



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

June 26, 2023

Board of Commissioners
Housing Authority of Skagit County
Burlington, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements and compliance with federal grant requirements of the Housing Authority of Skagit County for the fiscal year ended September 30, 2021. The Housing Authority contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEAR ENDED SEPTEMBER 30, 2021



CPAs | CONSULTANTS | WEALTH ADVISORS

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**HOUSING AUTHORITY OF SKAGIT COUNTY
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YEAR ENDED SEPTEMBER 30, 2021**

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Authority of Skagit County
Burlington, Washington

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of business-type activities of the Housing Authority of Skagit County (the Authority), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 GAAS 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 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.

In performing an audit in accordance with GAAS 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.

Emphasis of Matter

During the fiscal year ended September 30, 2021, the Authority recorded a prior period adjustment related to a correction of an error.

As stated in Note 12 to the financial statements, a prior period adjustment was recorded to beginning net position to correct interfunds.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 9, schedule of the Authority's proportionate share of the net pension liability, schedule of Authority's pension contributions and related notes on pages 38 to 42 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

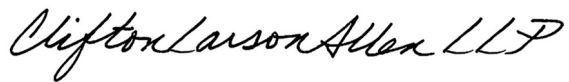
Supplementary Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards accepted in United States of America. In our opinion, the supplementary information 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 October 5, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Bellevue, Washington
October 5, 2022

FINANCIAL SECTION

**HOUSING AUTHORITY OF SKAGIT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

As management of the Housing Authority of Skagit County (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2021. This discussion and analysis are intended to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial position, and identify issues or concerns. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

The financial performance discussed in the following analysis does not include the tax credit entity identified as a discrete component unit. The tax credit entity is owned by separate legal entities with the Authority acting as the general partner or managing member. The separate legal entity is not carried directly on the books of the Authority but is listed as a component unit in the Authority's financial statements and is detailed in portions of the notes to the financial statements. With those exceptions, neither the component unit, nor its financial data, are included in this analysis.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$11.7 million.
- The majority (73%) of the Authority's programs are funded by federal grants and subsidies.
- Twenty-four percent (24%) of the net position is subject to external restrictions on how it may be used. The portions of net position that are federal programs that cannot be used for day-to-day operations are restricted.
- The unrestricted category of net position is \$1,578,770 at September 30, 2021. Unrestricted net position represents the amount the Authority can use to meet the ongoing obligations to citizens and creditors.
- The Authority's total net position increased between September 30, 2020 and September 30, 2021, by \$2.9 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provide an introduction and overview to the Authority's basic financial statements. The basic financial statements comprise three components: 1) entity-wide financial statements, 2) notes to the financial statements, and 3) required supplementary financial information.

Financial Statements – The entity-wide financial statements consist of a statement of net position, statement of revenues, expenses and changes in net position and a statement of cash flows. For more information on the separate federal programs of the Authority, see the list on the Schedule of Expenditures of Federal Awards. The Authority is considered a special purpose government; therefore, the U.S. Department of Housing and Urban Development (HUD) has recommended that this model be used.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements. They are intended to disclose all pertinent matters as prescribed under Generally Accepted Accounting Principles (GAAP).

**HOUSING AUTHORITY OF SKAGIT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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

In addition to the REAC standard reporting, the Authority prepares a Schedule of Expenditures of Federal Awards (SEFA). This report is presented on a full accrual GAAP basis. The supplemental information also includes required schedules detailing pension attributes.

FINANCIAL ANALYSIS

Condensed Statement of Net Position

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

**HOUSING AUTHORITY OF SKAGIT COUNTY
Condensed Statements of Net Position**

	2021	As Restated 2020
Assets and Deferred Outflows of Resources:		
Current and Other Assets	\$ 5,771,442	\$ 5,100,217
Capital Assets	21,233,224	15,966,107
Total Assets	27,004,666	21,066,324
Deferred Outflows of Resources	95,267	92,655
Total Assets and Deferred Outflows of Resources	<u>\$ 27,099,933</u>	<u>\$ 21,158,979</u>
Liabilities and Deferred Inflows of Resources:		
Long-Term Debt Outstanding	\$ 13,859,520	\$ 10,392,943
Other Liabilities	705,301	1,782,788
Total Liabilities	14,564,821	12,175,731
Deferred Inflows of Resources	814,169	122,100
Total Liabilities and Deferred Inflows of Resources	15,378,990	12,297,831
Net Position:		
Net Investment in Capital Assets	7,373,704	5,573,164
Restricted	2,768,469	1,299,070
Unrestricted	1,578,770	1,988,914
Total Net Position	<u>11,720,943</u>	<u>8,861,148</u>
Total Liabilities and Net Position	<u>\$ 27,099,933</u>	<u>\$ 21,158,979</u>

**HOUSING AUTHORITY OF SKAGIT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

The Authority's net position is \$11.8 million at September 30, 2021. Of this amount, \$2.8 million, or 24% of total net position, is restricted for legal constraints from debt covenants, enabling legislation and federal grant requirements that limits the Authority's ability to use this component of net position for day-to-day operations. The three major components of restricted net position are debt service reserves, Housing Choice Voucher housing assistance payment (HAP) program reserves and required replacement reserves. Restricted net position increased by approximately \$1.5 million.

HAP reserves increased by \$301,000, as subsidy received was less than the housing assistance payments made; however, this was offset by an increase in replacement reserves of \$501,000. At September 30, 2021, the unrestricted net position decreased slightly to \$1.6 million, or 14% of net position. This represents the amount that may be used to meet the Authority's ongoing obligations.

The Authority's investment in capital, less any related debt used to acquire the assets that is still outstanding, reflects its net investment in capital assets (\$7.4 million or 63.0% at 2021). The Authority's capital assets are used to provide housing to citizens. Consequently, these assets are not available for future spending. The net investment in capital assets at fiscal year-end shows a 32% increase due to the government combination related to Raspberry Ridge II.

The current and other asset category increased \$0.7 million from FY 2020 to FY 2021, caused by increases of cash and cash equivalents and accounts receivables. As mentioned previously, capital assets increased due to construction in progress on the farmworker housing project. This increase of \$5.3 million is offset by recurring depreciation.

The Authority's total liabilities increased 20% between 2020 and 2021 due to increases in bonds and mortgages payable related to the farmworker housing project. The Authority shows a large mortgage payable as current while it is negotiating the refinancing of this liability. Other liabilities decreased by \$1.1 million or 60.4%. This decrease is caused by mainly by vendor accounts payable related to the construction of the seasonal farmworker housing.

At September 30, 2021, the Authority reports positive balances in all three categories of net position. Overall, the Authority's financial condition has improved.

Condensed Statement of Revenue, Expense, and Changes in Fund Net Position

Direct grants and subsidies from HUD, USDA and other grant programs make up 74% of the revenue received, including contributions. The largest program the Authority administers is the Housing Choice Voucher program, commonly known as Section 8. This program also generates the largest single category of expense in the form of housing assistance payments (HAP), which are disbursements to private landlords to assist eligible low-income families with their rent.

A major factor affecting the Statement of Revenues, Expenses and Changes in Net Position is Congress' continued appropriation and support for these programs. In fiscal year 2021, HUD support increased from the prior year by \$0.70 million; economic factors including rising rents and high occupancy rates in the local rental market resulted in fewer families assisted.

**HOUSING AUTHORITY OF SKAGIT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

The tenant revenues between fiscal year 2020 and 2021 increased 1.0%, or \$14,000. Tenant rents fluctuate based on the tenants' ability to pay. Most of this increase was in the state and local subsidized housing business line. Grants from other government agencies increased by 84.7% or \$663,000. The Authority received additional COVID-19 emergency rental assistance funding.

Total operating expense increased by 5% or \$313,000 compared to FY 2020. The primary cause is an increase in Housing Choice Voucher program expenses of \$535,000 (13.8%) offset by a decrease in administrative and other general expenses.

On August 31, 2020, the Authority acquired full ownership of Raspberry Ridge II apartments. The total transfer in was \$1,386,195.

Overall, total revenues increased by 18% and total expenses increased by 5% between FY2020 and FY2021 for the reasons explained above.

Key elements of the Condensed Statement of Revenue, Expense, and Changes in Fund Net Position for the Authority are as follows:

**Condensed Statement of Revenue, Expenses, and Changes in Net Position
For the Fiscal Years Ended September 30,**

	<u>2021</u>	<u>2020</u>
Revenues		
Operating Revenue:		
Net Tenant Rental Revenue	\$ 2,160,377	\$ 2,145,954
HUD Operating Grants	5,014,820	4,321,228
Other Government Grants	1,446,582	783,377
Other Revenue	75,633	119,222
Total Operating Revenue	<u>8,697,412</u>	<u>7,369,781</u>
Nonoperating Revenues:		
Other Nonoperating Revenue	<u>48,829</u>	<u>108,371</u>
Total Nonoperating Revenue	<u>48,829</u>	<u>108,371</u>
Total Revenue	8,746,241	7,478,152
Expenses		
Operating Expenses	7,097,400	6,784,465
Nonoperating Expenses:		
Transfer of Raspberry Ridge II	(1,386,195)	-
Interest Expense	<u>175,241</u>	<u>176,402</u>
Total Expenses	<u>5,886,446</u>	<u>6,960,867</u>
Contributions	<u>-</u>	<u>2,767,819</u>
Change in Net Position	2,859,795	3,285,104
Net Position - Beginning, As Restated	<u>8,861,148</u>	<u>5,576,044</u>
Net Position - Ending	<u><u>\$ 11,720,943</u></u>	<u><u>\$ 8,861,148</u></u>

**HOUSING AUTHORITY OF SKAGIT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets as of September 30, 2021 amounts to \$21.3 million (net of accumulated depreciation). The changes between 2020 and 2021 represent capital asset additions less depreciation. The increase in construction in progress represents additions related to workforce housing construction. This investment in capital assets includes land, buildings and equipment and improvements other than buildings reduced by the related accumulated depreciation.

	2021	2020
Land	\$ 3,094,975	\$ 2,125,890
Construction in Progress	817,031	7,330,723
Total Nondepreciable Capital Assets	<u>3,912,006</u>	<u>9,456,613</u>
Buildings	21,912,962	11,330,429
Equipment	1,927,853	1,403,962
Land Improvements	555,169	520,062
Total Depreciable Capital Assets	<u>24,395,984</u>	<u>13,254,453</u>
Accumulated Depreciation	<u>(7,074,766)</u>	<u>(6,744,959)</u>
Total Depreciable Capital Assets, Net	<u>17,321,218</u>	<u>6,509,494</u>
Total Capital Assets, Net	<u><u>\$ 21,233,224</u></u>	<u><u>\$ 15,966,107</u></u>

Long-Term Debt

At September 30, 2021, the Authority had total capital debt outstanding of \$13.86 million compared to \$10.39 million at September 30, 2020. This increase represents new loans totaling \$3.3 million related to the Housing Trust Fund and USDA rural development loans for farmworker housing construction; offset by scheduled debt payments of \$0.3 million. The Authority is in good standing with all debt obligations and foresees no imminent difficulties with meeting its scheduled debt obligations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority is primarily dependent upon HUD, USDA, and the Washington State Department of Commerce for funding of operations; therefore, the Authority is affected by the Federal budget in addition to local economic conditions. Federal budget cuts enacted in prior years and expected to occur in future periods represent the greatest economic issue for the Authority.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Housing Authority of Skagit County's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Executive Director, Housing Authority of Skagit County, 1650 Port Drive, Burlington, Washington 98233.

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF SKAGIT COUNTY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash - Unrestricted	\$ 2,269,880
Accounts Receivable (Net)	333,449
Prepaid Expenses	140,265
Inventory (Net)	7,607
Cash - Restricted	2,130,371
Tenant Security Deposits	127,408
Total Current Assets	<u>5,008,980</u>

NONCURRENT ASSETS

Capital Assets:	
Nondepreciable	3,912,006
Depreciable, Net	17,321,218
Total Capital Assets, Net	<u>21,233,224</u>
Pension Asset	762,462
Total Noncurrent Assets	<u>21,995,686</u>

Total Assets	27,004,666
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DEFERRED OUTFLOWS OF RESOURCES

Amounts Related to Pension	95,267
Total Deferred Outflows of Resources	<u>95,267</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable and Other Accrued Liabilities	328,050
Interest Payable	11,362
Unearned Revenues	56,000
Current Portion, Long-Term Debt	1,601,832
Other Current Liabilities	3,437
Tenant Security Deposits	127,408
Total Current Liabilities	<u>2,128,089</u>

NONCURRENT LIABILITIES

Long-Term Debt, Net of Current Portion	12,257,688
Compensated Absences	41,465
Net Pension Liability	72,651
Other Noncurrent Liabilities	64,928
Total Long-Term Liabilities	<u>12,436,732</u>

Total Liabilities	14,564,821
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DEFERRED INFLOWS OF RESOURCES

Amounts Related to Pension	814,169
Total Deferred Inflows of Resources	<u>814,169</u>

NET POSITION

Net Investment in Capital Assets	7,373,704
Restricted Net Position	2,768,469
Unrestricted Net Position	1,578,770
Total Net Position	<u>\$ 11,720,943</u>

See accompanying Notes to Financial Statements.

HOUSING AUTHORITY OF SKAGIT COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2021

OPERATING REVENUE

Net Rental Revenue	\$ 2,160,377
HUD PHA Operating Grants	5,014,820
Other Government Grants	1,446,582
Other Income	75,633
Total Operating Revenue	<u>8,697,412</u>

OPERATING EXPENSES

Administrative	900,456
Tenant Services	144,850
Utilities	334,629
Maintenance	583,953
Protective Services	6,043
Other General Expenses	342,460
Housing Assistance Payments	4,411,752
Depreciation and Amortization	373,257
Total Operating Expenses	<u>7,097,400</u>

OPERATING INCOME 1,600,012

NONOPERATING INCOME (EXPENSES)

Investment Income	48,829
Special Item	1,386,195
Interest Expense	(175,241)
Total Nonoperating Revenue (Expenses)	<u>1,259,783</u>

CHANGE IN NET POSITION 2,859,795

Net Position - Beginning of Year, As Restated 8,861,148

NET POSITION - END OF YEAR \$ 11,720,943

See accompanying Notes to Financial Statements.

**HOUSING AUTHORITY OF SKAGIT COUNTY
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Tenants	\$ 2,215,770
Cash Received from Other Activities	1,448,175
Cash Received from HUD Operating Grants	4,743,633
Cash Paid to Suppliers	(2,454,639)
Cash Paid to Employees	(368,066)
Cash Paid to Landlords	(4,411,752)
Net Cash Provided by Operating Activities	<u>1,173,121</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of Capital Assets	(5,752,080)
Proceeds from Issuance of Long-Term Debt	6,308,819
Principal Paid on Capital Debt	(2,842,242)
Transfer of Raspberry Ridge II from DPCU to BCU	1,486,021
Interest Paid	(175,241)
Net Cash Used by Capital and Related Financing Activities	<u>(819,567)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	48,829
Collection of notes receivable	150,000
Net Cash Provided by Investing Activities	<u>198,829</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

552,383

Cash and Cash Equivalents - Beginning of Year

3,975,276

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 4,527,659

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION

Cash and Cash Equivalents, Unrestricted	\$ 2,269,880
Cash and Cash Equivalents, Restricted - Current	2,130,371
Tenant Security Deposits	127,408
Cash and Cash Equivalents, Total	<u><u>\$ 4,527,659</u></u>

See accompanying Notes to Financial Statements.

**HOUSING AUTHORITY OF SKAGIT COUNTY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2021**

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

Net Income	\$ 1,600,012
Adjustments to Reconcile Net Income to Net Cash	
Provided by Operating Activities:	
Depreciation and Amortization	373,257
Increase (Decrease) in Cash Due to Changes	
in Assets and Liabilities:	
Accounts Receivable - Tenants	(38,104)
Accounts Receivable - Other	(131,017)
Prepaid Expenses	(15,344)
Other Assets	(467,518)
Accounts Payable and Other Accrued Liabilities	(746,270)
Interest Payable	1,645
Tenant Security Deposits	19,457
Compensated Absences	(10,367)
Unearned Revenues	(140,170)
Other Liabilities	14,849
Pension Activities	712,691
Net Adjustments	<u>(426,891)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,173,121</u></u>

See accompanying Notes to Financial Statements.

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Reporting Entity

The Authority is a municipal corporation governed by a five-member appointed board. In determining how to define the reporting entity, management has considered all potential component units of the Authority. Component units are legally separate entities for which the Authority is financially accountable or are other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The decision to include a component unit in the reporting entity using the blending method or by discrete presentation was made by applying the criteria set forth in Sections 2100 and 2600 of the Government Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting.

B. Basis of Accounting and Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority is a special purpose governmental entity created to provide low rent housing and engages only in business-type activities and, therefore, presents only the financial statements required for an enterprise fund, in accordance with GASB Statement 34 paragraph 138.

The accounting records of the Authority are maintained and reported in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW and the Federal Department of Housing and Urban Development. The Authority must report using GAAP; however, it has the option to use either the single enterprise proprietary fund or special purpose governmental fund model.

The Authority has elected to report as a single-enterprise proprietary fund and uses the accrual basis of accounting. The measurement focus is on the flow of economic resources. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when obligations are incurred or when benefits are received. Capital asset purchases are capitalized and long-term debt liabilities are accounted for in the fund. Proprietary funds are used to account for activities that are operated in a manner similar to private enterprise business. The proprietary fund is composed of a number of programs. These programs are designed to provide low-income individuals with housing.

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Presentation (Continued)

The Authority's financial statements distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The Authority's principal operating revenues are charges to tenants for providing housing and related services, and subsidies from federal and state agencies for these same services. Operating expenses for programs include the cost of sales and services, administrative expenses, and depreciation on capital assets. Nonroutine maintenance expenses are expensed as incurred. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The GASB defines the basic financial statements of a business type activity as the: statement of net position, statement of revenues, expenses and changes in net position, and the statement of cash flows. These basic financial statements are supplemented by a management's discussion and analysis as required supplemental information. The statement of net position is presented to illustrate both the current and noncurrent balances of each asset and liability. All revenues and expenses are classified as either operating or nonoperating activities in the statement of revenues, expenses, and changes in net position.

The following are the primary programs administered by the Authority and included in these financial statements:

Housing Choice Vouchers Program

The Authority administers the Housing and Urban Development (HUD) Housing Choice Vouchers program for Skagit County and San Juan County. HUD provides a contracted number of vouchers and Veterans Affairs Supportive Housing Vouchers to the Authority, which are used to provide rental payments to landlords for a specified number and type of housing units for low-income tenants.

Weatherization Program

The Authority receives federal grants from the Department of Health and Human Services, the Department of Energy and HUD and also receives state grants for the purpose of providing assistance to low-income homeowners and tenants to properly weatherize their homes for energy efficiency.

Family Housing Program

The Authority owns the Mount Baker Meadows apartment complex of 20 units, operated subject to Section 514 of the Housing Act of 1949 and United States Department of Agriculture (USDA) regulations. The apartments may be used only for the purpose of housing people under these regulations. The Authority received rental assistance from USDA for low-income tenants housed in the apartments.

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Presentation (Continued)

The Authority owns the Burlington Terrace apartment complex of 85 units. The purchase of this complex was financed with the issuance of bonds.

The Authority owns the President apartment complex of 38 housing units and additional commercial space, located in Mount Vernon, Washington. The purchase of this complex was financed with the issuance of bonds, a revenue note, and a mortgage loan.

The Authority owns the La Paloma apartment complex of 40 units, operated subject to Section 514 of the Housing Act of 1949 and United States Department of Agriculture (USDA) regulations. The apartments may be used only for the purpose of housing people under these regulations. The Authority receives rental assistance from USDA for low-income tenants housed in the apartments.

The Authority owns the Raspberry Ridge apartment complex of 50 units located in Skagit County, Washington. This project will be subject to Washington State Department of Commerce Housing Finance debt service provisions, under negotiations at this time.

The Authority has incurred predevelopment costs for a development in Burlington, Washington. The predevelopment costs are included in construction in progress at September 30, 2021. This project was financed with predevelopment loans from Housing Trust Fund grants and loans, USDA RD loans and the Affordable Housing Program of Federal Home Loan Bank grants (see Note 7).

C. Cash, Cash Equivalents and Investments

For purposes of the statement of cash flows, the Authority consider all cash on hand, demand deposits, cash in money market accounts and short-term investments generally with original maturity of three months or less from the date of acquisition to be cash equivalents, including restricted cash and cash equivalents. Investments of the Authority include money market mutual funds investing in U.S. Treasury securities and investments in the Washington State Treasurer's Office Local Government Investment Pool (LGIP).

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Capital Assets

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

Capital assets are defined by the Authority as assets with an individual cost of more than \$3,000 and an estimated useful life in excess of one year. Capital assets are recorded at cost (where the historical cost is known). Where historical cost is not known, assets are recorded at fair market value. Donations are recorded at acquisition value at the time of donation, or the appraised value.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which are buildings 35 to 45 years and equipment 3 to 20 years (see Note 5).

E. Restricted Assets

In accordance with bond resolutions, loan and regulatory agreements and other agreements, separate restricted cash and cash equivalent accounts are required to be established. The assets held in these accounts are restricted for specific uses, including debt service and other special reserve requirements. See Note 3 for further detail.

F. Receivables

The Authority's receivables consist of rent receivable from tenants, grants, developer fees, notes, advances, fraud recovery receivables from Housing Choice Voucher program participants and other receivables (see Note 4).

The Authority writes off receivables that management has specifically identified as uncollectible. In addition, management estimates an allowance for doubtful receivables using the aging method based on receivables outstanding at year-end. As of September 30, 2021, allowance for uncollectible tenant receivables totaled \$102,873.

The Authority has estimated an uncollectible account allowance for fraud recovery receivable from participants in the Housing Choice Voucher Program and such receivables are shown net of an allowance for uncollectible fraud recovery receivable of \$3,869 at September 30, 2021.

G. Interfund Account

Transactions between asset management projects that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund due from/to in the accompanying statement of net position. All significant interfund accounts and transactions have been eliminated.

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Inventories

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

I. Net Pension Liability

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

J. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Authority, deferred outflows of resources are reported for pensions.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow until that time. For the Authority, deferred inflows of resources are reported for pensions.

K. Operating Revenues and Expenses

Operating revenues include fees and charges from providing services in connection with the ongoing operations of providing low income housing. Operating revenues also include operating subsidies and grants provided by HUD. The use of this classification is based on guidance from HUD, the primary user of the financial statements. Operating expenses are those expenses that are directly incurred while in the operation of providing low income housing.

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

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The Authority records unpaid leave for compensated absences as an expense and liability when incurred.

Vacation pay may be carried over from one calendar year to the next in an amount of no more than 240 hours. Vacation pay which has been accumulated is payable upon resignation, retirement, or death in an amount not to exceed 80 hours.

Sick leave may accumulate up to 480 hours, but is not payable in any amount upon resignation, retirement, or death.

M. Net Position Classifications

Net position is reported in three components in accordance with GASB 34:

Net investment in capital assets – Consists of capital assets 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted – Consists of net position restricted to specific uses either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

In instances where unrestricted or restricted resources are available to fund expenditures, the Authority will initially use restricted assets.

N. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents and investments held by the Authority as of September 30, 2021 were as follows:

Cash	\$ 2,015,692
Washington State Local Government Investment Pool	2,511,967
Total Restricted Assets	<u>\$ 4,527,659</u>

All cash equivalents and investments are considered current with a maturity of less than 1 year.

Investments

The Authority invests a portion of its funds with the Washington State Local Government Investment Pool (LGIP), which is classified as a cash equivalent. The LGIP is managed by the State Treasurer's office. The pool is not rated and not registered with the SEC. Rather; oversight is provided by the State Finance Committee in accordance with RCW 43.250. The investments in this pool comprise repurchase agreements, government securities, and certificates of deposit. The LGIP operates in a manner consistent with the Security and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. As such, the LGIP uses amortized costs to approximate fair value.

The LGIP has a minimum transaction amount for both deposits and withdrawals of \$5,000. There is no maximum transaction amount, but the LGIP requests at least one day advance notice for any transaction in the amount of \$10 million or more. For transactions less than \$10 million, LGIP requires notification the same business day and transactions are limited to one transaction each business day.

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

As of September 30, 2021, the Authority had \$2,511,967 invested in the Washington State Local Government Investment Pool measured at amortized cost.

The Authority also invests in money market mutual funds investing in U.S. Treasury Securities.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a policy for interest rate risk but follows the investment guidelines of state law.

**HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As required by state law, all investments of the Authority's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the state of Washington, general obligations of Washington State municipalities, or certificates of deposit with Washington State banks and savings and loan institutions.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Authority's deposits will not be returned to the Authority. Custodial credit risk for investments is the risk that, in the event of the failure of a counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk.

The Authority's deposits are entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The PDPC is a multiple financial institution collateral pool, established under Chapter 39.58 of the Revised Code of Washington.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer (not including investments issued or guaranteed by the U.S. government, investments in a mutual fund, or external investment pools). The Authority has a large percentage of its portfolio invested in the LGIP. The LGIP is not rated.

The following chart shows the Authority's exposure to these risks:

	Fair Value	Less than 1 Year Maturity	Credit Rating
Washington State Local Government Investment Pool	\$ 2,511,967	\$ 2,511,967	n/a

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments in money market funds and the Local Government Investment Pool are not subject to the fair value measurement requirements.

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3 RESTRICTED ASSETS

Restricted Deposits and Reserves

Total restricted assets are summarized as follows:

	9/30/2021 Authority
Reserve for Replacements	\$ 1,579,481
Debt Service	168,486
Housing Choice Voucher Program	193,245
Emergency Housing Vouchers	120,794
Family Self-Sufficiency Escrow	68,365
Tenant Security Deposits	127,408
Total Restricted Assets	<u>\$ 2,257,779</u>

Assets are restricted for the following purposes, for each project:

	Capital Replacement Account	Debt Service Funds	Grant Restricted	Security Deposits	Total
Burlington Terrace	\$ 1,208,145	\$ 28,002	\$ -	\$ 53,895	\$ 1,290,042
President Apartments	-	140,484	-	23,626	164,110
Mount Baker Meadows	-	-	-	5,034	5,034
La Paloma - USDA	166,259	-	-	7,500	173,759
Farmworker Housing	41,118	-	-	-	41,118
Raspberry Ridge 1	-	-	-	21,432	21,432
Raspberry Ridge 2	163,959	-	-	15,921	179,880
Housing Choice Voucher	-	-	193,245	-	193,245
Emergency Housing Voucher	-	-	120,794	-	120,794
Family Self Sufficiency	-	-	68,365	-	68,365
Total by Restriction Type	<u>\$ 1,579,481</u>	<u>\$ 168,486</u>	<u>\$ 382,404</u>	<u>\$ 127,408</u>	<u>\$ 2,257,779</u>

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2021 reported on the statement of net position consisted of the following components:

Tenants	\$ 214,092
Fraud Recovery	9,552
HUD	5,192
Other Governments	209,372
Miscellaneous	1,983
Total Accounts Receivable	<u>440,191</u>
Less: Allowance for Doubtful Accounts	<u>(106,742)</u>
Total Accounts Receivable, Net	<u>\$ 333,449</u>

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5 CAPITAL ASSETS

Primary Government

The following is a summary of capital asset activity for the year ended September 30, 2021:

	Beginning Balance 9/30/2020	Increase	Transfer	Decrease	Ending Balance 9/30/2021
Capital Assets not being Depreciated:					
Land	\$ 2,125,890	\$ 969,085	\$ -	\$ -	\$ 3,094,975
CIP	7,330,723	991,601	(7,350,137)	(155,156)	817,031
Capital Assets Not Being Depreciated	9,456,613	1,960,686	(7,350,137)	(155,156)	3,912,006
Capital Assets Being Depreciated:					
Buildings	11,330,429	3,232,396	7,350,137	-	21,912,962
Equipment	1,403,962	523,891	-	-	1,927,853
Land Improvements	520,062	35,107	-	-	555,169
Capital Assets Being Depreciated	13,254,453	3,791,394	7,350,137	-	24,395,984
Less: Accumulated Depreciation	(6,744,959)	(329,807)	-	-	(7,074,766)
Capital Assets Being Depreciated, Net	6,509,494	3,461,587	7,350,137	-	17,321,218
Total Capital Assets, Net	\$ 15,966,107	\$ 5,422,273	\$ -	\$ (155,156)	\$ 21,233,224

NOTE 6 CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance 9/30/20	Additions	Reductions	Ending Balance 9/30/2021	Estimated Date Within One Year
<u>Direct Borrowings</u>					
Bonds Payable	\$ 3,568,396	\$ 2,600,000	\$ (2,790,058)	\$ 3,378,338	\$ 233,396
Notes and Mortgages Payable	6,824,547	3,708,819	(52,184)	10,481,182	1,368,436
Total Direct Borrowings	10,392,943	6,308,819	(2,842,242)	13,859,520	1,601,832
Net Pension Liability	289,282	-	(216,630)	72,652	-
FSS Escrow	50,079	18,286	-	68,365	3,437
Compensated Absences	64,883	-	(10,368)	54,515	13,051
Total Authority	\$ 10,797,187	\$ 6,327,105	\$ (3,069,240)	\$ 14,055,052	\$ 1,618,320

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 LONG-TERM DEBT

Long-term debt of the Authority consisted of the following at September 30, 2021:

	Beginning Balance 9/30/20	Additions	Reductions	Ending Balance 9/30/2021	Estimated Date Within One Year
<u>Direct Borrowings</u>					
Banner Bank	\$ -	\$ 2,600,000	\$ (96,864)	\$ 2,503,136	\$ 133,760
Burlington Terrace Bonds	2,591,171	-	(2,591,171)	-	-
President Apt Bonds	410,000	-	(60,000)	350,000	60,000
Administrative Bldg Bonds	567,225	-	(42,023)	525,202	43,617
Raspberry Ridge 2 - Loan 1	-	1,675,000	-	1,675,000	-
Raspberry Ridge 2 - Loan 2	-	296,788	-	296,788	-
Land Acquisition Loan	-	578,500	-	578,500	578,500
La Paloma Apt - USDA 1	432,440	-	(44,030)	388,410	44,473
La Paloma Apt - USDA 2	80,080	-	(8,154)	71,926	8,236
Raspberry Ridge 1 - OCD Loan 1	1,801,375	-	-	1,801,375	2,919
Raspberry Ridge 1 - OCD Loan 2	350,000	-	-	350,000	-
President Apt - HTF	225,000	-	-	225,000	-
Seasonal Farm - HTF	2,247,638	752,362	-	3,000,000	-
Seasonal Farm - USDA 1	399,999	-	-	399,999	10,437
Seasonal Farm - USDA 2	1,000,000	-	-	1,000,000	25,706
Impact Capital Loan	288,015	406,169	-	694,184	694,184
Total Authority	<u>\$ 10,392,943</u>	<u>\$ 6,308,819</u>	<u>\$ (2,842,242)</u>	<u>\$ 13,859,520</u>	<u>\$ 1,601,832</u>

Bonds Payable

Burlington Terrace Bonds

The Authority issued Series 2006 direct placement qualified tax-exempt housing revenue bonds in the initial amount of \$3,825,000. Monthly payments of \$19,290 consisting of principal and interest at 4.46% annually are required through maturity on November 15, 2020. The bonds are secured by a first deed of trust on the project capital assets and by the revenues and amounts held in the debt service reserve accounts of the project. In the event of a default, the bonds are immediately callable. The bonds were paid off as of September 30, 2021.

The Authority issued Series 2022 direct placement qualified tax-exempt housing revenue bonds in the initial amount of \$2,600,000. Monthly payments of \$19,142 consisting of principal and interest at 3.87% annually are required through maturity on December 1, 2021. The bonds are secured by a first deed of trust on the project capital assets and by the revenues and amounts held in the debt service reserve accounts of the project. In the event of a default, the bonds are immediately callable.

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

President Apartment Bonds

The Authority issued Series 1996 direct placement housing revenue bonds in the initial amount of \$1,140,000. Monthly payments of \$6,927 consisting of principal and interest at rates of 5.30% to 6.25% annually are required through maturity on December 1, 2025. The bonds are secured by the revenue of the project and by amounts held in the debt service reserve accounts of the project. The bond holders have a contingent interest in the property. The Authority has also pledged all of its revenues not pledged to any other purpose as security for payment of principal and interest. In the event of a default, all costs of collections will be paid by the Authority.

Administrative Building Bonds

The Authority issued Series 2013 tax-exempt direct placement bonds purchased entirely Columbia Bank in the initial amount of \$818,723. Monthly payments of \$5,206 consisting of principal and interest at 3.73% annually are required through maturity on September 10, 2023. The bonds are secured by a first deed of trust on the office building and by all amounts allocated to administrative costs from the Authority's programs and properties. In the event of a default, all costs of collections will be paid by the Authority.

Debt service requirements for these direct placement bonds are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 103,617	\$ 38,849
2023	110,272	33,288
2024	116,990	27,352
2025	123,773	21,038
2026	130,624	14,343
2027-2031	283,433	28,901
2032-2036	6,493	24
Total	<u>\$ 875,202</u>	<u>\$ 163,795</u>

The Authority maintains restricted cash that represent sinking funds and reserve requirements as contained in the various indentures, as detailed in Note 3.

There are a number of other limitations and restrictions contained in the various bond indentures. The Authority is in compliance with all significant limitations and restrictions. These bonds have met the federal requirements so as not to be considered federal arbitrage bonds. Accrued interest is included as a current liability in the financial statements.

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 LONG-TERM DEBT (CONTINUED)

Mortgages Payable

La Paloma Apartments USDA Loan # 1

The initial amount of this loan was \$1,350,113. Monthly payments of \$4,013 consisting of principal and interest at 1.00% annually are due through maturity on March 27, 2031. The mortgage is secured by the La Paloma Apartment project assets. In the event of a default, all costs of collection will be payable by the Authority.

La Paloma Apartments USDA Loan # 2

The initial amount of this loan was \$149,910. Monthly payments of \$743 consisting of principal and interest at 1.00% annually are due through maturity on March 27, 2031. The mortgage is secured by the La Paloma Apartment project assets. In the event of a default, all costs of collection will be payable by the Authority.

Raspberry Ridge Apartments 1 – OCD Loans

The initial amount of this loan from the Office of Community Development was \$2,151,375. Principal payments of \$2,917 are due annually beginning September 1, 2008 and continuing to maturity on September 1, 2052. Interest is stated at 0% per annum. The mortgage is secured by a deed of trust on the property.

President Apartments - HTF

The initial amount of this loan from the Washington State Housing Trust Fund was \$225,000. The loan is noninterest bearing and there are no payments due on this mortgage until December 31, 2025, at which time annual payments of \$8,684 including interest at 1.00% per annum will continue through maturity on December 31, 2054. The mortgage is secured by a second deed of trust. In the event of a default, all costs of collection will be payable by the Authority.

Seasonal Farmworker - HTF

The initial amount of this loan from the Washington State Housing Trust Fund was \$3,000,000. The loan is noninterest bearing and there is no expectation of repayment if the terms and conditions of the contract are continued through the commitment period of July 31, 2055. The mortgage is secured by a deed of trust. In the event of noncompliance, a proportional share of the appreciated value of the property along with the principal will be payable within 30 days.

Seasonal Farmworker – USDA # 1

The initial amount of this USDA Rural Development loan was \$399,999. Interest is stated at 1.00% per annum and no payments are due until six months after completion of construction, at which time monthly principal and interest payments of \$1,199 will commence through maturity in January 2053. The loan is secured by a deed of trust. In the event of a default, all costs of collection will be payable by the Authority.

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 LONG-TERM DEBT (CONTINUED)

Mortgages Payable (Continued)

Seasonal Farmworker – USDA # 2

The initial amount of this USDA Rural Development loan was \$1,000,000. Interest is stated at 1.00% per annum and no payments are due until six months after completion of construction. The loan is secured by a deed of trust. In the event of a default, all costs of collection will be payable by the Authority.

Raspberry Ridge 2

A mortgage loan is payable to the Washington State Department of Commerce and had a balance of \$1,675,000 at September 30, 2021. The loan bears 0% interest, is deferred for 40 years, and is secured by a deed of trust on the property. The full principal amount is due and payable on or before July 31, 2048.

A loan payable to the Washington Community Reinvestment Corporation in the initial amount of \$330,000 bears interest at 6.75% per annum. Payments of principal and interest in the amount of \$1,991 are due on the first day of each month through maturity on October 1, 2048. As of September 30, 2021, the principal balance was \$296,786.

Impact Capital Loan

The initial amount of this loan from Impact Capital was \$700,000. Interest is stated at 6.00% per annum and no payments are due until six months after completion of construction. The loan is secured by a deed of trust. In the event of a default, all costs of collection will be payable by the Authority.

Land Acquisition Loan

The Authority obtained funding from the Washington State Housing Finance Commission for the acquisition of land for the Mt. Vernon project for \$578,000. The loan bears 1% interest rate and was paid in full on October 21, 2021.

Debt services requirements for the direct borrowing notes and mortgages are due as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,498,215	\$ 132,988
2023	231,773	107,894
2024	238,002	101,666
2025	244,928	94,739
2026	258,301	90,050
2027 - 2031	1,314,242	336,975
2032 - 2036	1,150,984	133,245
2037 - 2041	265,422	42,482
2042 - 2046	278,269	29,635
2047 - 2051	2,263,559	16,131
2052 - 2056	5,240,623	2,966
Total	<u>\$ 12,984,318</u>	<u>\$ 1,088,771</u>

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 LONG-TERM DEBT (CONTINUED)

Conduit Debt - Skagit Council Housing

The Authority issued conduit revenue bonds on October 18, 2004 in the amount of \$2,329,585 on behalf of Skagit Council Housing, a nonprofit corporation, in order to provide funds to refinance the low-income housing project owned by Skagit Council Housing. On October 30, 2012 all revenue bonds were retired with the proceeds of a new revenue bond of up to \$3,885,000. Skagit Council Housing used the funds from the revenue bond to construct 16 additional units.

The Authority assigned its rights under the loan agreements and the bond liability is owed directly to Skagit State Bank. The Authority has no obligation for the debt beyond the resources provided by the related loan receivable from Skagit Council Housing. As permitted by GAAP, this conduit debt and related loan receivable is only disclosed in the notes to the financial statements, and not in the face of the financial statements.

NOTE 8 RISK MANAGEMENT

The Authority is a member of Housing Authorities Risk Retention Pool (HARRP). Utilizing Chapter 190.080 ORS and 48.62 RCW (self-insurance regulation) and Chapter 39.34 (Interlocal Cooperation Act), 55 public housing authorities in the states of Washington, Oregon, and California originally formed HARRP in March 1987. HARRP was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. HARRP is a HUD approved self-insurance entity for utilization by public housing authorities. HARRP has a total of eighty-two member/owner housing authorities in the states of Washington, Oregon, California, and Nevada.

New members are underwritten at their original membership and thereafter automatically renew on an annual basis. Members may quit upon giving notice to HARRP prior to their renewal date. Members terminating membership are not eligible to rejoin HARRP for three years. HARRP can terminate the members after giving a 60-day notice prior to the renewal date. Termination does not relieve a former member from its unresolved losses incurred during membership.

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

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 RISK MANAGEMENT (CONTINUED)

Coverage limits for General Liability, as well as Errors and Omissions are \$2,000,000 per occurrence with no annual aggregate. Higher Limits are available by purchasing an umbrella through our insurance agency. Property limits are offered on an agreed amount, based on each structure's value. Limits for Automobile Liability are covered at \$2,000,000, with no aggregate. HARRP self-insures the first \$1 million of coverage for liability lines and purchases an additional \$1 million in reinsurance for a total of \$2 million. For property, HARRP retains the first \$1,000,000 and purchases an additional \$1 million reinsurance policy and then purchases \$45 million of excess insurance from Munich Reinsurance for a combined total of \$47,000,000. The HARRP board of directors determines the limits and coverage terms, at its sole discretion.

HARRP provides loss control and claim services with in-house staff and retained third-party contractors.

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

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The Authority is not aware of any loss exposures that may need specialized coverage traditionally excluded in property and casualty insurance.

NOTE 9 CONTINGENT LIABILITIES AND LITIGATION

As of September 30, 2021, there are no known contingent liabilities, litigation, or pending litigation.

NOTE 10 PENSION PLAN

Plan Descriptions

Substantially all the Authority's full-time and qualifying part-time employees participate in one of the Public Employees' Retirement System (PERS) plans, administered by the Washington State Department of Retirement Systems (DRS), which are cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The plans were established in the Revised Code of Washington (RCW) Chapter 41.50. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plans, regardless of the status of the employer's payment of its pension obligation to the plans.

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 PENSION PLAN (CONTINUED)

Plan Descriptions (Continued)

DRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98540-8380 or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

PERS Plan 1

This plan provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and nonduty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of 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%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Contributions (Continued)

PERS Plan 1 Actual Contribution Rates		Employer	Employee
October 2020 - June 2021			
PERS Plan 1		7.92 %	6.00 %
PERS Plan 1 UAAL		4.87	-
Administrative Fee		0.18	-
Total		<u>12.97 %</u>	<u>6.00 %</u>
July - September 2021			
PERS Plan 1		10.07 %	6.00 %
PERS Plan 1 UAAL		-	-
Administrative Fee		0.18	-
Total		<u>10.25 %</u>	<u>6.00 %</u>

PERS Plan 2/3

This plan provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. 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 3% for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

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

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

PERS Plan 2/3 (Continued)

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

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18%. 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 2/3	Employee 2/3*
October 2020 - June 2021			
PERS Plan 2/3		7.92 %	7.90 %
PERS Plan 1 UAAL		4.87	-
Administrative Fee		0.18	-
Employee PERS Plan 3		-	Varies
Total		<u>12.97 %</u>	<u>7.90 %</u>
July - September 2021			
PERS Plan 2/3		6.36 %	6.36 %
PERS Plan 1 UAAL		3.71	-
Administrative Fee		0.18	-
Employee PERS Plan 3		-	Varies
Total		<u>10.25 %</u>	<u>6.36 %</u>

The Authority's actual PERS plan contributions were \$43,475 to PERS Plan 1 and \$71,521 to PERS Plan 2/3 for the year ended September 30, 2021.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report.

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

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: 7.4%

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

There were no changes in assumptions since the last valuation. There were changes in methods since the last valuation as follows:

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. A high-level summary of those changes is outlined in the following paragraph. OSA will revert back to the methods outlined in their 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020 assets by relying on the Fiscal Year (FY)-end 2019 assets, reflecting actual investment performance over FY 2020. OSA reviewed the actual June 30, 2020 participant and financial data to determine if any material changes to our projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.40% 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.

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 PENSION PLAN (CONTINUED)

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the table below. The inflation component used to create the table is 2.20% and represents the WSIB's most recent long-term estimate of broad economic inflation.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Percent Long-Term Expected Real Rate of Return Arithmetic</u>
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

Discount Rate

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40% was used to determine the total liability.

Sensitivity of NPL

The table below presents the net pension liability (asset) of the System and the Authority, calculated using the discount rate of 7.40%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.4%) or 1-percentage point higher (8.4%) than the current rate.

	<u>1% Decrease 6.40%</u>	<u>Current Rate 7.40%</u>	<u>1% Increase 8.40%</u>
PERS 1 (Authority)	\$ 123,765	\$ 72,651	\$ 28,074
PERS 1 (System)	2,080,441,000	1,221,234,000	471,917,000
PERS 2/3 (Authority)	(217,210)	(762,462)	(1,211,476)
PERS 2/3 (System)	(2,837,869,000)	(9,961,609,000)	(15,828,012,000)

Pension Plan Fiduciary Net Position

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

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 PENSION PLAN (CONTINUED)

Pension Asset, Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021, the Authority reported a total pension liability of \$72,651 for its proportionate share of the net pension liability of the PERS 1 System, and a total pension asset of \$762,462 for its proportionate share of the net pension asset of the PERS 2/3 System as follows:

Plan	Liability	(Asset)
PERS 1	\$ 72,651	\$ -
PERS 2/3	-	(762,462)
Total	<u>\$ 72,651</u>	<u>\$ (762,462)</u>

At June 30, the Authority's proportionate share of the collective net pension liability (asset) was as follows:

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	0.00558 %	0.00595 %	(0.00037)%
PERS 2/3	0.00722	0.00765	(0.00043)

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

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

Pension Expense

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

	Pension Expense
PERS 1	\$ (77)
PERS 2/3	(174,560)
Total	<u>\$ (174,637)</u>

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 PENSION PLAN (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>PERS 1</u>		
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	\$ -	\$ (80,619)
Contributions Subsequent to the Measurement Date	9,291	-
Total	<u>\$ 9,291</u>	<u>\$ (80,619)</u>
 <u>PERS 2/3</u>		
Differences between Expected and Actual Experience	\$ 37,032	\$ (9,347)
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	-	(637,239)
Changes of Assumptions	1,114	(54,147)
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	31,903	(32,817)
Contributions Subsequent to the Measurement Date	15,927	-
Total	<u>\$ 85,976</u>	<u>\$ (733,550)</u>
 <u>Total All Plans</u>		
Differences between Expected and Actual Experience	\$ 37,032	\$ (9,347)
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	-	(717,858)
Changes of Assumptions	1,114	(54,147)
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	31,903	(32,817)
Contributions Subsequent to the Measurement Date	25,218	-
Total	<u>\$ 95,267</u>	<u>\$ (814,169)</u>

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>PERS 1</u>	<u>PERS 2/3</u>
2022	\$ (21,356)	\$ (176,504)
2023	(19,570)	(165,055)
2024	(18,504)	(157,990)
2025	(21,189)	(167,112)
2026	-	1,320
Thereafter	-	1,840

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 11 TRANSFER OF OPERATIONS – SPECIAL ITEM

The Housing Authority of Skagit County absorbed Raspberry Ridge Apartments as of August 31, 2021. The project transfer is defined in GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, as a transfer of operations type of government combination. Thirty multi-family residential units were transferred from Raspberry Ridge Apartments Limited Partnership. A special item of \$1,386,195 was recognized in the financial statements for cash, assets and liabilities transferred from the Partnership to the Authority. The transfer in was offset by disposing of the Authority's related investment in Joint Ventures of \$99,826.

In accordance with GASB Statement No. 69, the following are the carrying values of transferred assets on the date of transfer:

	Transferred Assets (Liabilities)
Cash	\$ 187,206
Capital Assets, Net	3,832,422
Security Deposits	(15,416)
Accounts Payable and Accrued Liabilities	(146,490)
Mortgages	(2,371,701)
Total Due From Component Units	\$ 1,486,021
Less Investment in Joint Venture	(99,826)
Special Item - Gain on Combination	<u>\$ 1,386,195</u>

The capital assets, as required by GASB Statement No. 69, were recorded in the Authority's capital asset system at the Partnership's book value (historical cost less depreciation).

NOTE 12 PRIOR PERIOD ADJUSTMENT

The Authority restated beginning net position as of October 1, 2020 due to a correction of an error in the interfunds balance. The following restatement to beginning net position was made:

	Business-Type Activities
Net Position October 1, 2020, As Previously Stated	\$ 8,621,283
Correction to Interfunds	<u>239,865</u>
Net Position October 1, 2020, As Restated	<u>\$ 8,861,148</u>

REQUIRED SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF SKAGIT COUNTY
REQUIRED SUPPLEMENTARY INFORMATION – STATE SPONSORED PLANS
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
PERS 1
LAST NINE YEARS

<u>Year Ending June 30.</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
2021	0.005949 %	\$ 72,651	\$ 922,880	7.87 %	88.74 %
2020	0.005580	197,004	844,426	23.33	68.64
2019	0.005206	200,189	800,532	25.01	67.12
2018	0.005923	264,523	787,026	33.61	63.22
2017	0.005452	258,702	701,082	36.90	61.24
2016	0.006115	328,404	696,990	47.12	57.03
2015	0.007340	383,950	761,986	50.39	59.10
2014	0.007496	377,615	778,726	48.49	89.20
2013	0.006670	389,745	822,736	47.37	N/A

Note: GASB Statement No. 68 requires this schedule to be presented for a 10-year period. The Authority adopted GASB Statement No. 68 during fiscal year 2013; therefore, only nine years of information are presented. The full trend information will be accumulated over the next year.

HOUSING AUTHORITY OF SKAGIT COUNTY
REQUIRED SUPPLEMENTARY INFORMATION – STATE SPONSORED PLANS
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
PERS 2/3
LAST NINE YEARS

<u>Year Ending June 30.</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
2021	0.007654 %	\$ (762,462)	\$ 922,880	(82.62)%	120.29 %
2020	0.007215	92,278	844,426	10.93	97.22
2019	0.000672	65,264	800,532	8.15	97.77
2018	0.000764	130,446	787,026	16.57	96.77
2017	0.007012	243,633	701,082	34.75	90.97
2016	0.007843	394,889	696,990	56.66	85.82
2015	0.009062	183,176	761,986	24.04	89.20
2014	0.008586	173,554	734,797	23.62	93.29
2013	0.008883	379,305	782,048	48.50	N/A

Note: GASB Statement No. 68 requires this schedule to be presented for a 10-year period. The Authority adopted GASB Statement No. 68 during fiscal year 2013; therefore, only nine years of information are presented. The full trend information will be accumulated over the next year.

HOUSING AUTHORITY OF SKAGIT COUNTY
REQUIRED SUPPLEMENTARY INFORMATION – STATE SPONSORED PLANS
SCHEDULE OF AUTHORITY'S PENSION CONTRIBUTIONS
PERS 1
LAST NINE YEARS

<u>Year Ending June 30,</u>	<u>Statutorily or Contractually Required Contributions</u>	<u>Contributions in Relation to the Statutorily or Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2021	\$ 43,475	\$ (43,475)	\$ -	\$ 952,364	4.56 %
2020	40,863	(40,863)	-	857,347	4.77
2019	40,021	(40,021)	-	794,387	5.04
2018	41,069	(41,069)	-	814,994	5.04
2017	34,094	(34,094)	-	704,611	4.84
2016	30,825	(30,825)	-	696,990	4.42
2015	33,736	(33,736)	-	761,986	4.43
2014	33,180	(33,180)	-	778,726	4.26
2013	19,905	(19,905)	-	822,736	2.42

Note: GASB Statement No. 68 requires this schedule to be presented for a 10-year period. The Authority adopted GASB Statement No. 68 during fiscal year 2013; therefore, only nine years of information are presented. The full trend information will be accumulated over the next year.

HOUSING AUTHORITY OF SKAGIT COUNTY
REQUIRED SUPPLEMENTARY INFORMATION – STATE SPONSORED PLANS
SCHEDULE OF AUTHORITY'S PENSION CONTRIBUTIONS
PERS 2/3
LAST NINE YEARS

<u>Year Ending June 30,</u>	<u>Statutorily or Contractually Required Contributions</u>	<u>Contributions in Relation to the Statutorily or Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2021	\$ 71,521	\$ (71,521)	\$ -	\$ 952,364	7.51 %
2020	67,902	(67,902)	-	857,347	7.92
2019	60,527	(60,527)	-	794,387	7.62
2018	61,065	(61,065)	-	814,994	7.49
2017	46,243	(46,243)	-	704,611	6.56
2016	40,244	(40,244)	-	696,990	5.77
2015	40,366	(40,366)	-	761,986	5.30
2014	36,269	(36,269)	-	734,797	4.94
2013	34,471	(34,471)	-	782,048	4.41

Note: GASB Statement No. 68 requires this schedule to be presented for a 10-year period. The Authority adopted GASB Statement No. 68 during fiscal year 2013; therefore, only nine years of information are presented. The full trend information will be accumulated over the next year.

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021

NOTE 1 SIGNIFICANT FACTORS

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

NOTE 2 COVERED PAYROLL

Covered payroll has been presented in accordance with GASB 82, *Pension Issues*. Covered payroll includes all payroll on which a contribution is based.

NOTE 3 CONTRIBUTION RATES

Rates in effect during the periods covered by the Required Supplemental Information are below:

PERS 1

From this Date	Through this Date	Rate
9/1/2013	6/30/2015	9.21 %
7/1/2015	6/30/2017	11.18
7/1/2017	8/31/2018	12.70
9/1/2018	6/30/2019	12.83
7/1/2019	8/31/2020	12.86 *
9/1/2020	6/30/2021	12.97 *
7/1/2021	Current	10.25 *

* Employer contribution rate includes an administrative expense rate of 0.18%

PERS 2/3

From this Date	Through this Date	Rate
9/1/2013	6/30/2015	9.21 %
7/1/2015	6/30/2017	11.18
7/1/2017	8/31/2018	12.70
9/1/2018	6/30/2019	12.83
7/1/2019	8/31/2020	12.86 *
9/1/2020	6/30/2021	12.97 *
7/1/2021	Current	10.25 *

* Employer contribution rate includes an administrative expense rate of 0.18%

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF SKAGIT COUNTY
FINANCIAL DATA SCHEDULE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Line Item No.	Account Description	Housing Choice Vouchers	Emergency Housing Voucher	State/Local	Rural Rental Assistance Payments	Weatherization Assistance for Low-Income Person	PIH Family Self-Sufficiency Program	Farm Labor Housing Loans and Grants	Low-Income Home Energy Assistance	HCV Cares Act Funding	Elimination	Total Primary Government	Total Reporting Entity
CURRENT ASSETS													
111	Cash - Unrestricted	\$ 366,597	\$ 22,178	\$ 1,591,872	\$ 289,233	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,269,880	\$ 2,269,880
113	Cash - Other Restricted	261,610	120,794	1,540,590	207,377	-	-	-	-	-	-	2,130,371	2,130,371
114	Cash - Tenant Security Deposit	-	-	119,908	7,500	-	-	-	-	-	-	127,408	127,408
100	Total Cash	628,207	142,972	3,252,370	504,110	-	-	-	-	-	-	4,527,659	4,527,659
122	Accounts Receivable - HUD Other Projects	-	-	-	-	-	5,192	-	-	-	-	5,192	5,192
124	Accounts Receivable - Other Government	-	-	104,339	-	3,713	-	-	101,320	-	-	209,372	209,372
125	Accounts Receivable - Miscellaneous	-	-	1,983	-	-	-	-	-	-	-	1,983	1,983
126	Accounts Receivable - Tenants	-	-	199,636	14,456	-	-	-	-	-	-	214,092	214,092
126.1	Allowance for Doubtful Accounts - Tenants	-	-	(102,873)	-	-	-	-	-	-	-	(102,873)	(102,873)
128	Fraud Recovery	9,552	-	-	-	-	-	-	-	-	-	9,552	9,552
128.1	Allowance for Doubtful Accounts - Fraud	(3,869)	-	-	-	-	-	-	-	-	-	(3,869)	(3,869)
129	Accrued Interest Receivable	-	-	-	-	-	-	-	-	-	-	-	-
120	Total Receivables, Net of Allowances	5,683	-	203,085	14,456	3,713	5,192	-	101,320	-	-	333,449	333,449
142	Prepaid and Other Assets	6,593	-	111,072	19,281	-	-	-	3,319	-	-	140,265	140,265
143	Inventories	-	-	-	-	-	-	-	7,607	-	-	7,607	7,607
144	Inter Program - Due From	5,192	-	772,757	30,735	-	-	-	-	-	(808,684)	-	-
150	Total Current Assets	645,675	142,972	4,339,284	568,582	3,713	5,192	-	112,246	-	(808,684)	5,008,980	5,008,980
NONCURRENT ASSETS													
161	Land	-	-	2,315,008	779,967	-	-	-	-	-	-	3,094,975	3,094,975
162	Buildings	-	-	13,566,057	8,346,905	-	-	-	-	-	-	21,912,962	21,912,962
163	Furniture, Equipment & Machinery - Dwellings	98,546	-	1,428,271	301,993	-	-	-	96,929	-	-	1,925,739	1,925,739
164	Furniture, Equipment & Machinery - Administration	-	-	2,114	-	-	-	-	-	-	-	2,114	2,114
166	Accumulated Depreciation	(98,546)	-	(5,944,366)	(984,580)	-	-	-	(47,274)	-	-	(7,074,766)	(7,074,766)
167	Construction in Progress	-	-	817,031	-	-	-	-	-	-	-	817,031	817,031
168	Infrastructure	-	-	317,063	238,106	-	-	-	-	-	-	555,169	555,169
160	Total Fixed Assets, Net of Accumulated Depreciation	-	-	12,501,178	8,682,391	-	-	-	49,655	-	-	21,233,224	21,233,224
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	-	-	-	-	-	-	-
174	Other Assets	92,487	-	293,852	130,229	-	-	-	245,894	-	-	762,462	762,462
176	Investment in Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-
180	Total Noncurrent Assets	92,487	-	12,795,030	8,812,620	-	-	-	295,549	-	-	21,995,686	21,995,686
200	Deferred Outflows of Resources	11,556	-	36,715	16,272	-	-	-	30,724	-	-	95,267	95,267
190	Total Assets and Deferred Outflows of Resources	\$ 749,718	\$ 142,972	\$ 17,171,029	\$ 9,397,474	\$ 3,713	\$ 5,192	\$ -	\$ 438,519	\$ -	\$ (808,684)	27,099,933	\$ 27,099,933

HOUSING AUTHORITY OF SKAGIT COUNTY
FINANCIAL DATA SCHEDULE
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2021

Line Item No.	Account Description	Housing Choice Vouchers	Emergency Housing Voucher	State/Local	Rural Rental Assistance Payments	Weatherization Assistance for Low-Income Person	PIH Family Self-Sufficiency Program	Farm Labor Housing Loans and Grants	Low-Income Home Energy Assistance	HCV Cares Act Funding	Elimination	Total Primary Government	Total Reporting Entity
CURRENT LIABILITIES													
312	Accounts Payable <= 90 Days	\$ 4,964	\$ -	\$ 250,035	\$ 13,031	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 268,030	\$ 268,030
321	Accrued Wages and Payroll Taxes Payable	10,685	-	21,234	6,780	-	-	-	8,270	-	-	46,969	46,969
322	Accrued Compensated Absences - Current Portion	1,523	-	10,750	-	-	-	-	778	-	-	13,051	13,051
325	Accrued Interest Payable	-	-	11,362	-	-	-	-	-	-	-	11,362	11,362
341	Tenant Security Deposit	-	-	119,908	7,500	-	-	-	-	-	-	127,408	127,408
342	Unearned Revenue	-	56,000	-	-	-	-	-	-	-	-	56,000	56,000
343	Current Portion of Long-Term Debt - Capital	-	-	1,512,978	-	-	-	88,854	-	-	-	1,601,832	1,601,832
345	Other Current Liabilities	3,437	-	-	-	-	-	-	-	-	-	3,437	3,437
347	Inter Program- Due to	125,626	-	-	111,479	-	5,192	-	566,387	-	(808,684)	-	-
310	Total Current Liabilities	146,235	56,000	1,926,267	138,790	-	5,192	88,854	575,435	-	(808,684)	2,128,089	2,128,089
NONCURRENT LIABILITIES													
351	Long-Term Debt, Net of Current - Capital	-	-	7,486,205	3,000,000	-	-	1,771,483	-	-	-	12,257,688	12,257,688
353	Non-current Liabilities - Other	64,928	-	-	-	-	-	-	-	-	-	64,928	64,928
354	Accrued Compensated Absences - Noncurrent	9,992	-	25,185	-	-	-	-	6,288	-	-	41,465	41,465
357	Accrued Pension and OPEB Liabilities	8,813	-	27,999	12,409	-	-	-	23,430	-	-	72,651	72,651
350	Total Noncurrent Liabilities	83,733	-	7,539,389	3,012,409	-	-	1,771,483	29,718	-	-	12,436,732	12,436,732
300	Total Liabilities	229,968	56,000	9,465,656	3,151,199	-	5,192	1,860,337	605,153	-	(808,684)	14,564,821	14,564,821
400	Deferred Inflows of Resources	98,759	-	313,779	139,061	-	-	-	262,570	-	-	814,169	814,169
NET POSITION													
508.4	Net Investment in Capital Assets	-	-	3,501,995	5,682,391	-	-	(1,860,337)	49,655	-	-	7,373,704	7,373,704
511.4	Restricted Net Position	285,733	64,794	1,834,442	337,606	-	-	-	245,894	-	-	2,768,469	2,768,469
512.4	Unrestricted Net Position	135,258	22,178	2,055,157	87,217	3,713	-	-	(724,753)	-	-	1,578,770	1,578,770
513	Total Net Position	420,991	86,972	7,391,594	6,107,214	3,713	-	(1,860,337)	(429,204)	-	-	11,720,943	11,720,943
600	Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 749,718	\$ 142,972	\$ 17,171,029	\$ 9,397,474	\$ 3,713	\$ 5,192	\$ -	\$ 438,519	\$ -	\$ (808,684)	\$ 27,099,933	\$ 27,099,933

HOUSING AUTHORITY OF SKAGIT COUNTY
FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2021

Line Item No.	Account Description	Housing Choice Vouchers	Emergency Housing Voucher	State/Local	Rural Rental Assistance Payments	Weatherization Assistance for Low-Income Person	PIH Family Self-Sufficiency Program	Farm Labor Housing Loans and Grants	Low-Income Home Energy Assistance	HCV Cares Act Funding	Elimination	Total Primary Government	Total Reporting Entity
REVENUES													
70300	Net Tenant Revenue	\$ -	\$ -	\$ 1,899,731	\$ 260,646	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,160,377	\$ 2,160,377
70400	Tenant Revenue - Other	-	-	62,596	11,444	-	-	-	-	-	-	74,040	74,040
70500	Total Tenant Revenue	-	-	1,962,327	272,090	-	-	-	-	-	-	2,234,417	2,234,417
70600	HUD PHA Operating Grants	4,670,451	86,972	-	-	-	61,227	-	-	196,170	-	5,014,820	5,014,820
70610	Capital Grants	-	-	-	-	-	-	-	-	-	-	-	-
70800	Other Government Grants	-	-	469,822	455,503	95,737	-	-	425,520	-	-	1,446,582	1,446,582
71100	Investment Income - Unrestricted	196	-	22,786	162	-	-	-	-	-	-	23,144	23,144
71400	Fraud Recovery	1,593	-	-	-	-	-	-	-	-	-	1,593	1,593
71500	Other Revenue	19,997	-	98,878	98	-	-	-	-	-	(93,288)	25,685	25,685
70000	Total Revenues	4,692,237	86,972	2,553,813	727,853	95,737	61,227	-	425,520	196,170	(93,288)	8,746,241	8,746,241
EXPENSES													
Administrative:													
91100	Administrative Salaries	82,860	-	93,759	27,607	46,336	-	-	180,097	160,658	-	591,317	591,317
91200	Auditing Fees	10,061	-	8,465	3,355	-	-	-	9,263	-	-	31,144	31,144
91300	Management Fee	-	-	-	-	-	-	-	-	-	-	-	-
91400	Advertising Expenses	1,322	-	258	464	-	-	-	118	-	-	2,162	2,162
91500	Employee Benefit Contributions - Administrative	(17,604)	-	(66,611)	17,670	6,215	-	-	32,676	34,106	-	6,452	6,452
91600	Other Operating - Administrative	84,727	-	69,576	20,115	9,597	-	-	52,416	1,406	(62,400)	175,437	175,437
91700	Legal Expense	1,125	-	8,859	8,208	-	-	-	1,353	-	-	19,545	19,545
91800	Travel Expense	636	-	31	-	-	-	-	-	-	-	667	667
91900	Other	23,120	-	50,485	30,919	-	-	-	96	-	(30,888)	73,732	73,732
	Total Administrative	186,247	-	164,822	108,338	62,148	-	-	276,019	196,170	(93,288)	900,456	900,456
Tenant Services:													
92100	Tenant Services - Salaries	1,430	-	49,483	32,710	-	45,855	-	-	-	-	129,478	129,478
92300	Employee Benefit Contributions - Tenant services	-	-	-	-	-	15,372	-	-	-	-	15,372	15,372
92400	Tenant Services - Other	-	-	-	-	-	-	-	-	-	-	-	-
	Total Tenant Services	1,430	-	49,483	32,710	-	61,227	-	-	-	-	144,850	144,850
Utilities:													
93100	Water	-	-	106,495	27,241	-	-	-	-	-	-	133,736	133,736
93200	Electricity	-	-	26,297	14,531	-	-	-	-	-	-	40,828	40,828
93300	Gas	-	-	9,328	17,806	-	-	-	-	-	-	27,134	27,134
93500	Utility Labor	-	-	182	-	-	-	-	-	-	-	182	182
93600	Sewer	-	-	105,569	18,931	-	-	-	-	-	-	124,500	124,500
93800	Other Utilities Expense	-	-	5,779	2,470	-	-	-	-	-	-	8,249	8,249
	Total Utilities	-	-	253,650	80,979	-	-	-	-	-	-	334,629	334,629
Ordinary Maintenance & Operations:													
94100	Ordinary Maintenance and Operations - Labor	-	-	131,982	59,613	-	-	-	-	-	-	191,595	191,595
94200	Ordinary Maintenance and Operations - Materials and Other	-	-	114,648	29,890	-	-	-	-	-	-	144,538	144,538
94300	Ordinary Maintenance and Operations - Contract Costs	-	-	111,205	22,283	-	-	-	195	-	-	133,683	133,683
94500	Employee Benefit Contributions - Ordinary Maintenance	-	-	73,286	40,851	-	-	-	-	-	-	114,137	114,137
	Total Ordinary Maintenance & Operations	-	-	431,121	152,637	-	-	-	195	-	-	583,953	583,953

HOUSING AUTHORITY OF SKAGIT COUNTY
FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2021

Line Item No.	Account Description	Housing Choice Vouchers	Emergency Housing Voucher	State/Local	Rural Rental Assistance Payments	Weatherization Assistance for Low-Income Person	PIH Family Self-Sufficiency Program	Farm Labor Housing Loans and Grants	Low-Income Home Energy Assistance	HCV Cares Act Funding	Elimination	Total Primary Government	Total Reporting Entity
95100	Protective Services												
95200	Protective Services - Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Protective Services - Other Contract Costs	-	-	230	5,813	-	-	-	-	-	-	6,043	6,043
	Total Protective Services	-	-	230	5,813	-	-	-	-	-	-	6,043	9,201
	Insurance Premiums:												
96110	Property Insurance	-	-	73,360	10,443	-	-	-	7,494	-	-	91,297	91,297
96130	Workmen's Compensation	3,763	-	16,974	7,790	-	-	-	3,518	-	-	32,045	32,045
96140	All Other Insurance	10,623	-	-	-	-	-	-	-	-	-	10,623	10,623
	Total Insurance Premiums	14,386	-	90,334	18,233	-	-	-	11,012	-	-	133,965	133,965
	General Expenses:												
96200	Other General Expenses	-	-	43,176	-	29,876	-	-	119,769	-	-	192,821	192,821
96210	Compensated Absences	5,423	-	(7,066)	-	-	-	-	3,954	-	-	2,311	2,311
96300	Payment in Lieu of Taxes	-	-	13,363	-	-	-	-	-	-	-	13,363	13,363
	Total General Expenses	5,423	-	49,473	-	29,876	-	-	123,723	-	-	208,495	208,495
96710	Interest on Mortgage or Bonds Payable	-	-	170,355	4,886	-	-	-	-	-	-	175,241	175,241
96730	Amortization of Bond Issue Costs	-	-	43,450	-	-	-	-	-	-	-	43,450	43,450
96900	Total Operating Expenses	207,486	-	1,252,918	403,596	92,024	61,227	-	410,949	196,170	(93,288)	2,531,082	2,531,082
97000	Excess Operating Revenue over Operating Expenses	4,484,751	86,972	1,300,895	324,257	3,713	-	-	14,571	-	-	6,215,159	6,215,159
97300	Housing Assistance Payments	4,022,024	-	383,236	-	-	-	-	-	-	-	4,405,260	4,405,260
97350	HAP Portability - In	6,492	-	-	-	-	-	-	-	-	-	6,492	6,492
97400	Depreciation	-	-	293,349	36,458	-	-	-	-	-	-	329,807	329,807
90000	Total Expenses	4,236,002	-	1,929,503	440,054	92,024	61,227	-	410,949	196,170	(93,288)	7,272,641	7,732,914
10010	Operating Transfers In	-	-	-	-	-	-	-	-	-	-	-	-
10020	Operating Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-
10070	Extraordinary Items (Net Gain/Loss)	-	-	1,386,195	-	-	-	-	-	-	-	1,386,195	1,386,195
10080	Special Items (Net Gain/Loss)	-	-	-	-	-	-	-	-	-	-	-	-
10093	Transfers between Programs - In	-	-	-	4,222,602	-	-	-	-	-	(4,222,602)	-	-
10094	Transfers between Programs - Out	-	-	(2,874,785)	-	-	-	(1,347,817)	-	-	4,222,602	-	-
10100	Total Other Financing Sources (Uses)	-	-	(1,488,590)	4,222,602	-	-	(1,347,817)	-	-	-	1,386,195	1,386,195
10000	Excess (Deficiency) of Operating Revenues over (Under) Expenses	\$ 456,235	\$ 86,972	\$ (864,280)	\$ 4,510,401	\$ 3,713	\$ -	\$ (1,347,817)	\$ 14,571	\$ -	\$ -	\$ 2,859,795	\$ 2,859,795
	Memo Account Information												
11020	Required Annual Debt Principal Payments	\$ -	\$ -	\$ 304,787	\$ -	\$ -	\$ -	\$ 51,664	\$ -	\$ -	\$ -	\$ 356,451	\$ 356,451
11030	Beginning Equity	(35,244)	-	8,016,009	1,596,813	-	-	(512,520)	(443,775)	-	-	8,621,283	8,621,283
11040	Prior Period Adjustment	-	-	239,865	-	-	-	-	-	-	-	239,865	239,865
11170	Administrative Fee Equity	-	-	-	-	-	-	-	-	-	-	-	-
11180	Housing Assistance Payments Equity	-	-	-	-	-	-	-	-	-	-	-	-
11190	Unit Months Available	8,208	-	2,736	720	-	-	-	-	-	-	11,664	11,664
11210	Number of Unit Months Leased	6,042	-	2,644	720	-	-	-	-	-	-	9,406	9,406
11620	Building Purchase	-	-	-	-	-	-	-	-	-	-	-	-

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

Board of Commissioners
Housing Authority of Skagit County
Burlington, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of Skagit County (the Authority), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 5, 2022.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

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 financial statements. 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*.

The Authority's Response to Findings

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

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.

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

CliftonLarsonAllen LLP

Bellevue, Washington
October 5, 2022



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

Board of Commissioners
Housing Authority of Skagit County
Burlington, Washington

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of Skagit 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 September 30, 2021. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Major Federal Program

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 its major federal program for the year ended September 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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



CliftonLarsonAllen LLP

Bellevue, Washington
October 5, 2022

**HOUSING AUTHORITY OF SKAGIT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2021**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Agriculture Direct Programs				
Farm Labor Housing Loans (Beginning of the Year)	10.405	N/A	-	\$ 1,912,520
Farm Labor Housing Grants	10.405	N/A	-	315,658
Rural Rental Assistance Payments	10.427	N/A	-	139,845
Total Department of Agriculture Direct Programs				<u>2,368,023</u>
Department of Housing and Urban Development Direct Programs				
Section 8 Housing Choice Voucher Program	14.871	N/A	-	4,670,451
Emergency Housing Vouchers	14.871	N/A	-	86,972
COVID 19 - Section 8 Housing Choice Voucher Program	14.871	N/A	-	196,170
Housing Voucher Cluster Total				<u>4,953,593</u>
PIH Family Self-Sufficiency Program	14.896	N/A	-	61,227
Total Department of Housing and Urban Development Direct Programs				<u>5,014,820</u>
Department of Energy Direct Programs				
Passed Through from The Washington State Department of Commerce - Community Services and Housing Division				
Weatherization Assistance for Low-Income Persons	81.042	F19-53103-412	-	92,024
Total Department of Energy Direct Programs				<u>92,024</u>
Department of Health and Human Services Direct Programs				
Passed Through from The Washington State Department of Commerce - Community Services and Housing Division				
Low-Income Home Energy Assistance	93.568	F19-53101-412	-	166,824
Total Department of Health and Human Services Direct Programs				<u>166,824</u>
Department of the U.S. Treasury				
Passed Through from Skagit County				
COVID 19 - Emergency Rental Assistance Program	21.023	C20200493	-	260,902
COVID 19 - Emergency Rental Assistance Program	21.023	C20210203	-	190,480
Total Department of the U.S. Treasury				<u>451,382</u>
Total Expenditures of Federal Awards				<u>\$ 8,093,073</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

HOUSING AUTHORITY OF SKAGIT COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2021

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Housing Authority of Skagit County under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Housing Authority of Skagit County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Housing Authority of Skagit County.

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 cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COSTS

The Authority has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 FEDERAL LOANS

The Authority was approved by the U.S. Department of Agriculture to receive loans to develop, acquire or renovate low income housing under the Farm Labor Housing Loan and Grant Program (ALN 10.405). 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 loan balances at September 30, 2021 are as follows:

<u>Project</u>	<u>Outstanding Loan Balance</u>
La Paloma #1	\$ 388,410
La Paloma #2	71,296
Seasonal Farm Worker Housing #1	400,000
Seasonal Farm Worker Housing #2	1,000,000
Total	<u>\$ 1,859,706</u>

**HOUSING AUTHORITY OF SKAGIT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2021**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- | | | |
|---|----------------------|--------------------------------|
| Material weakness(es) identified? | <u> x </u> yes | <u> </u> no |
| Significant deficiency(ies) identified? | <u> </u> yes | <u> x </u> none reported |
3. Noncompliance material to financial statements noted?
- | | |
|---------------------|---------------------|
| <u> </u> yes | <u> x </u> no |
|---------------------|---------------------|

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of Major Federal Programs

ALN Number(s)

14.871

Name of Federal Program or Cluster

Housing Voucher Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee?

 yes x no

**HOUSING AUTHORITY OF SKAGIT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2021**

Section II – Financial Statement Findings

Finding 2021-001 FINANCIAL CLOSE PROCESS

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: There was a prior period adjustment provided by Management during the course of the audit. This is indicative of a lack of internal controls over the financial reporting. The prior period adjustment was recorded in order to properly state the Authority's books.

Criteria: The Internal Control-Integrated Framework (COSO Report) requires adequate internal controls over financial reporting to ensure that transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and demonstrate compliance with laws, regulations and other compliance requirements. Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

Context: During the audit, the Authority's management indicated a prior period adjustment and was needed to be recorded in order to properly state the Authority's interfunds and ensure they properly eliminate. Adjustments such as these are indicative of inadequate controls over financial reporting.

Effect: Inefficient controls over the financial reporting process could result in inaccurate account balances that require a restatement, significant number of audit adjustments or a lack of timely financial information. Inaccurate reporting to HUD could adversely affect the Authority's funding.

Cause: The Authority did not properly establish and implement sufficient internal controls over financial reporting to ensure the timely and accurate recording of financial transactions.

Recommendation: The Authority should evaluate their financial reporting processes and controls to determine whether additional controls over the preparation of annual financial statements can be implemented to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP. We recommend the Authority review their current procedures for reconciliations and year-end close procedures and evaluate the number of staff assigned to various accounting functions to ensure that staffing is appropriate.

Views of Responsible Officials: The Authority concurs with the recommendation. Additional controls and procedures are being implemented to ensure accurate financial reporting processes.

Section III – Federal Award Findings and Questioned Costs

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.