten (110) units for rental to persons of low to moderate income located in the County.

Alder Terrace Affordable Housing , LLLP
Alder Terrace Affordable Housing, LLLP ("Alder Terrace") was formed as a limited partnership in May 2018 and began operations in September 2019. The Authority sold its State & Local units to Alder Terrace as the units were eligible for Low-Income Housing Tax Credits. The purpose of Alder Terrace is to rehabilitate and operate fifty one (51) units for rental to persons of low to moderate income located in the County.

A copy of the audited financial statements for Kittitas RAD and Alder Terrace can be obtained by contacting the Authority at (509)962-9006.

There were no additional entities required to be included in the reporting entity under these criteria. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria.

D. Description of Programs

The Authority maintains its accounting records by program. A summary of the significant programs operated by the Authority is as follows:

Business Activities
The Business Activities Fund was created as part of the RAD conversion. The Business Activities fund includes the interest in Kittitas RAD and Alder Terrace and the revenues recorded from these interests are recorded in this fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Description of Programs (continued)

Rural Rental Housing Loans
Rural Rental Housing Loans are mortgages made by the United Stated Department of Agriculture ("USDA") to provide affordable rental housing for low and moderate income families, elderly persons, and persons with disabilities.

E. Use of Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment, amortization of leasehold improvements and contingencies. Actual results could differ significantly from these estimates.

F. Cash and Cash Equivalents

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment.

HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase. It is the Authority's policy to maintain collateralization in accordance with HUD requirements.

G. Accounts Receivable

Rents are due from tenants on the first day of each month. As a result, tenants receivable balances primarily consist of rents past due and due from vacated tenants. An allowance for doubtful accounts is established to provide for accounts which may not be collected in the future for any reason. Collection losses on accounts receivable are charged against the allowance for doubtful accounts. Also, included in accounts receivable are those amounts that tenants owe the Authority as payment for committing fraud or misrepresentation. These charges usually consist of retroactive rent and other amounts that may be determined by a formal written agreement or by a court order.

The Authority recognizes a receivable from other governmental agencies for amounts earned and billed but not received and for amounts unbilled, but earned as of year end.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Allowance for Doubtful Accounts

The Authority periodically reviews all accounts receivable to determine the amount, if any, that may be uncollectable. If it is determined that an account or accounts may be uncollectable, the Authority prepares an analysis of such accounts and records an appropriate allowance against such amounts.

I. Notes Receivable

The Authority has utilized development funds in accordance with HUD guidelines to assist in the construction and redevelopment of numerous public housing developments through the issuance of mortgage notes. When preparing financial statements in accordance with generally accepted accounting principles, management is required to make estimates as to the collectability of such mortgage notes. When estimating collectability, management analyzes the value of the underlying mortgaged property; the property's ability to generate positive cash flow, and current economic trends and conditions. Management utilizes these estimates and judgments in connection with establishing an allowance for uncollectable amounts during an accounting period.

J. Prepaid Expenses

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

K. Inventories

Inventory consists of miscellaneous supplies and appliances and is valued at cost using the first in first out method. If inventory falls below cost due to damage, deterioration, or obsolescence, the Authority writes down inventory to its net realizable value through the establishment of an allowance for obsolete inventory. As of December 31, 2021, management has determined an allowance to not be necessary.

L. Capital Assets, Net

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of fixed assets, the cost and related accumulated depreciation are eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position.

Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

• Buildings	30 Years
• Furniture and Equipment	5 Years

The Authority has established a capitalization threshold of $5,000.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Impairment of Long-Lived Assets

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is significant and other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. During the year ended December 31, 2021 there were no impairments losses incurred.

N. Accounts Payable and Accrued Liabilities

The Authority recognizes a liability for goods and services received but not paid for as of year-end. The Authority recognizes a liability for wages and fringe benefits related to services performed at year-end but not yet paid to employees or taxing authorities.

O. Prepaid Rent

The Authority's prepaid rent primarily consists of the prepayment of rent by residents applicable to future periods.

P. Compensated Absences

Compensated absences are those absences for which employees will be paid in accordance with the Authority's Personnel Policy. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such event takes place.

Q. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Washington State Public Employees' Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. 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.

R. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until that time.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Equity Classifications

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of resources including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of resources with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

T. Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided as well as government subsidies and grants used for operating purposes. The Authority receives annual operating subsidies from HUD, subject to limitations prescribed by HUD. Operating subsidies from HUD are recorded when received and are accounted for as revenue. Other contributions from HUD that are for development and modernization of capital assets are reflected separately in the accompanying financial statements as capital grants.

Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenues and expenses as non-operating.

U. Taxes

The Authority is a unit of local government under the State of Washington law and is exempt from real estate and income taxes by both the federal and state governments. However, the Authority will pay a payment in lieu of taxes to cover municipal services provided by the local government for certain properties owned throughout the County.

V. Risk Management

The Authority is exposed to various risks related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs and there have been no significant reductions in insurance coverage. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, the amount of the loss can be reasonably estimated, and said amount exceeds insurance coverage. Settlement amounts have not exceeded insurance coverage for the last three years.

NOTE 2. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

As of December 31, 2021, the primary government had funds on deposit in checking, savings, and money market accounts. The carrying amount of the primary government's cash and cash equivalents (including restricted cash) was $4,288,415, and the bank balances approximated $4,305,023.

Cash Category	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Unrestricted	$ 3,725,240	$ 621,644	$ 4,346,884
Tenant security deposits	11,081	73,038	84,119
Restricted	552,094	341,491	893,585
Total cash and cash equivalents	$ 4,288,415	$ 1,036,173	$ 5,324,588

Of the primary government's bank balances, $253,010 was covered by federal depository insurance and the remaining $4,052,013 was collateralized with the pledging financial institutions as of December 31, 2021.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of December 31, 2021, the Authority's bank balances were not exposed to custodial credit risk.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31, 2021:

Description	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Accounts receivable - tenants	$ 12,017	$ 14,878	$ 26,895
Accounts receivable - miscellaneous	200,291	-	200,291
Total accounts receivable, net	$ 212,308	$ 14,878	$ 227,186

Accounts Receivable - Tenants
Tenant accounts receivable represents amounts owed to the Authority by tenants for outstanding rent. Management estimates the amounts to be fully collectible and therefore no allowance for doubtful accounts has been established.

Accounts Receivable - Miscellaneous
Accounts receivable - miscellaneous consists of amounts owed to the Authority for management fees and reimbursement of expenditures from Kittitas RAD and Alder Terrace. Management estimates the amounts to be fully collectible and therefore no allowance for doubtful accounts has been established.

NOTE 4. RESTRICTED DEPOSITS

As of December 31, 2021, restricted deposits consisted of the following:

Cash Category	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Replacement reserves	$ 140,270	$ -	$ 140,270
Construction reserves	-	9,325	9,325
Loan reserves	398,665	-	398,665
Operating reserves	11,970	332,166	344,136
Tax and insurance reserves	1,189	-	1,189
Tenant security deposits	11,081	73,038	84,119
Total restricted deposits	$ 563,175	$ 414,529	$ 977,704

Replacement reserves are required to be set aside to fund major repairs, capital expenditures, and replacement of capital items of Authority, in accordance with the Rural Rental Housing Loans.

Construction reserves represent funds that are restricted for payments of construction and rehabilitation costs for Alder Terrace and Kittitas RAD.

Loan reserves are restricted for specific rehabilitation projects. These amounts are not generally available for operating purposes.

Operating reserves represent funds that are restricted in the case that the Authority encounters an operating deficit.

Tax and insurance reserves are restricted for payments of real estate taxes and insurance expenditures of the Authority.

Tenant security deposits represent amounts held by the Authority on behalf of tenants. Upon termination from the Authority, the tenant is due amounts deposited plus interest earned less any amounts charged for damage to the unit.

NOTE 5. CAPITAL ASSETS, NET

The following is a summary of the primary government's changes in capital assets during the year ended December 31, 2021:

Description	December 31, 2020	Additions	Dispositions	Transfers	December 31, 2021
Non-depreciable:					
Land	$ 442,220	$ -	$ -	$ -	$ 442,220
Depreciable:					
Buildings and improvements	1,336,788	-	-	-	1,336,788
Furniture and equipment	175,449	-	-	-	175,449
Subtotal	1,512,237	-	-	-	1,512,237
Less: accumulated depreciation	107,425	81,715	-	-	189,140
Net capital assets	$ 1,847,032	$ (81,715)	$ -	$ -	$ 1,765,317

NOTE 5. CAPITAL ASSETS, NET (continued)

Depreciation expense of the primary government for the year ended December 31, 2021 amounted to $81,715.

The following is a summary of the discretely presented component units' changes in capital assets during the year ended December 31, 2021:

Description	December 31, 2020	Additions	Dispositions	Transfers	December 31, 2021
Depreciable:					
Buildings and improvements	$ 32,971,459	$ 19,705	$ -	$ -	$ 32,991,164
Furniture and equipment	2,636,304	-	-	-	2,636,304
Subtotal	35,607,763	19,705	-	-	35,627,468
Less: accumulated depreciation	569,667	1,182,741	-	-	1,752,408
Net capital assets	$ 35,038,096	$ (1,163,036)	$ -	$ -	$ 33,875,060

Depreciation expense of the discretely presented component units for the year ended December 31, 2021 amounted to $1,182,741.

NOTE 6. NOTES RECEIVABLE

Outstanding notes receivable of the primary government as of December 31, 2021 consisted of the following:

On August 28, 2019, the Authority issued a seller take-back loan to Kittitas RAD in the amount of $7,250,000, related to the sale of the public housing units. The loan accrues interest at 3.00% per annum and is due from available cash flow. The loan matures on August 1, 2059, at which time the entire balance of principal and interest shall be due and payable in full. The loan is secured by a Leasehold Deed of Trust, Assignment of Rent and Leases, Security Agreement, and Fixture Filing. As of December 31, 2021, accrued interest on the loan totaled $600,198.	$ 7,250,000
On September 12, 2019, the Authority issued a seller take-back loan to Alder Terrace in the amount of $2,500,000, related to the sale of the state and local units. The loan accrues interest at 7.00% per annum and is due from available cash flow. The loan matures on September 1, 2059, at which time the entire balance of principal and interest shall be due and payable in full. The loan is secured by a Leasehold Deed of Trust, Assignment of Rent and Leases, Security Agreement, and Fixture Filing. As of December 31, 2021, accrued interest on the loan totaled $429,034.	2,500,000

NOTE 6. NOTES RECEIVABLE (continued)

On August 28, 2019, the Authority issued a rehabilitation loan note to Kittitas RAD in the amount of $4,931,555. The loan accrues interest at 3.00% per annum compounded annually and is due from available cash flow. The loan matures on August 1, 2059, at which time the entire balance of principal and interest shall be due and payable in full. The loan is secured by the underlying property. As of December 31, 2021, $4,006,555 has been drawn down	4,006,555
Total notes receivable	13,756,555
Less: deferred gain on sale	9,750,000
Notes receivable, net of deferred gain on sale	$ 4,006,555

As of December 31, 2021, accrued interest totaled $1,029,232 on the aforementioned notes receivable and is shown net of an allowance for uncollectable amounts totaling $1,029,232.

NOTE 7. DEVELOPER FEES RECEIVABLE

The Authority entered into Developer Agreements with both Alder Terrace and Kittitas RAD in the original amounts of $442,349 and $2,150,000, respectively, for services rendered in connection with the development and rehabilitation of both projects. As of December 31, 2021, the developer fees receivable totaled $392,349 and $2,000,000, respectively.

NOTE 8. ACCOUNTS PAYABLE

Accounts payable - vendors represents the amounts payable to contractors and vendors for materials received or services rendered and amounts owed to the Authority for management fees, developer fees, and reimbursement of expenditures from Kittitas RAD and Alder Terrace. As of December 31, 2021, accounts payable - vendors totaled $29,900 for the primary government and $33,277 for the discretely present component units.

NOTE 9. NOTES PAYABLE

Notes payable of the primary government consisted of the following as of December 31, 2021:

Description	Amount
On February 2, 2018, the Authority entered into a loan agreement with the Washington State Housing Finance Commission in the original amount of $317,000, as part of the Washington State Affordable Housing Program. The loan bears interest at a rate of 1.00% per annum and matures on February 28, 2026, at which time the principal and accrued interest will be due and payable in full. The loan is secured by a Promissory Note and a Deed of Trust.	$ 317,000
On August 30, 2019, the Authority entered into a Rural Rental Housing loan agreement with the USDA in the original amount of $947,847. The loan accrues interest at a rate of 3.125% and is due in monthly principal and interest payments of $527. The loan matures on August 1, 2049 and is secured by an interest in the property.	933,707

NOTE 9. NOTES PAYABLE (continued)

On August 30, 2019, the Authority entered into a Rural Rental Housing loan agreement with the USDA in the original amount of $205,531. The loan accrues interest at a rate of 3.125% and is due in monthly principal and interest payments of $2,448. The loan matures on August 1, 2049 and is secured by an interest in the property.	201,058
On June 2, 2021, the Authority entered into a LAP Loan agreement with the Washington State Housing Finance Commission in the original amount of $403,000. The loan bears interest at 1% per annum and is due in full on June 30, 2029. The loan is secured by the property.	403,000
Total notes payable	1,854,765
Less: current portion	10,024
Notes payable, net of current portion	$ 1,844,741

Annual debt service for principal and interest over the next five years and in five-year increments thereafter is as follows:

Year	Principal	Interest	Total
2022	$ 10,024	$ 35,746	$ 45,770
2023	10,346	35,634	45,980
2024	10,596	35,313	45,909
2025	11,017	35,062	46,079
2026	11,371	34,642	46,013
2027-2031	782,472	194,413	976,885
2032-2036	73,085	157,411	230,496
2037-2041	85,664	145,355	231,019
2042-2046	100,310	131,095	231,405
2047-2051	759,880	85,723	845,603
	$ 1,854,765	$ 890,394	$ 2,745,159

Interest expense for the primary government for the year ended December 31, 2021 totaled $21,863. As of December 31, 2021, accrued interest for the primary government totaled $19,850.

Notes payable of the discretely presented component units consisted of the following as of December 31, 2021:

Description	Amount
On August 28, 2019, the Authority issued a seller take-back loan to Kittitas RAD Affordable Housing Portfolio LLLP in the amount of $7,250,000, related to the sale of the public housing units. The loan accrues interest at 3.00% per annum and is due from available cash flow. The loan matures on August 1, 2059, at which time the entire balance of principal and interest shall be due and payable in full. The loan is secured by a Leasehold Deed of Trust, Assignment of Rent and Leases, Security Agreement, and Fixture Filing.	$ 7,250,000

NOTE 9. NOTES PAYABLE (continued)

On August 28, 2019, Kittitas RAD entered into a loan agreement with Chase Bank in the amount of $13,005,000.The loan maturity was extended to March 28, 2022, at which time the bond will convert to a permanent bond. The loan bears interest at 3.42% and is due in monthly payments of $16,960 of principal and interest starting on the date of conversion. The loan is secured by a Deed of Trust.	5,970,014
On September 1, 2019, the Authority issued a seller take-back loan to Alder Terrace in the amount of $2,500,000, related to the sale of the state and local units. The loan accrues interest at 7.00% compounded annually and is due from available cash flow. The loan matures on September 1, 2059, at which time the entire balance of principal and interest shall be due and payable in full. The loan is secured by a Leasehold Deed of Trust, Assignment of Rent and Leases, Security Agreement, and Fixture Filing.	2,500,000
On September 1, 2019, Alder Terrace entered into a loan agreement with Chase Bank in the amount of $10,230,000. The loan maturity was extended to April 12, 2022 and will be converted to a permanent loan and reduced to $1,750,000. The loan bears interest at 4.57% and is due in monthly payments of $8,358 of principal and interest starting on the date of conversion. The loan is secured by a Deed of Trust.	7,833,203
On August 28, 2019, the Authority issued a rehabilitation loan note to Kittitas RAD in the amount of $4,931,555. The loan accrues interest at 3.00% per annum compounded annually and is due from available cash flow. The loan matures on August 1, 2059, at which time the entire balance of principal and interest shall be due and payable in full. The loan is secured by the underlying property.	4,006,555
Total notes payable	$ 27,559,772

Interest expense for the discretely presented component units for the year ended December 31, 2021 totaled $822,426. As of December 31, 2021, accrued interest for the discretely present component units totaled $1,059,294.

NOTE 10. PENSION PLAN

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2021:

Account Description	Primary Government
Accrued pension asset	$ 242,332
Deferred inflows of resources	$ 276,518
Deferred outflows of resources	$ 21,883
Pension (benefit) expense	$ 12,304

NOTE 10. PENSION PLAN (continued)

A. State Sponsored Pension Plans

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

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

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

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

B. Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation ("AFC") times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include an optional cost-of-living adjustment ("COLA"). PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions
The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding council, and is subject to change by the Legislature. It 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.

NOTE 10. PENSION PLAN (continued)

B. Public Employees' Retirement System (PERS) (continued)

Contributions (continued)

The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 1

Actual Contribution Rates:	Employer	Employee
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	6.00%
Administrative Fee	0.18%	0.00%
Total	12.86%	12.00%

* For employees participating in JBM, the contribution rate was 12.97%

The Authority's actual contributions to PERS Plan 1 were $15,579 for the year ended June 30, 2021.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's AFC times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the monthly average of the member's 60 consecutive highest-paid service months. 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.

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 if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a cost-of-living allowance (based on the CPI), capped at three percent annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and can change rates only when changing employers. As established by State statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and maximum of 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.

NOTE 10. PENSION PLAN (continued)

B. Public Employees' Retirement System (PERS) (continued)

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 2021 were as follows:

PERS Plan 2/3

Actual Contribution Rates:	Employer	Employee
January through August 2021	12.97%	7.90%
September through December 2021	12.97%	7.90%
Employee PERS Plan 3		varies

The Authority's actual contributions to the PERS Plan 2/3 were $25,477 for the year ended December 31, 2021.

C. Actuarial Assumptions

The total pension liability ("TPL") for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the *2013-2018 Demographic Experience Study Report* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, 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-2010 mortality rates, which vary by member status (eg, active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year, throughout their lifetime.

D. Discount Rate

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

NOTE 10. PENSION PLAN (continued)

D. Discount Rate (continued)

Based on the assumptions described in OSA's certification letter within the DRS ACFR, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40% was used to determine the total liability.

E. Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. The Washington State Investment Board ("WSIB") used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.4 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

F. 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, 2021, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

G. Sensitivity of Net Pension Liability (Asset)

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

Authority's proportionate share of the net pension liability (asset)	1% Decrease (6.40%)	Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1	$ 43,502	$ 25,536	$ 9,868
PERS 2/3	$ (76,310)	$ (267,868)	$ (425,615)

NOTE 10. PENSION PLAN (continued)

H. Pension Plan Fiduciary Net Position

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

I. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2021, the Authority reported a total pension asset of $242,332 for its proportionate share of the net pension liabilities (assets) as follows:

Plan	Pension Liability (Asset)
PERS 1	$ 25,536
PERS 2/3	(267,868)
Total	$ (242,332)

At June 30, 2021 and 2020, the Authority's proportionate share of the collective net pension assets or liabilities was as follows:

	Proportionate Share June 30, 2020	Proportionate Share June 30, 2021	Change in Proportion
PERS 1	0.002397%	0.002091%	-0.000306%
PERS 2/3	0.003124%	0.002689%	-0.000435%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021 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 Non-employer Allocations* for all plans except for the Law Enforcement Officers and Firefighters ("LEOFF") Plan 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.46 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.54 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2021, and the actuarial valuation date on which the total pension liability (asset) is based was June 30, 2021, with update procedures used to roll forward the total pension liability to the measurement date.

NOTE 10. PENSION PLAN (continued)

J. Pension Expense

For the year ended December 31, 2021, the Authority recognized pension expense as follows:

Plan	Pension Expense (Benefit)
PERS 1	$ 58,073
PERS 2/3	(45,769)
Total	$ 12,304

K. Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ -
Changes in proportionate share	-	10,864
Differences between expected and actual experience	-	-
Net differences between projected and actual investment earnings on pension plan investments	-	28,336
Contributions subsequent to measurement date	6,663	-
Total PERS Plan 1	$ 6,663	$ 39,200

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 391	$ 19,023
Changes in proportionate share	(9,603)	(8,863)
Differences between expected and actual experience	13,010	3,284
Net differences between projected and actual investment earnings on pension plan investments	-	223,874
Contributions subsequent to measurement date	11,422	-
Total PERS Plan 2/3	$ 15,220	$ 237,318
Total PERS Plans 1 and 2/3	$ 21,883	$ 276,518

NOTE 10. PENSION PLAN (continued)

K. Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	Amount
2022	$ (52,702)
2023	(52,702)
2024	(37,397)
2025	(52,331)
2026	(42,670)
Thereafter	(16,833)
	$ (254,635)

NOTE 11. NON-CURRENT LIABILITIES

Non-current liabilities of the primary government as of December 31, 2021 consisted of the following:

Description	December 31, 2020	Additions	Payments/ Retirements	December 31, 2021	Amounts due within one Year
Notes payable	$ 1,466,779	$ 403,000	$ (15,014)	$ 1,854,765	$ 10,024
Accrued pension liability	124,581	-	(124,581)	-	-
Accrued compensated absences	18,938	29,135	(23,374)	24,699	23,365
Total non-current liabilities	$ 1,610,298	$ 432,135	$ (162,969)	$ 1,879,464	$ 33,389

Non-current liabilities of the discretely presented component units as of December 31, 2021 consisted of the following:

Description	December 31, 2020	Additions	Payments/ Retirements	December 31, 2021	Amounts due within one Year
Notes payable	$31,261,815	$ 4,006,555	$ (7,708,598)	$27,559,772	$ -
Ground lease payable	40,070	63,553	-	103,623	-
Due to related party	-	63,191	-	63,191	-
Developer fees	2,392,349	-	-	2,392,349	-
Total non-current liabilities	$33,694,234	$ 4,133,299	$ (7,708,598)	$30,118,935	$ -

NOTE 12. RESTRICTED NET POSITION

Restricted net position consists of the following as of December 31, 2021:

Description	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Replacement reserves	$ 140,270	$ -	$ 140,270
Construction reserves	-	9,325	9,325
Loan reserves	398,665	-	398,665
Operating reserves	11,970	332,166	344,136
Tax and insurance reserves	1,189	-	1,189
Total restricted net position	$ 552,094	$ 341,491	$ 893,585

Replacement reserves are required to be set aside to fund major repairs, capital expenditures, and replacement of capital items in the projects of Authority, in accordance with the Rural Rental Housing Loans.

Construction reserves represent funds that are restricted for payments of construction and rehabilitation costs for Alder Terrace and Kittitas RAD.

Loan reserves are restricted for specific rehabilitation projects. These amounts are not generally available for operating purposes.

Operating reserves represent funds that are restricted in the case that the projects of the Authority encounter an operating deficit.

Tax and insurance reserves are restricted for payments of real estate taxes and insurance for the projects of the Authority.

NOTE 13. SPECIAL ITEM - CAPITAL CONTRIBUTIONS

Pursuant to partnership agreements, the Limited Partners of the discretely presented component units are required to provide capital contributions. During the year ended December 31, 2021, the Limited Partners contributed $4,800,000 of capital contributions to the discretely presented component units, which are recorded as special items in the Statement of Revenues, Expenses and Changes in Net Position. Capital contributions are subject to adjustments based on the amount of LIHTC allocated to the discretely presented component units in addition to other occurrences as more fully explained in the partnership agreements.

NOTE 14. CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of December 31, 2021, the Authority estimates that no material liabilities will result from such audits.

NOTE 15. VULNERABILITY - IMPACT OF COVID-19

The severity of the impact of COVID-19 on the Authority's operations will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Authority's tenants and borrowers, all of which are uncertain and cannot be predicted. The Authority's future results could be adversely impacted by delays in rent and loan payment collections. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial condition, results of operations or cash flows.

NOTE 16. SUBSEQUENT EVENTS

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Subsequent events have been evaluated through November 9, 2022, which is the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners of the
Housing Authority of Kittitas County:

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 (primary government) and the aggregate discretely presented component units of the Housing Authority of Kittitas County (the "Authority") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated November 9, 2022. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component units.

Report on Internal Control Over Financial Reporting

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

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

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

Report on 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*.

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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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Novogradac & Company LLP

November 9, 2022
Toms River, New Jersey

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners of
Housing Authority of Kittitas County:

Opinion on Each Major Federal Program

We have audited Housing Authority of Kittitas County's (the "Authority") 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, 2021. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

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Auditors' Responsibilities for the Audit of Compliance (continued)

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

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

Novogradac & Company LLP

November 9, 2022
Toms River, New Jersey

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF KITTITAS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Program Title	Federal CFDA Number	Grant Expenditures
U.S. Department of Agriculture:		
Rural Rental Housing Loans Program (Mortgage)	10.415	$ 1,134,765
Rural Rental Housing Loans Program (Rental Assistance)	10.415	103,918
Total U.S Department of Agriculture		1,238,683
Total Expenditures of Federal Awards		$ 1,238,683

See Notes to Schedule of Expenditures of Federal Awards

HOUSING AUTHORITY OF KITTITAS COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Authority under programs of the federal government for the year ended December 31, 2021. The information in the Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3. INDIRECT COST RATE

The Authority has not elected to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4. RURAL RENTAL HOUSING LOANS PROGRAM

The Rural Rental Housing Loans Program (Mortgage) listed subsequently is administered by the U.S. Department of Agriculture, and balance and transactions relating to the program are included in the Authority's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of the loan outstanding at December 31, 2021 consisted of:

CFDA Number	*Program Name*	*Outstanding Balance at December 31, 2021*
10.415	Rural Rental Housing Loans Program (Mortgage)	$ 1,134,765

HOUSING AUTHORITY OF KITTITAS COUNTY
SCHEDULE OF FINDING AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

I. Summary of Auditors' Results

Financial Statement Section

1.	Type of auditors' report issued:		Unmodified
2.	Internal control over financial reporting		
	a.	Material weakness(es) identified?	No
	b.	Significant deficiency(ies) identified?	None reported
3.	Noncompliance material to the financial statements?		No

Federal Awards Section

1.	Internal Control over compliance:		
	a.	Material weakness(es) identified?	No
	b.	Significant deficiency(ies) identified?	None reported
2.	Type of auditors' report on compliance for major programs:		Unmodified
3.	Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		No
4.	Identification of major programs:		

CFDA Number	Name of Federal Program
10.415	Rural Rental Housing Loans Program

5.	Dollar threshold used to distinguish between Type A and Type B Programs:	$750,000
6.	Auditee qualified as low-risk Auditee?	No

II. Financial Statement Findings

There were no findings or questioned costs relating to the financial statements.

III. Federal Award Findings and Questioned Costs

There were no findings or questioned costs relating to federal awards.

IV. Schedule of Prior Year Federal Audit Findings

Finding 2020-001

Observation: Reserve for Replacements. The Authority is required to make monthly deposits to the Reserve for Replacements for the U.S. Department of Agriculture multi-family property known as Pine Terrace Apartments. These required monthly deposits are based on a stated amount in the U.S. Department of Agriculture approved Multi-Family Housing Project Budget.

Status: Corrected.

HOUSING AUTHORITY OF KITTITAS COUNTY
REQUIRED PENSION INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

PERS #1	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Employer's proportion of the net pension liability (asset)	0.002860%	0.002737%	0.002658%	0.001285%	0.001827%	0.002397%	0.002091%
Employer's proportionate share of the net pension liability (asset)	$ 144,074	$ 143,171	$ 142,747	$ 60,974	$ 70,255	$ 84,627	$ 25,536
Covered employee payroll*	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	- %	- %	- %	- %	- %	- %	- %
Plan fiduciary net position as a percentage of the total pension liability (asset)	61.19 %	59.10 %	57.03 %	61.24 %	67.12 %	68.65 %	88.74 %

PERS #2/3	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Employer's proportion of the net pension liability (asset)	0.003682%	0.003536%	0.003410%	0.001653%	0.002358%	0.003214%	0.002689%
Employer's proportionate share of the net pension liability (asset)	$ 74,427	$ 126,343	$ 171,691	$ 57,434	$ 22,904	$ 39,954	$ (267,868)
Covered employee payroll*	$ 304,593	$ 303,139	$ 202,890	$ 239,515	$ 337,837	$ 379,552	$ 386,675
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	24.43 %	41.68 %	84.62 %	23.98 %	6.78 %	10.53 %	(69.27)%
Plan fiduciary net position as a percentage of the total pension liability (asset)	93.29 %	89.20 %	85.82 %	90.97 %	97.77 %	97.22 %	120.29 %

* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)

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

See Report of Independent Auditors

HOUSING AUTHORITY OF KITTITAS COUNTY
REQUIRED PENSION INFORMATION (continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

SCHEDULE OF EMPLOYER CONTRIBUTIONS**

PERS #1	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Contractually required contribution	$ 12,658	$ 12,581	$ 15,073	$ 7,733	$ 13,100	$ 17,375	$ 15,579
Contributions in relation to the contractually required contributions	12,658	12,581	15,073	7,733	13,100	17,375	15,579
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll*	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contribution as a percentage of covered payroll	- %	- %	- %	- %	- %	- %	- %

PERS #2/3	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Contractually required contribution	$ 15,553	$ 15,751	$ 19,686	$ 10,099	$ 19,262	$ 28,780	$ 25,477
Contributions in relation to the contractually required contributions	15,553	15,751	19,686	10,099	19,262	28,780	25,477
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll*	$ 304,593	$ 303,139	$ 202,890	$ 239,515	$ 337,837	$ 379,552	$ 386,675
Contribution as a percentage of covered payroll	5.11 %	5.20 %	9.70 %	4.22 %	5.70 %	7.58 %	6.59 %

* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)
** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.