



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

December 18, 2023

Board of Commissioners  
Anacortes Housing Authority  
Anacortes, Washington

**Contracted CPA Firm's Audit Report on Financial Statements**

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of the Anacortes Housing Authority for the fiscal year ended March 31, 2022. The Housing Authority contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

**ANACORTES HOUSING AUTHORITY**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2022**

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report .....	1 – 3
Management's Discussion and Analysis .....	4 – 9
Basic Financial Statements:	
Statement of Net Position .....	10
Statement of Revenues, Expenses, and Changes in Net Position.....	11
Statement of Cash Flows .....	12
Notes to Financial Statements .....	13 – 36
Required Supplementary Information:	
Schedule of Proportionate Share of the Net Pension Liability .....	37
Schedule of Employer Contributions .....	38
Supplemental Information:	
Financial Data Schedules .....	39 – 44
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 <i>Government Auditing Standards</i> .....	45 – 46
Schedule of Findings and Responses .....	47
Schedule of Prior Year Findings and Responses.....	48

**INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Anacortes Housing Authority  
Anacortes, Washington

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of the business-type activities of the Anacortes Housing Authority (the Authority), as of and for the year ended March 31, 2022, 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 of the business-type activities of the Anacortes Housing Authority as of March 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Anacortes Housing 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Anacortes Housing 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

## INDEPENDENT AUDITORS' REPORT, CONTINUED

- 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 Anacortes Housing 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 Anacortes Housing 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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 9, schedule of the Authority's proportionate share of the net pension liability on pages 37, and schedule of employer contributions and notes on pages 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Financial Data Schedules are presented for the purpose of additional analysis as required by HUD and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

**INDEPENDENT AUDITORS' REPORT, CONTINUED**

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 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.

*Finney, Hill & Company, P.S.*

December 27, 2022  
Seattle, Washington

ANACORTES HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
MARCH 31, 2022

As management of the Housing Authority of the City of Anacortes (dba Anacortes Housing Authority) (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended March 31, 2022. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Financial Highlights

- The Authority's total unrestricted cash balance at March 31, 2022 was \$1,110,471.
- The Authority had total revenue of \$2,206,848 for the year ended March 31, 2022, which included net rental revenue of \$1,173,503, grant revenue of \$350,008, other operating revenue of \$683,253, and interest income of \$84.
- During the 2022 fiscal year, the Authority expended \$381,293 in federal grant revenues in the public housing program.
- The Authority had total expenses of \$1,627,541 for the year ended March 31, 2022, which included operating expense of \$1,523,407, depreciation expense of \$377,781, and interest expense of \$62,308.
- The Authority's net capital assets increased during the year by \$489,561.
- The Authority's net position at March 31, 2022 was \$8,900,563 representing an increase of \$697,169.

Overview of the Financial Statements

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

Financial Statements

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

ANACORTES HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS - (CONTINUED)  
MARCH 31, 2022

The Authority's government-wide financial statements include:

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

Net Position is reported in three categories:

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

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

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

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

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

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



ANACORTES HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS - (CONTINUED)  
MARCH 31, 2022

Other Supplementary Financial Information

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

Notes to the Financial Statements

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

Authority-Wide Financial Analysis

Condensed Statement of Net Position

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

	<u>2021</u>	<u>2022</u>
Current assets	1,578,967	1,969,550
Capital assets	10,072,459	10,562,020
Other assets	1,073	291,477
Deferred outflows	<u>66,801</u>	<u>61,086</u>
Total assets and deferred outflows of resources	<u>11,719,300</u>	<u>12,884,133</u>
Current liabilities	390,372	684,088
Long-term debt outstanding	2,892,103	2,895,197
Other liabilities	189,458	78,745
Deferred inflows	<u>43,973</u>	<u>325,540</u>
Total liabilities and deferred inflows of resources	<u>3,515,906</u>	<u>3,983,570</u>
Net position		
Invested in capital assets, net of related debt	6,960,630	7,588,338
Restricted	388,407	725,052
Unrestricted	<u>854,357</u>	<u>587,173</u>
	<u>8,203,394</u>	<u>8,900,563</u>
Total liabilities, deferred inflows of resources and net position	<u>11,719,300</u>	<u>12,884,133</u>

ANACORTES HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS - (CONTINUED)  
MARCH 31, 2022

Long Term debt outstanding was \$2,895,197, net of current portion of \$78,485. This includes all the bonds payable and notes payable issued by the Authority for the acquisition and construction of its affordable housing projects. See Note 11 for additional information. Current assets increased by \$390,583 for the fiscal year ended 2022 as compared to 2021. This amount resulted primarily from an increase in cash.

Capital assets increased by \$489,561 for the fiscal year ended 2022 as compared to 2021. This increase resulted primarily from the acquisition of additional properties. The Authority's capital assets are used to provide housing to citizens. Consequently, these assets are not available for future spending.

Total liabilities increased by \$467,664 largely due to the increase in deferred inflows related to the pension plan and compliance with GABS 68. Deferred inflows and outflows represent amounts related to pensions that will be amortized as pension expense in the future; the fluctuation in these accounts is based on the State Pension system actuarial studies.

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

	<u>2021</u>	<u>2022</u>
Operating revenues	1,522,606	2,206,764
Non-operating revenues	481	84
Total revenues	<u>1,523,087</u>	<u>2,206,848</u>
Operating expenses	1,671,165	1,523,407
Non-operating expenses	87,946	104,134
Total expenses	<u>1,759,111</u>	<u>1,627,541</u>
Capital grant contributions and other contributions	762,100	117,861
Change in Net Position	526,076	697,168
Net Position, Beginning of Year	<u>7,677,319</u>	<u>8,203,395</u>
Net Position, End of Year	<u>8,203,395</u>	<u>8,900,563</u>

Tenant rental revenue increased a \$239,119 in 2022 compared to 2021. HUD subsidy decreased by \$135,679 in 2022 compared to 2021. The change resulted primarily due to the change in HUD operating subsidy. The Authority recorded an increase in operating grants of \$555,102 from the City of Anacortes funded through their "Yes for Housing" program.

Operating expenses in 2022 decreased by \$147,758 compared to 2021.

The factors noted above resulted in a \$697,168 increase in net position. In 2022, the excess of operating expenses over revenues was \$683,357, compared to the 2021 excess of operating revenues over expenses in the amount of (\$148,559).

ANACORTES HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS - (CONTINUED)  
MARCH 31, 2022

Net position may serve over time as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities by \$8,900,563 at the close of the most recent fiscal year. The total assets are reported at \$12,884,133 of which \$10,562,020 are capital assets (net of related debt), \$61,086 are deferred outflows, and \$291,477 are other assets. Unrestricted net assets total \$587,173.

The largest portion of the Authority's equity (approximately 82%) reflects its investment in capital assets (e.g., buildings, machinery, and equipment). The Authority uses these capital assets to provide housing services to low and moderate-income tenants; consequently, these assets are not available for future spending. The unrestricted net resources of the Authority are available for future use to provide additional housing services and resources.

Management's analysis of the Authority's overall financial position and results of financial operations indicate a positive change. The net financial position increased by \$697,168, which included a financial accounting decrease for depreciation expense of \$378,855.

Management's Overall Financial Analysis

Management's analysis of the Authority's overall financial position and results of financial operations indicates an increase in net position of \$697,169. There are no significant restrictions, commitments or other limitations which significantly affect the availability of resources for future use. Future HUD funding changes with federal appropriations and affects HUD subsidy available to the Authority.

Capital Assets

As of March 31, 2022, the Authority's net investment in capital assets for its activities was \$7,588,338, net of accumulated depreciation and related debt, which is included in the Statement of Net Position and the Notes as Capital Assets. This investment in capital assets includes buildings, improvements, land, equipment and also construction in progress. During fiscal year 2022, the Authority had \$867,343 in net capital asset additions. A schedule of Capital Asset activity is included in Note 5.

Long-Term Debt

The long-term debt of the Authority consists debt for various projects. The total loan and bond liabilities reported by the Authority are \$2,973,682 of which \$2,895,197 is classified as non-current and \$78,485 is classified as current liabilities.

The Authority began the year with a \$3,061,090 beginning balance in long-term debt, made payments on outstanding bonds and notes, incurred additional debt and concluded the year with an ending balance of \$2,973,682.

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

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

ANACORTES HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS - (CONTINUED)  
MARCH 31, 2022

The Housing Authority is committed to increasing affordable housing for families in the Anacortes community. Seven units of affordable townhomes were purchased with a private donation in 2022. These units serve families at or below 80% of the area median income (AMI).

The AHA is currently constructing 5 townhomes funded by the Affordable Housing Tax Measure which was passed by Anacortes voters in 2020. These townhomes, to be completed in January 2023, will serve families at or below 60% of the area median income (AMI). The same funding will be used for the historic renovation of the Olson Building. This building will provide 12 units of affordable housing to families at or below 60% of AMI with commercial space on the first floor.

Economic Factors Affecting the Authority's Future

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

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

Contacting the Authority's Financial Management

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

**ANACORTES HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION**  
March 31, 2022

**Assets and Deferred Outflows of Resources**

Current assets:	
Cash and cash equivalents	\$ 1,110,471
Cash and cash equivalents - restricted	783,925
Tenant rent receivables, net	22,043
Inventory-materials	34,548
Prepaid expenses and other assets	7,122
Other receivables	<u>11,441</u>
Total current assets	<u>1,969,550</u>
Non-current assets:	
Capital assets:	
Capital assets not being depreciated	2,602,316
Construction in process	917,613
Depreciable capital assets	15,908,489
Accumulated depreciation	<u>(8,866,398)</u>
Capital assets, net of accumulated depreciation	10,562,020
Net pension asset	<u>291,477</u>
Total noncurrent assets	<u>10,853,497</u>
Total assets	<u>12,823,047</u>
Deferred outflow of resources (related to pensions)	<u>61,086</u>
Total assets & deferred outflow of resources	<u><u>\$ 12,884,133</u></u>

**Liabilities, Deferred Inflows, and Net Position**

Current liabilities:	
Accounts payable	\$ 496,407
Tenant security deposits	68,206
Unearned revenues	19,782
Accounts payable - PILOT	4,035
Accrued interest payable	13,260
Accumulated leave payable - current	3,913
Current maturities of long-term debt	<u>78,485</u>
Total current liabilities	<u>684,088</u>
Non-current liabilities:	
Long term debt, net of current maturities	2,895,197
Accumulated leave payable - long term	35,220
Accrued pension	<u>43,525</u>
Total non-current liabilities	<u>2,973,942</u>
Deferred inflow of resources (related to pensions)	<u>325,540</u>
Total liabilities & deferred inflow of resources	<u>3,983,570</u>
Net position:	
Invested in Capital Assets, net of related debt	7,588,338
Restricted	725,052
Unrestricted	<u>587,173</u>
Total net position	<u>8,900,563</u>
Total liabilities, deferred inflows, and net position	<u><u>\$ 12,884,133</u></u>

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

**ANACORTES HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
Year Ended March 31, 2022

Operating revenues:	
Net rental revenues	\$ 1,173,503
HUD operating subsidies	350,008
Other operating revenues	<u>683,253</u>
Total operating revenues	2,206,764
Operating expenses:	
Administrative	409,781
Utilities	115,746
Maintenance & operations	554,586
Insurance	52,689
Other general	11,750
Depreciation & amortization	<u>378,855</u>
Total operating expenses	<u>1,523,407</u>
Operating income (loss)	<u>683,357</u>
Non-operating revenues & expenses:	
Interest revenue	84
Interest expense	<u>(104,134)</u>
Total non-operating revenues & expenses	<u>(104,050)</u>
Income (loss) before contributions	<u>579,307</u>
HUD capital grant revenue	117,861
Other capital contributions	<u>-</u>
Total contributions	<u>117,861</u>
Changes in net position	697,168
Net position at beginning of year	<u>8,203,395</u>
Net position at end of year	<u><u>\$ 8,900,563</u></u>

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

**ANACORTES HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
Year Ended March 31, 2022

Cash flows provided by (used in) operating activities:	
Receipts from tenants	\$ 1,197,183
Receipts from HUD operating subsidies	350,008
Receipts from other operations	672,886
Payments to suppliers	(233,856)
Payments to employees	(594,165)
Net cash provided by (used in) operating activities	<u>1,392,056</u>
Cash flows from capital and related financing activities:	
Capital expenditures	(867,343)
Capital contributions	117,861
Payments on bonds and notes payable, net	(138,147)
Interest payments	(106,472)
Net cash provided by (used in) capital and related financing activities	<u>(994,101)</u>
Cash flows provided by (used in) investing activities:	
Interest received	<u>84</u>
Net cash provided by (used in) investing activities	<u>84</u>
Net increase (decrease) in cash and cash equivalents	<u>398,039</u>
Cash and cash equivalents at beginning of year	<u>1,496,357</u>
Cash and cash equivalents at end of year	<u>\$ 1,894,396</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 1,110,471
Cash and cash equivalents - restricted	783,925
Cash and cash equivalents, Statement of Net Position	<u>\$ 1,894,396</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:</u>	
Operating income (loss)	\$ 683,357
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation & amortization	377,782
(Increase) decrease in assets:	
Inventory	(9,204)
Accounts receivable	8,195
Prepaid expenses and other assets	15,254
Pension asset	(291,477)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	599,702
Unearned revenue	5,118
Security deposits	(3)
Accrued leave payable	3,332
Total adjustments	<u>708,699</u>
Net cash provided by (used in) operating activities	<u>\$ 1,392,056</u>

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

**ANACORTES HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2022**

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Reporting Entity

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

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

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

Discretely Presented Component Unit - The Authority does not have any component units which meets the criteria for discrete presentation in the Authority's financial statements.

The Authority has two component units: AHA-Bayview Apartments Limited Partnership (AHA-Bayview), a 46-unit tax credit project located in Anacortes which is presented as a blended component unit, and Wilson Hotel Housing, LLC, a 25-unit apartment project located in Anacortes which is presented as a blended component unit. Both of these entities have calendar years ending December 31 and information presented is for the calendar year ended December 31, 2021. It is the opinion of the Authority's bond counsel that the component units do not constitute a public entity.

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

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



**ANACORTES HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED MARCH 31, 2022

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

Wilson Hotel Housing, LLC is a legally separate entity formed to take advantage of low-income housing tax credits needed to finance the project. In 2021, the limited partner withdrew from the partnership and assigned its ownership interest to the Housing Authority, which assumed the debt of the partnership to complete the merger transaction.

The transactions resulted in the following increases and decreases in the March 31, 2021 amounts reported for the primary government and component units:

	<b>Primary Government</b>	<b>Component Unit</b>
Current assets	269,127	(269,127)
Capital assets, net	3,959,729	(3,959,729)
Noncurrent assets	(350,176)	(1,073)
Current liabilities	(97,714)	97,714
Long term debt	(1,041,949)	1,041,949
Net Position	2,739,017	(3,090,266)

Basis of Presentation, Measurement Focus, and Basis of Accounting

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

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

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

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

**ANACORTES HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED MARCH 31, 2022

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

Recently Adopted Accounting Principles

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

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires recognition of interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred instead of be capitalized as part of the historical cost of a capital asset. There was no impact to the Authority's financial statements as a result of implementing this statement.

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

New Accounting Standards to be Adopted in Future Years

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

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

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

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

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

**ANACORTES HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED MARCH 31, 2022

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

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

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

Cash and Cash Equivalents

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

Investments

See Note 3, Deposits and Investments.

Inventories

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

Tenant Receivables

Tenant receivables consist of amounts due from tenants for rent and other charges. For bad debt purposes, the Authority uses the direct write-off method for receivables that management has specifically identified as uncollectible. Accounts receivables are shown as net of an allowance for uncollectible accounts. As of March 31, 2022, the allowance for uncollectible accounts was \$1,946.

Capital Assets

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

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

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

**ANACORTES HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED MARCH 31, 2022

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

Restricted Assets

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

Tenant Security Deposits

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

Operating Revenues/Expenses

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

Compensated Absences

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

Long Term Debt

See Note 11

Use of Estimates

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

Pensions

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

**ANACORTES HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED MARCH 31, 2022

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

Pensions, continued

For purposes of calculating the restricted net position related to the net pension asset, the Authority includes the net pension asset and related deferred inflows).

For details of the Pension Plans, see Note 9.

Deferred Outflows/Inflows of Resources

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

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

Unearned Revenue

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

Tax Exemption

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

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

State law requires that the Authority maintain occupancy at specified percentages of low-income families. State law also requires the Authority to deposit all of its funds with banking institutions in accordance with the terms of the State of Washington Public Deposit Protection Act.

The Authority is in compliance with state law with respect to the percentage of low-income families served and the Authority makes all investments pursuant to the requirements of Washington State law in Chapter 39.58 RCW, and the investment policies it has adopted.

**ANACORTES HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED MARCH 31, 2022

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

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

The Authority's deposits and investments consist of bank money market deposits. As of March 31, 2022, there were bank deposits that exceeded FDIC insurance limits and were exposed to custodial credit risks. The Authority does not have a policy that addresses custodial credit risk for deposits.

**NOTE 4 - RESTRICTED ASSETS**

Tenant Security Deposits

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

Replacement and Other Reserves

Under the terms of the partnership and loan agreements, AHA Bayview is required to make annual contributions of \$18,438, increasing 3 percent annually, into a replacement reserve and is also to fund a debt service reserve. Approval from lender and/or other third party is required to access the funds. Under the terms of the operating agreement, Wilson Hotel is required to maintain replacement and operating reserves. The replacement reserve is to be funded at \$250 per unit per year, increasing 3.5 percent annually. The operating reserve is to be maintained at \$56,000. Approval from lender and/or other third party is required to access the funds

Construction and Housing Project Funds

The Authority periodically receives funds which are restricted for future construction and debt reduction.

At March 31, 2022, the following restricted reserves were held:

	Primary Government
Tenant security deposits	\$ 58,873
Construction and debt reduction	306,399
Replacement of structures and equipment	245,575
Debt service and operating reserves	173,078
	\$ 783,925

*These notes are an integral part of the financial statements.*

**ANACORTES HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**FOR THE YEAR ENDED MARCH 31, 2022**

**NOTE 5 - CAPITAL ASSETS**

The following is a summary of capital asset activity for the years ended March 31, 2022:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers and Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 2,602,316	-		2,602,316
Construction in progress	<u>61,273</u>	<u>856,340</u>	<u>-</u>	<u>917,613</u>
Total capital assets not being depreciated	<u>2,663,589</u>	<u>856,340</u>	<u>-</u>	<u>3,519,929</u>
Capital assets being depreciated:				
Building	14,876,887	11,003	-	14,887,890
Equipment	278,460	-	(1,297)	277,163
Land improvements	<u>743,434</u>	<u>-</u>	<u>-</u>	<u>743,434</u>
Total capital assets being depreciated	15,898,781	11,003	(1,297)	15,908,487
Less accumulated depreciation	<u>(8,489,911)</u>	<u>(377,782)</u>	<u>1,297</u>	<u>(8,866,396)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>7,408,870</u>	<u>(366,779)</u>	<u>-</u>	<u>7,042,091</u>
Total capital assets, net	<u><u>\$ 10,072,459</u></u>	<u><u>489,561</u></u>	<u><u>-</u></u>	<u><u>10,562,020</u></u>

**ANACORTES HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**FOR THE YEAR ENDED MARCH 31, 2022**

**NOTE 6 - CONSTRUCTION IN PROGRESS AND HUD CAPITAL FUND PROGRAM**

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

As of March 31, 2022, HUD Capital Fund Program expenditures were as follows:

	<u>Project Authorization</u>	<u>Obligated at 3/31/2022</u>	<u>Expended at 3/31/2022</u>	<u>Required Future Financing</u>
Housing Project WA19P010501-19	\$ 288,308	251,930	251,930	\$ -
Housing Project WA19P010501-20	313,898	121,406	121,406	-
Housing Project WA19P010501-21	<u>330,656</u>	<u>53,065</u>	<u>53,065</u>	<u>-</u>
	<u>\$ 932,862</u>	<u>426,401</u>	<u>426,401</u>	<u>\$ -</u>

As of March 31, 2022, construction in progress activity included projects funded by the capital fund program totaling \$0. See Note 5.

**NOTE 7 - PAYMENT IN LIEU OF TAXES**

The Authority is by law exempt from all federal, state and local taxes. The Authority has elected to pay a “payment in lieu of taxes” (PILOT) based principally on the amount levied as the annual tax upon the property prior to the time of its acquisition by the Authority or based upon 10% of the shelter rent charged less utilities, whichever is less. The PILOT applies only to the Public Housing Program. Payments are made annually. During the year ended March 31, 2022, the expense totaled \$4,035.

**NOTE 8 – OPERATING SUBSIDY**

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



**ANACORTES HOUSING AUTHORITY**  
 NOTES TO FINANCIAL STATEMENTS, continued  
 FOR THE YEAR ENDED MARCH 31, 2022

**NOTE 9 – PENSION PLANS**

The following table represents the aggregate pension amounts for all plans for the year March 31, 2022:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$43,525
Pension assets	\$291,477
Deferred outflows of resources	\$61,086
Deferred inflows of resources	\$325,540
Pension expense/expenditures	\$(70,085)

**State Sponsored Pension Plans**

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

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

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

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

**ANACORTES HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**FOR THE YEAR ENDED MARCH 31, 2022**

**NOTE 9 – PENSION PLANS, continued**

Contributions

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

<b>PERS Plan 1</b>			
<b>Actual Rates</b>	<b>Contribution</b>	<b>Employer</b>	<b>Employee*</b>
April – June 2021			
PERS Plan 1		7.92%	6.00%
PERS Plan 1 UAAL		4.87%	
Administrative Fee		0.18%	
<b>Total</b>		<b>12.97%</b>	<b>6.00%</b>
July 2021 – March 2022			
PERS Plan 1		10.07%	6.00%
Administrative Fee		0.18%	
<b>Total</b>		<b>10.25%</b>	<b>6.00%</b>

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

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

**ANACORTES HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED MARCH 31, 2022

**NOTE 9 – PENSION PLANS, 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 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

<b>PERS Plan 2/3</b>			
<b>Actual</b>	<b>Contribution</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
<b>Rates</b>			
April – 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
<b>Total</b>		<b>12.97%</b>	<b>7.90%</b>
July 2021 – March 2022			
PERS Plan 2/3		6.36%	6.36%
PERS Plan 1 UAAL		3.71%	
Administrative Fee		0.18%	
Employee PERS Plan 3			Varies
<b>Total</b>		<b>10.25%</b>	<b>6.36%</b>

The actual PERS plan contributions were \$22,865 to PERS Plan 1 and \$24,957 to PERS Plan 2/3 for the year ended March 31, 2022.

**ANACORTES HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED MARCH 31, 2022

**NOTE 9 – PENSION PLANS, continued**

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 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 Demographic 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. 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 of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

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

- 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. See high-level summary below. OSA will revert back to the methods outlined in the 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 end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

**ANACORTES HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**FOR THE YEAR ENDED MARCH 31, 2022**

**NOTE 9 – PENSION PLANS, continued**

**Discount Rate**

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

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

**Long-Term Expected Rate of Return**

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

**Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2021 are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

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

**ANACORTES HOUSING AUTHORITY**  
 NOTES TO FINANCIAL STATEMENTS, continued  
 FOR THE YEAR ENDED MARCH 31, 2022

**NOTE 9 – PENSION PLANS, continued**

**Sensitivity of the Net Pension Liability/(Asset)**

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

	<b>1% Decrease (6.4%)</b>	<b>Current Discount Rate (7.4%)</b>	<b>1% Increase (8.4%)</b>
PERS 1	\$74,147	\$43,525	\$16,819
PERS 2/3	(83,036)	(291,477)	(463,128)

**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.

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

At March 31, 2022, the Housing Authority reported its proportionate share of the net pension liabilities as follows:

	<b>Liability (or Asset)</b>
PERS 1	\$43,525
PERS 2/3	(291,477)

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

	<b>Proportionate Share 6/30/20</b>	<b>Proportionate Share 6/30/21</b>	<b>Change in Proportion</b>
PERS 1	%0.003452	%0.003564	%0.000112
PERS 2/3	0.002765	0.002926	0.000161

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021 are used as the basis for determining each employer’s proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations*.

**ANACORTES HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED MARCH 31, 2022

**NOTE 9 – PENSION PLANS, continued**

**Pension Expense**

For the year ended March 31, 2022, the Housing Authority recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$(4,054)
PERS 2/3	(66,031)

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At March 31, 2022, the Housing Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$48,298
Changes of assumptions	\$0	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
Contributions subsequent to the measurement date	\$16,109	\$0
<b>TOTAL</b>	<b>\$16,109</b>	<b>\$48,298</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$14,157	\$3,573
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$243,606
Changes of assumptions	\$426	\$20,700
Changes in proportion and differences between contributions and proportionate share of contributions	\$12,506	\$9,363
Contributions subsequent to the measurement date	\$17,889	\$0
<b>TOTAL</b>	<b>\$44,977</b>	<b>\$277,242</b>

**ANACORTES HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED MARCH 31, 2022

**NOTE 9 – PENSION PLANS, continued**

Deferred outflows of resources related to pensions resulting from the Housing Authority’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or addition to the net pension asset in the year ended March 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended March 31:	PERS 1	PERS 2/3
2023	\$ (12,794)	\$ (66,683)
2024	\$ (11,724)	\$ (62,306)
2025	\$ (11,086)	\$ (57,409)
2026	\$ (12,694)	\$ (63,485)
2027	\$ 0	\$ (735)
Thereafter	\$ 0	\$ 463
Total	\$ (48,298)	\$ (250,154)

**NOTE 10 – RISK MANAGEMENT**

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

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

General and Automobile Liability coverages are written on an occurrence basis, without member deductibles. Errors & Omissions coverage (which includes Employment Practices Liability) is written on a claims made basis, and the members are responsible for 10% of the incurred costs of the claims. (Due to special underwriting circumstances, some members may be subject to a greater E&O co-payment.) The Property coverage offered by HARRP is on a replacement cost basis with deductibles ranging from \$1,000 to \$25,000. Fidelity coverage, with limits of \$100,000 (with options up to \$500,000) for employee dishonesty and forgery or alteration and \$10,000 for theft are also provided with deductibles the same as Property. Coverage limits for General Liability, Errors & Omissions and Property are \$2,000,000 per occurrence and \$2,000,000 annual aggregate. (Some members have chosen greater Property limits for higher valued properties.) Limits for Automobile Liability are \$1,000,000/\$1,000,000.

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

*These notes are an integral part of the financial statements.*



**ANACORTES HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, *continued*  
FOR THE YEAR ENDED MARCH 31, 2022

**NOTE 10 – RISK MANAGEMENT, *continued***

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

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

Settled claims have not exceeded insurance coverage during the past three years. As of March 31, 2022, prepaid insurance totaled \$0.

**ANACORTES HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**FOR THE YEAR ENDED MARCH 31, 2022**

**NOTE 11 - LONG-TERM DEBT**

Long-term debt is comprised of the following at March 31, 2022:

	Principal Balance
<b>Housing Revenue Bonds</b>	
The Authority issued single-purpose, tax-exempt housing revenue bonds of \$1,400,000 to construct the AHA-Bayview Apartments project. The bonds require varying principal and interest payments due semi-annually over 30 years, with future maturities shown in the schedule below. The annual total of debt service payments varies between \$65,575 and \$70,881. Interest on the long-term debt varies from 2.25 to 5.875 percent. The interest rate at December 31, 2020 was 5.75 percent. The Authority has assigned its rights to receive lease and loan payments to the bond trustee as security for payment of the principal and interest on the bonds. This bond issue has met the federal requirements so as not to be considered a federal arbitrage bond.	\$ 540,000
<b>Notes Payable from Direct Borrowings</b>	
Note payable to WA State Department of Commerce - Housing Trust Fund in quarterly payments of \$7,591, including interest at 1 percent, beginning June 2005 through June 2044. Note is secured by AHA-Bayview land and building assets.	628,799
Note payable to Savibank in monthly payments of \$3,412, including interest at 3.25 percent, beginning April 1, 2021. Note is secured by building and land assets at 804 24th Street.	681,533
Note payable to WCRA in monthly installments of \$3,227, including interest at the rate of 7 percent per annum. The loan maturity date is June 1, 2037 and is secured by the Wilson Hotel.	366,875
Department of Commerce loan, in the amount of \$750,000, is to accrue interest at 2 percent, compounded quarterly. Quarterly payments of \$6,935 beginning on November 30, 2007, are to be paid over the 39 year amortization period. The loan maturity date is August 31, 2046 and is secured by the Wilson Hotel	540,515
The City of Anacortes loan, in the amount of \$270,000, accrues interest at the rate of 1 percent per year. Annual interest-only payments are to be made beginning on March 31, 2007. Additional payments of principal are to be made in an amount totaling 50 percent of available net cash flow, as defined in the operating agreement. The loan maturity date is March 31, 2047 and is secured by the Wilson Hotel.	161,716
Construction loan - matures 2/17/2037 and carries interest at 3.25%	77,747
Debt issuance costs, net of accumulated amortization	(23,503)
Total debt	\$ 2,973,682

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

**ANACORTES HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**FOR THE YEAR ENDED MARCH 31, 2022**

**NOTE 11 - LONG-TERM DEBT, continued**

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

	Current	Long Term	Total
Housing Revenue Bonds	\$ 35,000	505,000	540,000
Notes from Direct Borrowings	43,485	2,390,197	2,433,682
	\$ 78,485	2,895,197	2,973,682

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

Years Ending	Housing Revenue Bonds		Notes from Direct Borrowings		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
March 31,						
2023	\$ 35,000	30,675	43,485	65,781	78,485	96,456
2024	40,000	28,494	75,971	63,644	115,971	92,138
2025	40,000	26,144	78,321	61,294	118,321	87,438
2026	45,000	23,647	80,723	58,892	125,723	82,539
2027	45,000	21,003	83,237	56,377	128,237	77,380
2028 to 2032	270,000	60,219	458,275	239,799	728,275	300,018
2033 to 2037	65,000	1,909	946,345	144,512	1,011,345	146,421
2038 to 2042	-	-	283,629	37,187	283,629	37,187
2043 to 2047	-	-	221,980	17,176	221,980	17,176
2048 to 2052	-	-	161,716	1,843	161,716	1,843
	\$ 540,000	192,091	2,433,682	746,505	2,973,682	938,596

Changes in Long-Term Liabilities

During the year ended March 31, 2022, the following changes occurred in long-term liabilities:

	Balance 03/31/21	Additions	Reductions	Balance 03/31/22	Due Within One Year
Housing Revenue Bonds	\$ 575,000	-	(35,000)	540,000	\$ 35,000
Notes from direct borrowings	2,398,390	77,747	(42,455)	2,433,682	43,485
PPP forgivable loan - direct borrowing	87,700	-	(87,700)	-	-
Total debt	3,061,090	77,747	(165,155)	2,973,682	78,485
Accumulated leave	35,801	3,332	-	39,133	3,913
Accrued pension	157,237	-	(113,712)	43,525	-
Total accrued long-term items	193,038	3,332	(113,712)	82,658	3,913
Total long-term liabilities	\$ 3,254,128	81,079	(278,867)	3,056,340	\$ 82,398

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

**ANACORTES HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED MARCH 31, 2022

**NOTE 11 - LONG-TERM DEBT, continued**

Paycheck Protection Program Loan

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

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

The Authority's accounting policy for recognition of revenue from forgiveness of the PPP loan is to recognize the revenue when the loan forgiveness application is accepted by the lender. The loan was forgiven during the year ended March 31, 2022 and the debt forgiveness revenue was recognized as other operating revenue during the year ended March 31, 2022.

**NOTE 12 - MAJOR COMPONENT UNIT INFORMATION**

Blended Component Units

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

The AHA Bayview Apartments condensed statement of net position at December 31, 2021:

Capital assets, net of accumulated depreciation	\$ 1,238,588
Other assets	<u>726,625</u>
Total assets	<u><u>\$ 1,965,213</u></u>
Other liabilities	\$ 74,287
Long-term debt	<u>1,147,975</u>
Total liabilities	<u><u>1,222,262</u></u>
Net position:	
Net investment in capital assets	90,613
Restricted: reserves	308,555
Unrestricted	<u>343,783</u>
Total net position	<u><u>742,951</u></u>
Total liabilities and net position	<u><u>\$ 1,965,213</u></u>

*These notes are an integral part of the financial statements.*

**ANACORTES HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED MARCH 31, 2022

**NOTE 12 - MAJOR COMPONENT UNIT INFORMATION, continued**

AHA Bayview Apartments condensed statement of revenues, expenses, and changes in net position for the year ended December 31, 2021:

Operating revenue:	
Rent, net	\$ 361,900
Other	<u>12,180</u>
Total operating revenue	<u>374,080</u>
Operating expenses:	
Administrative	45,783
Utilities	28,767
Operating and maintenance	120,698
Taxes and insurance	9,357
Other general	4,600
Depreciation and amortization	<u>59,132</u>
Total operating expenses	<u>268,337</u>
Net operating income	105,743
Interest expense	<u>(44,522)</u>
Change in net position	<u>\$ 61,221</u>

AHA Bayview Apartments condensed statement of cash flows for the year ended December 31, 2021:

Net cash provided by (used in):	
Operating activities	\$ 142,689
Capital and related financing activities	(58,926)
Investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	83,763
Cash and cash equivalents, beginning of year	<u>622,804</u>
Cash and cash equivalents, end of year	<u>\$ 706,567</u>

**ANACORTES HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED MARCH 31, 2022

**NOTE 12 - MAJOR COMPONENT UNIT INFORMATION, continued**

During 2003, the Wilson Hotel Housing LLC (the Company) was formed as a limited liability company pursuant to Title 25 of the Revised Code of Washington, to acquire, rehabilitate and operate a 25-unit apartment project and six units of commercial space on the ground floor of a building located in Anacortes. The Wilson Hotel Housing LLC is presented as a blended component unit.

On December 31, 2021, the Investor Members transferred their ownership interest in Wilson Hotel Housing, LLC as follows: 99.9% to the Housing Authority of the City of Anacortes (Managing Member), and 0.1% to AHA Instrumentality, LLC, whose sole member is the Housing Authority of the City of Anacortes. The Wilson Hotel Housing LLC is presented as a blended component unit.

The Wilson Hotel Housing LLC condensed statement of net position at December 31, 2021:

Capital assets, net of accumulated depreciation	\$ 3,813,280
Other assets	<u>291,281</u>
Total assets	<u>\$ 4,104,561</u>
Other liabilities	\$ 46,967
Long-term debt	<u>1,045,603</u>
Total liabilities	<u>1,092,570</u>
Net position:	
Net investment in capital assets	2,767,677
Restricted: reserves	0
Unrestricted	<u>244,314</u>
Total net position	<u>3,011,991</u>
Total liabilities and net position	<u>\$ 4,104,561</u>

The Wilson Hotel Housing LLC condensed statement of revenues, expenses, and changes in net position for the year ended December 31, 2021:

Operating revenue:	
Rent, net	\$ 225,856
Other	<u>3,069</u>
Total operating revenue	<u>228,925</u>
Operating expenses:	
Administrative	30,667
Utilities	15,835
Operating and maintenance	39,716
Taxes and insurance	9,271
Other general	23,240
Depreciation and amortization	<u>147,520</u>
Total operating expenses	<u>266,249</u>
Net operating income (loss)	(37,324)
Interest income	0
Interest expense	<u>(40,951)</u>
Change in net position	<u>\$ (78,275)</u>

**ANACORTES HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED MARCH 31, 2022

**NOTE 13 – CONTINGENCIES AND CONCENTRATIONS**

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

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

**NOTE 14 – IMPACT OF COVID-19 PANDEMIC**

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

**NOTE 15 – SUBSEQUENT EVENTS**

On April 22, 2022, the Authority was notified that the loan from the City of Anacortes was forgiven for the amount of \$160,913.

Subsequent events have been evaluated through December 27, 2022, which is the date the financial statements were available to be issued.

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

<b>PERS 1</b>		<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<u>Employer's proportion of the net pension liability</u>	%	0.003564	0.003452	0.003628	0.003685	0.003122	0.002240	0.003224	0.003812	0.004290
<u>Employer's proportionate share of the net pension liability</u>	\$	43,525	121,874	139,509	164,573	148,141	120,299	168,645	192,031	250,676
<u>Covered payroll</u>	\$	351,635	399,972	392,776	378,005	299,730	326,289	289,723	338,672	348,985
<u>Employer's proportionate share of the net pension liability as a percentage of covered payroll</u>	%	12.38	30.47	35.52	43.54	49.42	36.87	58.21	56.70	71.83
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	%	88.74	68.64	67.12	63.22	61.24	57.01	59.10	61.19	-
<b>PERS 2/3</b>		<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<u>Employer's proportion of the net pension liability (asset)</u>	%	0.002926	0.002765	0.002876	0.002837	0.002338	0.002874	0.002546	0.003245	0.003472
<u>Employer's proportionate share of the net pension liability</u>	\$	(291,477)	35,363	27,936	48,439	81,234	144,704	90,970	65,593	148,255
<u>Covered payroll</u>	\$	351,635	324,781	313,023	299,001	227,789	290,334	225,949	275,372	286,981
<u>Employer's proportionate share of the net pension liability as a percentage of covered payroll</u>	%	(82.89)	10.89	8.92	16.20	35.66	49.84	40.26	23.82	51.66
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	%	120.29	97.22	97.77	95.77	90.97	85.11	89.20	93.29	-

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

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



**ANACORTES HOUSING AUTHORITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**FOR THE FISCAL YEAR ENDED MARCH 31, 2022**  
**LAST 10 FISCAL YEARS\***

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

<b>PERS 1</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutorily or contractually required contributions	\$ 22,865	26,279	25,744	25,807	23,019	8,068	14,819	16,873	11,125
Contributions in relation to the statutorily or contractually required contributions	\$ (22,865)	(26,279)	(25,744)	(25,807)	(23,019)	(8,068)	(14,819)	(16,873)	(11,125)
Contribution deficiency (excess)	\$ 0	0	0	0	0	0	0	0	0
Covered payroll	\$ 445,700	421,158	400,457	389,944	355,290	310,531	346,837	289,292	344,292
Contributions as a percentage of covered payroll	%	5.13	6.24	6.43	6.62	6.48	2.60	4.27	5.83
	3.23								
<b>PERS 2/3</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutorily or contractually required contributions	\$ 24,957	27,397	25,197	23,306	20,289	10,537	11,342	13,709	13,472
Contributions in relation to the statutorily or contractually required contributions	\$ (24,957)	(27,397)	(25,197)	(23,306)	(20,289)	(10,537)	(11,342)	(13,709)	(13,472)
Contribution deficiency (excess)	\$ 0	0	0	0	0	0	0	0	0
Covered payroll	\$ 370,510	345,918	320,753	310,440	280,750	240,561	281,641	225,992	280,992
Contributions as a percentage of covered payroll	%	6.74	7.92	7.86	7.51	7.23	4.38	4.03	6.07
								4.79	

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED MARCH 31, 2022**

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

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

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

Submission Type: Audited/Non Single Audit

Fiscal Year End: 03/31/2022

	Project Total	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$391,197		\$560,629	\$189,672	\$1,141,498	-\$30,727	\$1,110,771
112 Cash - Restricted - Modernization and Development				\$306,399	\$306,399		\$306,399
113 Cash - Other Restricted			\$418,653		\$418,653		\$418,653
114 Cash - Tenant Security Deposits	\$32,651		\$18,550	\$7,372	\$58,573		\$58,573
115 Cash - Restricted for Payment of Current Liabilities							
100 Total Cash	\$423,848	\$0	\$997,832	\$503,443	\$1,925,123	-\$30,727	\$1,894,396
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects	\$11,441				\$11,441		\$11,441
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous							
126 Accounts Receivable - Tenants	\$1,917		\$21,828	\$244	\$23,989		\$23,989
126.1 Allowance for Doubtful Accounts -Tenants	-\$192	\$0	-\$1,754	\$0	-\$1,946		-\$1,946
126.2 Allowance for Doubtful Accounts - Other	\$0				\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current				\$80,376	\$80,376	-\$80,376	\$0
128 Fraud Recovery							
128.1 Allowance for Doubtful Accounts - Fraud							
129 Accrued Interest Receivable							
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$13,166	\$0	\$20,074	\$80,620	\$113,860	-\$80,376	\$33,484
131 Investments - Unrestricted							
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets	\$7,122				\$7,122		\$7,122
143 Inventories	\$34,548				\$34,548		\$34,548
143.1 Allowance for Obsolete Inventories	\$0				\$0		\$0
144 Inter Program Due From							
145 Assets Held for Sale							
150 Total Current Assets	\$478,684	\$0	\$1,017,906	\$584,063	\$2,080,653	-\$111,103	\$1,969,550
161 Land	\$866,515		\$770,000	\$965,801	\$2,602,316		\$2,602,316
162 Buildings	\$2,123,389		\$7,695,506	\$1,029,644	\$10,848,539		\$10,848,539
163 Furniture, Equipment & Machinery - Dwellings	\$72,949				\$72,949		\$72,949
164 Furniture, Equipment & Machinery - Administration	\$105,150		\$87,256	\$11,808	\$204,214		\$204,214
165 Leasehold Improvements	\$4,039,353				\$4,039,353		\$4,039,353
166 Accumulated Depreciation	-\$5,314,864		-\$3,500,894	-\$50,639	-\$8,866,397		-\$8,866,397
167 Construction in Progress				\$917,613	\$917,613		\$917,613
168 Infrastructure	\$743,434				\$743,434		\$743,434
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,635,926	\$0	\$5,051,868	\$2,874,227	\$10,562,021	\$0	\$10,562,021
171 Notes, Loans and Mortgages Receivable - Non-Current				\$1,133,861	\$1,133,861	-\$1,133,861	\$0
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due							
173 Grants Receivable - Non Current							
174 Other Assets	\$291,477				\$291,477		\$291,477
176 Investments in Joint Ventures				\$351,249	\$351,249	-\$351,249	\$0
180 Total Non-Current Assets	\$2,927,403	\$0	\$5,051,868	\$4,359,337	\$12,338,608	-\$1,485,110	\$10,853,498
200 Deferred Outflow of Resources	\$61,086				\$61,086		\$61,086
290 Total Assets and Deferred Outflow of Resources	\$3,467,173	\$0	\$6,069,774	\$4,943,400	\$14,480,347	-\$1,596,213	\$12,884,134

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

Submission Type: Audited/Non Single Audit

Fiscal Year End: 03/31/2022

	Project Total	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	2 State/Local	Subtotal	ELIM	Total
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$33,873		\$20,586	\$395,589	\$450,048		\$450,048
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable							
322 Accrued Compensated Absences - Current Portion	\$3,913				\$3,913		\$3,913
324 Accrued Contingency Liability							
325 Accrued Interest Payable			\$13,260	\$10,350	\$23,610	-\$10,350	\$13,260
331 Accounts Payable - HUD PHA Programs							
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government	\$4,035				\$4,035		\$4,035
341 Tenant Security Deposits	\$32,650		\$18,550	\$17,006	\$68,206		\$68,206
342 Unearned Revenue	\$13,899	\$0	\$3,105	\$2,778	\$19,782		\$19,782
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue			\$35,000	\$78,485	\$113,485	-\$35,000	\$78,485
344 Current Portion of Long-term Debt - Operating Borrowings							
345 Other Current Liabilities				\$46,359	\$46,359		\$46,359
346 Accrued Liabilities - Other			\$65,753		\$65,753	-\$65,752	\$1
347 Inter Program - Due To							
348 Loan Liability - Current							
310 Total Current Liabilities	\$88,370	\$0	\$156,254	\$550,567	\$795,191	-\$111,102	\$684,089
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$0	\$2,158,578	\$1,849,594	\$4,008,172	-\$1,112,975	\$2,895,197
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other							
354 Accrued Compensated Absences - Non Current	\$35,220				\$35,220		\$35,220
355 Loan Liability - Non Current							
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities	\$43,525				\$43,525		\$43,525
350 Total Non-Current Liabilities	\$78,745	\$0	\$2,158,578	\$1,849,594	\$4,086,917	-\$1,112,975	\$2,973,942
300 Total Liabilities	\$167,115	\$0	\$2,314,832	\$2,400,161	\$4,882,108	-\$1,224,077	\$3,658,031
400 Deferred Inflow of Resources	\$325,540				\$325,540		\$325,540
508.4 Net Investment in Capital Assets	\$2,635,926		\$2,858,290	\$946,148	\$6,440,364	\$1,147,974	\$7,588,338
511.4 Restricted Net Position			\$418,653	\$296,765	\$715,418	\$9,634	\$725,052
512.4 Unrestricted Net Position	\$338,592	\$0	\$477,999	\$1,300,326	\$2,116,917	-\$1,529,744	\$587,173
513 Total Equity - Net Assets / Position	\$2,974,518	\$0	\$3,754,942	\$2,543,239	\$9,272,699	-\$372,136	\$8,900,563
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$3,467,173	\$0	\$6,069,774	\$4,943,400	\$14,480,347	-\$1,596,213	\$12,884,134

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

Submission Type: Audited/Non Single Audit

Fiscal Year End: 03/31/2022

	Project Total	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$522,330		\$590,049	\$211,816	\$1,324,195	-\$66,066	\$1,258,129
70400 Tenant Revenue - Other	\$6,329		\$7,230	\$6,215	\$19,774		\$19,774
70500 Total Tenant Revenue	\$528,659	\$0	\$597,279	\$218,031	\$1,343,969	-\$66,066	\$1,277,903
70600 HUD PHA Operating Grants	\$370,288				\$370,288		\$370,288
70610 Capital Grants	\$11,005				\$11,005		\$11,005
70710 Management Fee							
70720 Asset Management Fee							
70730 Book Keeping Fee							
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue					\$0	\$0	\$0
70800 Other Government Grants				\$555,102	\$555,102		\$555,102
71100 Investment Income - Unrestricted	\$12			\$51	\$63		\$63
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery							
71500 Other Revenue	\$90,552		\$7,994	\$88,171	\$186,717	-\$65,753	\$120,964
71600 Gain or Loss on Sale of Capital Assets							
72000 Investment Income - Restricted			\$22	\$41,785	\$41,807	-\$41,785	\$22
70000 Total Revenue	\$1,000,516	\$0	\$605,295	\$903,140	\$2,508,951	-\$173,604	\$2,335,347
91100 Administrative Salaries	\$248,894			\$7,500	\$256,394		\$256,394
91200 Auditing Fees	\$23,159		\$15,500		\$38,659		\$38,659
91300 Management Fee		\$0	\$37,982		\$37,982	-\$37,982	\$0
91310 Book-keeping Fee							
91400 Advertising and Marketing							
91500 Employee Benefit contributions - Administrative	\$13,677			\$556	\$14,233		\$14,233
91600 Office Expenses	\$37,682		\$12,088	\$67,814	\$117,584	-\$66,066	\$51,518
91700 Legal Expense	\$705		\$5,500	\$117	\$6,322		\$6,322
91800 Travel	\$2,651				\$2,651		\$2,651
91810 Allocated Overhead							
91900 Other	\$15,931		\$5,406	\$13,229	\$34,566		\$34,566
91000 Total Operating - Administrative	\$342,699	\$0	\$76,476	\$89,216	\$508,391	-\$104,048	\$404,343
92000 Asset Management Fee							
92100 Tenant Services - Salaries							
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other							

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

Submission Type: Audited/Non Single Audit

Fiscal Year End: 03/31/2022

	Project Total	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	2 State/Local	Subtotal	ELIM	Total
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0
93100 Water	\$18,047		\$33,637	\$5,612	\$57,296		\$57,296
93200 Electricity	\$12,592		\$8,385	\$3,633	\$24,610		\$24,610
93300 Gas	\$344		\$2,580	\$287	\$3,211		\$3,211
93400 Fuel							
93500 Labor							
93600 Sewer	\$31,632			\$264	\$31,896		\$31,896
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense							
93000 Total Utilities	\$62,615	\$0	\$44,602	\$9,796	\$117,013	\$0	\$117,013
94100 Ordinary Maintenance and Operations - Labor	\$144,922		\$48,416	\$29,857	\$223,195		\$223,195
94200 Ordinary Maintenance and Operations - Materials and Other	\$21,245		\$20,451	\$14,717	\$56,413		\$56,413
94300 Ordinary Maintenance and Operations Contracts	\$169,864	\$0	\$91,549	\$22,115	\$283,528		\$283,528
94500 Employee Benefit Contributions - Ordinary Maintenance	\$0			\$1,668	\$1,668		\$1,668
94000 Total Maintenance	\$336,031	\$0	\$160,416	\$68,357	\$564,804	\$0	\$564,804
95100 Protective Services - Labor							
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$15,047		\$15,118	\$13,496	\$43,661		\$43,661
96120 Liability Insurance	\$4,249		\$3,510		\$7,759		\$7,759
96130 Workmen's Compensation	\$2,070				\$2,070		\$2,070
96140 All Other Insurance	\$1,269				\$1,269		\$1,269
96100 Total insurance Premiums	\$22,635	\$0	\$18,628	\$13,496	\$54,759	\$0	\$54,759
96200 Other General Expenses			\$34,310	\$101	\$34,411	-\$27,771	\$6,640
96210 Compensated Absences	\$3,333				\$3,333		\$3,333
96300 Payments in Lieu of Taxes	\$4,035			\$4,865	\$8,900		\$8,900
96400 Bad debt - Tenant Rents	\$478		-\$1,856		-\$1,378		-\$1,378
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$7,846	\$0	\$32,454	\$4,966	\$45,266	-\$27,771	\$17,495
96710 Interest of Mortgage (or Bonds) Payable			\$73,948	\$20,523	\$94,471	-\$35,347	\$59,124
96720 Interest on Notes Payable (Short and Long Term)			\$6,438	\$41,785	\$48,223	-\$6,438	\$41,785
96730 Amortization of Bond Issue Costs			\$3,810		\$3,810	-\$2,737	\$1,073
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$84,196	\$62,308	\$146,504	-\$44,522	\$101,982

HA City of Anacortes (WA010)  
ANACORTES, WA

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Non Single Audit

Fiscal Year End: 03/31/2022

	Project Total	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	2 State/Local	Subtotal	ELIM	Total
96900 Total Operating Expenses	\$771,826	\$0	\$416,772	\$248,139	\$1,436,737	-\$176,341	\$1,260,396
97000 Excess of Operating Revenue over Operating Expenses	\$228,690	\$0	\$188,523	\$655,001	\$1,072,214	\$2,737	\$1,074,951
97100 Extraordinary Maintenance							
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments							
97350 HAP Portability-In							
97400 Depreciation Expense	\$146,461		\$205,579	\$25,742	\$377,782		\$377,782
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$918,287	\$0	\$622,351	\$273,881	\$1,814,519	-\$176,341	\$1,638,178
10010 Operating Transfer In	\$40,000				\$40,000	-\$40,000	\$0
10020 Operating transfer Out	-\$40,000				-\$40,000	\$40,000	\$0
10030 Operating Transfers from/to Primary Government							
10040 Operating Transfers from/to Component Unit							
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss							
10080 Special Items (Net Gain/Loss)							
10091 Inter Project Excess Cash Transfer In							
10092 Inter Project Excess Cash Transfer Out							
10093 Transfers between Program and Project - In							
10094 Transfers between Project and Program - Out							
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$82,229	\$0	-\$17,056	\$629,259	\$694,432	\$2,737	\$697,169
11020 Required Annual Debt Principal Payments	\$0	\$0	\$732,471	\$77,455	\$809,926		\$809,926
11030 Beginning Equity	\$2,892,289	\$3,090,266	\$681,732	\$1,913,980	\$8,578,267		\$8,578,267
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		-\$3,090,266	\$3,090,266		\$0		\$0
11050 Changes in Compensated Absence Balance							
11060 Changes in Contingent Liability Balance							
11070 Changes in Unrecognized Pension Transition Liability							
11080 Changes in Special Term/Severance Benefits Liability							
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100 Changes in Allowance for Doubtful Accounts - Other							
11170 Administrative Fee Equity							

HA City of Anacortes (WA010)  
ANACORTES, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 03/31/2022

	Project Total	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	2 State/Local	Subtotal	ELIM	Total
11180 Housing Assistance Payments Equity							
11190 Unit Months Available	1944		852	206	3002		3002
11210 Number of Unit Months Leased	1939		849	202	2990		2990
11270 Excess Cash	\$289,897				\$289,897		\$289,897
11610 Land Purchases	\$0				\$0		\$0
11620 Building Purchases	\$0				\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0				\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0				\$0		\$0
11650 Leasehold Improvements Purchases	\$11,005				\$11,005		\$11,005
11660 Infrastructure Purchases	\$0				\$0		\$0
13510 CFFP Debt Service Payments	\$0				\$0		\$0
13901 Replacement Housing Factor Funds	\$0				\$0		\$0

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

Board of Commissioners  
Anacortes Housing Authority  
Anacortes, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Anacortes Housing Authority (the "Authority"), as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 27, 2022.

**Report on 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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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



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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

*Finney, Hill & Company, P.S.*

December 27, 2022  
Seattle, Washington

**ANACORTES HOUSING AUTHORITY**

Schedule of Findings and Responses

For the year ended March 31, 2022

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

**ANACORTES HOUSING AUTHORITY**  
Schedule of Prior Year Findings and Responses

**No matters were reported.**