Office of the Washington State Auditor
Pat McCarthy

February 15, 2024

Board of Commissioners
Housing Authority of Okanogan County
Omak, Washington

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

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

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

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

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HOUSING AUTHORITY OF OKANOGAN COUNTY

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Authority of Okanogan County
Omak, Washington

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities (primary government) and the discretely presented component unit of the Housing Authority of Okanogan County (the Authority), as of and for the year ended December 31, 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 and the discretely presented component unit of the Housing Authority of Okanogan County as of December 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 Housing Authority of Okanogan County, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, during the year ended December 31, 2022, the Housing Authority of Okanogan County adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

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 Housing Authority of Okanogan County'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.

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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:

- 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 Housing Authority of Okanogan County'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 Housing Authority of Okanogan County'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 8, the schedule of the Authority's proportionate share of the net pension liability on page 42, and the schedule of employer contributions on page 43 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.

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

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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Awards Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The financial data schedule presented on pages 46 through 50 is presented for the purpose of additional analysis as required by the U.S. Department of Housing and Urban Development, and is also not a required part of the basic financial statements. 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 schedule of expenditures of federal awards and the financial data schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2023 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. The financial statements of the discretely presented component unit, Meadow Point at Omak LLLP, was not audited in accordance with *Government Auditing Standards*.

Finney, Neill & Company, P.S.

October 6, 2023
Seattle, Washington

Housing Authority of Okanogan County
Management's Discussion and Analysis
Year ended December 31, 2022

This narrative overview and analysis of the Housing Authority of Okanogan County's (HAOC) performance for the year ended December 31, 2022 is provided as a supplement to HAOC's year-end financial statements. Please read it in conjunction with the basic financial statements following this section, and the notes to the basic financial statements. The management's discussion and analysis is presented in conformance with the Government Accounting Standards Board (GASB) financial reporting model as set forth in GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus.*

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

FINANCIAL HIGHLIGHTS

- Net position of HAOC increased by approximately $500,000 from 2021 to 2022. This is a result largely due to increases in government grants by approximately $562,000 and tenant rental revenue by approximately $410,000.
- As of December 31, 2022, the assets and deferred outflows of HAOC exceeded liabilities and deferred inflows of resources by approximately $841,000 (net position). Of this amount, approximately $715,000 is restricted as to its allowable usage.
- Operating revenues increased by approximately $546,000 (21%) from 2021 to 2022, primarily due to increases in intergovernmental, tenant based, and developer fee income.
- Nonoperating revenues, net of nonoperating expenses, increased by approximately $143,000 (24%) from 2021 to 2022, primarily related to new funding contracts.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

The ***Statement of Cash Flows*** reports how HAOC's cash and cash equivalents were used and provided by its operating, noncapital financing, capital and related financing, and investing activities during the period reported. The net of these activities is added to the beginning year cash balance to reconcile to the cash and cash equivalents balances at December 31, 2022 and 2021. HAOC uses the direct method of presenting cash flows, which includes a reconciliation of operating activities to operating loss. This statement provides answers to such questions as where did cash come from, how was cash used, and what was the change in the cash balance during the year.

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

FINANCIAL ANALYSIS

Net Position

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

	2022	2021
ASSETS		
Current assets, unrestricted	$ 1,227,053	1,231,653
Other current assets, restricted	757,163	586,644
Capital assets, net	10,697,433	10,213,519
Other noncurrent assets	241,248	305,580
Total assets	12,922,897	12,337,396
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow of resources	75,463	23,847
Total assets and deferred outflow of resources	$ 12,998,360	12,361,243
LIABILITIES		
Current and other liabilities	$ 237,663	792,318
Current liabilities payable from restricted assets	102,535	57,993
Noncurrent liabilities	11,437,212	11,016,044
Total liabilities	11,777,410	11,866,355
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow of resources	379,304	153,234
NET POSITION		
Invested in capital assets, net of related debt	(761,505)	(809,725)
Restricted net position	654,628	471,285
Restricted for pension asset	61,043	18,305
Unrestricted net position	887,480	661,789
Total net position	841,646	341,654
Total liabilities, deferred inflow of resources, and net position	$ 12,998,360	12,361,243

Unrestricted current assets are comprised of cash and cash equivalents, receivables, investments, and prepaid items. Unrestricted current assets are comparable to the prior year.

Restricted current assets are comprised of cash and investments that are restricted for repayment of security deposits and other contractual obligations related to federal funding that was unspent at the end of the year. As the result of expanding their housing programs, restricted current assets increased by approximately $170,000 in 2022.

Noncurrent assets consist of capital assets not being depreciated, such as land and construction in progress, capital assets being depreciated and other noncurrent assets. Capital assets being depreciated consist of buildings, furniture and equipment, and improvements netted against accumulated depreciation. Other noncurrent assets consist of long-term notes receivable, investment in the discretely presented component unit, and net pension asset. Noncurrent assets increased approximately $419,000 from 2021 to 2022, a 4% increase. This increase is primarily related to development of MeadowLark Senior Housing, Peachtree, and Elmwood properties.

Current and other liabilities consist of accounts payable, accrued wages and payroll taxes, compensated absences, revolving loan payable, unearned revenue, and current portion of long-term debt. Current liabilities decreased approximately $555,000, a 70% decrease. The fluctuations are primarily increased volume in payments to vendors due to new housing projects and recognition of prior year advanced payments from HUD.

Current liabilities payable from unrestricted assets primarily consist of tenant security deposits and restricted, unspent funds from the federal government. These liabilities reflected an increase from 2021 to 2022 of approximately $45,000, a 77% increase. The lease up of MeadowLark contributed to this increase.

Noncurrent liabilities consist of long-term debt, pension liabilities, and the long-term portion of compensated absences. Increases in noncurrent liabilities were approximately $421,000 from 2021 to 2022, $389,000 of new long-term borrowings, with a $28,000 increase in pension liability.

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

Total net position of HAOC increased by approximately $500,000 from 2021 to 2022.

HAOC's current ratio reflects the relationship between current assets and current liabilities and is a measure of HAOC's ability to pay short-term obligations. At December 31, 2022 and 2021, HAOC's current ratio was 5.83 and 2.14, respectively.

Revenues, Expenses, and Changes in Net Position

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

		2022	2021
Revenue:			
Intergovernmental- operating	$	2,109,580	1,699,459
Tenant and other		939,624	528,779
Other revenue		76,309	350,860
Intergovernmental - nonoperating		778,477	626,549
Investment revenue		3,245	108
Total revenue		3,907,235	3,205,755
Expenses:			
Administration		611,645	570,706
Utilities		327,374	199,728
Ordinary maintenance and operations		200,969	89,345
Depreciation		372,001	215,764
Housing assistance payments		1,799,601	1,493,263
Insurance premiums		46,471	29,580
Interest expense		49,182	24,450
Loss on disposal of capital assets		-	12,881
Total expenses		3,407,243	2,635,717
Change in net position		499,992	570,038
Net position, beginning of year		341,654	(228,384)
Net position, end of year	$	841,646	341,654

In 2022 revenues increased by approximately 22%, primarily due to an increase in intergovernmental, tenant, developer fee, and construction subsidy revenue offset partially by a minor decrease in other revenue.

Total expenses increased by approximately 29% from 2021 to 2022, primarily due to administration, utilities, depreciation, housing assistance payments, and interest expenses all increasing in 2022 offset partially by a decrease in loss on disposal of capital assets.

Administrative expenses in 2022 increased by approximately $41,000 (7%) from 2021. Utilities increased by approximately $127,000 (64%) from 2021. Ordinary maintenance and operation expenses decreased by approximately $111,000 (125%) from 2021. Depreciation increased by approximately $156,000 (72%) from 2021. Housing assistance payments increased by approximately $306,000 (21%) from 2021. Interest expense increased by approximately $25,000 (101%) from 2021. The overall changes were attributed to budget changes, fluctuations in costs of doing business and the addition of new properties and long term debt.

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CAPITAL ASSETS

In 2022, approximately $372,000 of depreciation expense was recognized, however, this was offset with approximately $57,000 of additions and approximately $4,020,000 of transfers/retirements, resulting in an increase in net capital assets of approximately $483,000. Additional information on HAOC's capital assets can be found in Note 6 to the basic financial statements.

DEBT ADMINISTRATION

All debt service payments were made in 2022 as scheduled. Additional information on HAOC's long-term debt can be found in Note 7 to the basic financial statements.

ECONOMIC FACTORS AFFECTING HAOC'S FUTURE

During 2022, HAOC continued to expand their housing portfolio which has lessened the dependence on future HUD funding and creates more financial stability for the HAOC. The community impact is seen as more families have access to affordable housing without the reliance on the Federally funded voucher programs.

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

REQUESTS FOR INFORMATION

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

Nancy Nash-Mendez
Executive Director
Phone: 409-422-3721
Address:
431 5th Avenue West
Omak, Washington 98841

HOUSING AUTHORITY OF OKANOGAN COUNTY
STATEMENT OF NET POSITION
December 31, 2022

	Housing Authority	Component Unit
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash - unrestricted	$ 1,008,882	209,721
Receivables - tenants, net of allowance	80,352	13,620
Receivables - due from Component Unit	61,229	-
Receivables - other, net of allowance	58,490	4,065
Prepaid expenses and other assets	18,100	29,379
Total unrestricted	1,227,053	256,785
Cash - other restricted	486,542	-
Cash - tenant security deposits	101,786	31,082
Cash - reserves and escrow - restricted	168,835	284,206
Total restricted	757,163	315,288
Total current assets	1,984,216	572,073
NONCURRENT ASSETS		
Capital assets not being depreciated:		
Land	628,000	322,238
Construction in progress	317,641	-
Capital assets being depreciated:		
Buildings	9,853,154	11,090,714
Furniture, equipment, and machinery - dwellings	57,589	337,544
Furniture, equipment, and machinery - administration	16,056	-
Improvements	2,342,283	1,331,600
Accumulated depreciation	(2,517,290)	(352,752)
Total capital assets	10,697,433	12,729,344
Other noncurrent assets:		
Investement in Partnership - Component Unit	50,000	-
Notes receivable - Component Unit	117,000	-
Capitalized costs, net	-	136,475
Interest receivable	3,000	-
Net pension asset	71,248	-
Total other noncurrent assets	241,248	136,475
Total assets	12,922,897	13,437,892
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow of resources related to pensions	75,463	-
Total assets and deferred outflows of resources	$ 12,998,360	13,437,892

(CONTINUED)

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

HOUSING AUTHORITY OF OKANOGAN COUNTY
STATEMENT OF NET POSITION, CONTINUED
December 31, 2022

	Housing Authority	Component Unit
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 69,613	10,892
Construction costs payable	22,972	228,900
Due to Housing Authority	-	61,229
Revolving loan payable	36,524	-
Accrued wages and payroll taxes payable	19,937	-
Accrued compensated absences - current portion	8,321	-
Accrued interest	3,455	6,890
Unearned revenue	32,842	3,835
Current portion of long-term debt	43,999	32,176
Total payable from unrestricted assets	237,663	343,922
Tenant security deposits payable from restricted assets	102,535	31,082
Total current liabilities	340,198	375,004
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	11,378,415	4,160,964
Note payable - Housing Authority	-	117,000
Accrued liabilities	-	24,600
Net pension liability	40,902	-
Accrued compensated absences, net of current portion	17,895	-
Total noncurrent liabilities	11,437,212	4,302,564
Total liabilities	11,777,410	4,677,568
DEFERRED INFLOW OF RESOURCES		
Deferred inflow of resources related to pensions and leases	379,304	-
NET POSITION		
Invested in capital assets, net of related debt	(761,505)	8,419,204
Restricted net position	654,628	284,206
Restricted for pension asset	61,043	-
Unrestricted net position	887,480	56,914
Total net position	841,646	8,760,324
Total liabilities, deferred inflows of resources, and net position	$ 12,998,360	13,437,892

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

Housing Authority of Okanogan County

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2022

	Housing Authority	Component Unit
OPERATING REVENUE		
Intergovernmental revenue	$ 2,109,580	-
Net tenant rental revenue	932,307	404,964
Other revenue	76,309	53,962
Other tenant revenue	7,317	-
Total operating revenue	3,125,513	458,926
OPERATING EXPENSES		
Administrative		
Administrative wages	236,755	25,730
Tenant services wages	54,447	-
Auditing fees	47,045	19,866
Employee benefit contributions	36,887	-
Other operating - administrative	236,465	39,980
Tenant services	46	-
Total administrative	611,645	85,576
Utilities		
Electricity	33,818	8,830
Other utilities expense	64,764	15,167
Sewer	109,073	34,623
Water	119,719	13,608
Total utilities	327,374	72,228
Ordinary maintenance and operations		
Contract costs	52,732	21,614
Maintenance and operations wages	87,194	17,102
Materials and other	61,043	7,345
Total ordinary maintenance and operations	200,969	46,061
General expenses		
Depreciation expense	372,001	334,400
Housing assistance payments	1,799,601	-
Insurance and property taxes	46,471	29,972
Other general expenses	-	(1)
Total general expenses	2,218,073	364,371
Total operating expenses	3,358,061	568,236
Net operating loss	(232,548)	(109,310)

(CONTINUED)

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

HOUSING AUTHORITY OF OKANOGAN COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, CONTINUED

Year Ended December 31, 2022

	Housing Authority	Component Unit
NON-OPERATING ACTIVITIES		
Interest expense	(49,182)	(192,518)
Intergovernmental revenue	778,477	-
Investment revenue - restricted	1,203	-
Investment revenue - unrestricted	2,042	-
Other non-operating expenses	-	(24,600)
Total non-operating revenues (expenses)	732,540	(217,118)
CAPITAL CONTRIBUTIONS		
Partner capital contributions	-	8,165,263
CHANGE IN NET POSITION	499,992	7,838,835
NET POSITION - BEGINNING OF YEAR	341,654	921,489
	-	-
NET POSITION - END OF YEAR	$ 841,646	8,760,324

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

HOUSING AUTHORITY OF OKANOGAN COUNTY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2022

	Housing Authority	Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenants and others	$ 810,956	208,230
Housing assistance receipts	2,063,036	278,309
Receipts from (advances to) Component Unit	162,795	-
Payments to employees	(426,858)	(31,348)
Payments to vendors and suppliers	(2,674,996)	(773,069)
Net cash provided (used) by operating activities	(65,067)	(317,878)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental grants and contracts	837,517	-
Net cash provided by noncapital financing activities	837,517	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	44,823	(1,648,355)
Borrowing on long-term debt	110,370	957,334
Principal payments on long-term debt	(33,836)	(6,602,969)
Capital contributions	-	8,165,262
Interest paid	(48,110)	(205,923)
Net cash provided (used) by capital and related financing activities	73,247	665,349
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,854	-
Net cash provided (used) by investing activities	1,854	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	847,551	347,471
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	918,494	177,538
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,766,045	525,009
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash - unrestricted	$ 1,008,882	209,721
Cash - other restricted	486,542	-
Cash - tenant security deposits	101,786	31,082
Cash - reserves and escrow - restricted	168,835	284,206
Total cash and cash equivalents	$ 1,766,045	525,009

(CONTINUED)

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

	Housing Authority	Component Unit
RECONCILIATION OF NET OPERATING ACTIVITIES TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Cash flows from operating activities:		
Operating income (loss)	$ (232,548)	(109,310)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	372,001	334,400
(Increase) decrease in cash due to changes in assets:		
Receivables	101,544	(7,329)
Interest Receivable	(1,394)	-
Prepaid expenses and other assets	134,929	(1,166)
Net pension asset	65,728	-
Deferred outflows related to pensions	(51,615)	-
Increase (decrease) in cash due to changes in liabilities:		
Accounts payable	(239,288)	(4,829)
Development costs payable	(182,744)	(564,561)
Accrued wages and taxes payable	8,234	-
Unearned revenue	(342,446)	3,835
Tenant security deposits	44,542	31,082
Net pension liability	27,883	-
Compensated absences	4,037	-
Deferred inflows related to leases and pensions	226,070	-
	167,481	(208,568)
Net cash provided (used) by operating activities	$ (65,067)	(317,878)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Capital assets financed with long-term debt	$ 322,637	-
Capital assets financed with accounts payable	36,525	-
	$ 359,162	-

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES

During the year ended December 31, 2022, HAOC incurred debt in the amount of $322,637. The funds were utilized to finance the rehab of Peachtree and Elmwood properties, as well as the construction of MeadowLark Senior Housing. Accounts Payable in the amount of $36,525 was utilized in conjunction with this incurred debt to accrue costs relating to ongoing rehab and construction of these properties.

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

HAOC administers the HUD Section 8 Housing Choice Voucher Program, HUD's Emergency Housing Program, HUD's Five Year Main Stream Housing Opportunities for Persons with Disabilities Program, HUD's Veterans Affairs Supportive Housing Program and HUD's Non-Elderly Disabled Voucher Program. HUD provides a contracted number of Housing Assistance Vouchers to HAOC for each program, which is used to provide rental payments to landlords for a specified number and type of housing units for low-income families.

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

HAOC administers USDA Rural Development rental assistance subsidy for the Twisp Gardens Apartments, a 16-unit Elderly/Disabled apartment complex for low-income families owned and managed by HAOC, Peachtree Apartments, a 24-unit multifamily apartment complex for low income families, and Elmwood Apartments, a 20-unit multifamily apartment complex for low income families.

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

HAOC owns the following properties: 1) Caribou Trail Housing, a 24-unit multifamily apartment complex housing low to moderate-income families; 2) Twisp Gardens Apartments, a 16-unit Elderly/Disabled apartment complex for low-income families with 16 USDA Rural Development subsidized units; 3) IronStraw Farmworker Housing, a 6-unit complex housing low-income seasonal agricultural workers and their families; 4) Land in Omak; 5) Vista Park Homes, a 24-unit apartment complex housing low-income seasonal agricultural workers and their families; 6) Sagebrush Acres and Country Homestead, two single family homes for individuals with chronic disability; 7) Pateros Gardens, a 16-unit multifamily apartment complex housing low to moderate income families; 8) Meadowlark Senior Housing is currently under construction and will be a 16-unit senior housing, servicing low to moderate income seniors; 9) Peachtree Apartments, a 24-unit multifamily apartment complex for low income families with 24 USDA Rural Development subsidized units; 10) Elmwood Apartments, a 20-unit multifamily apartment complex for low income families with 20 USDA Rural Development subsidized units.

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

Discretely Presented Component Unit

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

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

Reporting Entity

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

Basis of Accounting

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

Summary of Significant Accounting Policies

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

Budgeting

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

Cash and Cash Equivalents

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

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

Restricted Funds

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

Accounts Receivable

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

Capital Assets

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

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

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its future service utility has declined significantly and unexpectedly. HAOC is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. No such events or circumstances were encountered as of December 31, 2022.

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

Estimated useful lives are as follows:

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

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

Deferred Inflows and Outflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. HAOC's deferred inflows of resources are typically related to the net pension liability and financing leases and total $379,304. HAOC had $87,422 in deferred inflows of resources as of December 31, 2022 related to net pension liability and $291,882 related to financing leases.

Deferred outflows of resources represent a disbursement of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until that time. HAOC's deferred outflows of resources are typically related to the net pension liability. HAOC had $75,463 in deferred outflows of resources as of December 31, 2022.

Pensions

For purposes of measuring the net pension liability or asset, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized as due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 10 for further information.

Compensated Absences

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

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

Revenue and Expenses

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

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

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

Subsequent Events

Subsequent events have been evaluated through October 6, 2023, which is the date the financial statements were available to be issued.

Tax status

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

Use of estimates

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

Leases

HAOC is the lessor of dwelling units to low-income and market rate residents. The low-income rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD. Leases may be cancelled by the lessee at any time or renewed every year. The Authority may cancel the leases only for cause. A significant majority of the capital assets are used in these leasing activities. Revenues associated with these leases are recorded in the accompanying financial statements.

Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term on a straight-line basis. Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue on a straight-line basis over the lease term. The Authority recognizes payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. See Note 9 – Leases for more information.

Recently Adopted Accounting Principles

GASB Statement No. 87, Leases, was effective for 2022 and changed the accounting and financial reporting for leases by establishing a single model for lease accounting based on the foundational principle that leases represent a financing transaction associated with the right to use an underlying asset. This statement applies to contracts that convey the right to use a non-financial asset in an exchange or exchange-like transaction for a term exceeding 12 months. Lessees are now required to recognize a lease liability and an intangible right-to-use (ROU) asset, and lessors are required to recognize a lease receivable and deferred inflow of resources. The adoption of this standard had a material impact on the Authority's financial statements. The Authority reclassified an ending balance of $291,882 in deferred inflows from unearned revenue to deferred inflows of resources related to financing leases with the component units.

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

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, is effective for years ending after December 15, 2021. Its objective is to establish the term annual comprehensive financial report and its acronym, ACFR, to replace instances of comprehensive annual financial report and its acronym. There was no financial impact to the HAOC's financial statements as a result of implementing this statement, and the disclosures related to debt have been updated to conform to the requirements in this statement.

Recently Adopted Accounting Principles (continued)
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. There was no impact to the Authority's financial statements as a result of implementing this statement, and the disclosures related to debt have been updated to conform to the requirements in this statement.

GASB Statement No. 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. Its objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. There was no financial impact to the HAOC's financial statements as a result of implementing this statement.

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.

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

New Accounting Standards Adopted in Future Years
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, and to provide guidance for accounting and financial reporting for availability payment arrangements.

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.

GASB Statement No. 101, *Compensated Absences*, is effective for fiscal years beginning after December 15, 2023. Its objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 3 – DEPOSITS

Deposits, including those in restricted assets, are defined as cash or cash equivalents on deposit with financial institutions. At December 31, 2022, the carrying amount of HAOC's cash accounts deposited with financial institutions was $1,766,045 and the bank balances were $1,785,754. HAOC's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC). HAOC has on file form HUD-51999, General Depository Agreement with Wells Fargo.

Cash and cash equivalents consisted of the following at December 31, 2022:

Cash - Unrestricted	$	1,008,882
Cash - Other Restricted		486,542
Cash - Tenant Security Deposits		101,786
Cash - reserves and escrow - restricted		168,835
Total Cash and Cash Equivalents		1,766,045
Less Cash on Hand		(243)
Total Deposits	$	1,765,802

At December 31, 2022, the carrying amount of the Component Unit – Meadow Point's cash accounts deposited with financial institutions was $525,009 and the bank balances were $531,725. The Component Unit's deposits and certificates of deposit are entirely covered by federal depository insurance.

Cash and cash equivalents of the Component Unit – Meadow Point consisted of the following at December 31, 2022:

Cash - Unrestricted	$	209,721
Cash - Other Restricted		284,206
Cash - Tenant Security Deposits		31,082
Cash - reserves and escrow - restricted		-
Total Deposits	$	525,009

NOTE 4 – INVESTMENTS

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

As of December 31, 2022, HAOC has no long-term investments. HAOC maintains a restricted operating and reserve escrow account with Washington Community Reinvestment Association (WCRA) for the Caribou Trail Apartments. This account includes an original deposit for project improvements that has not been completely drawn down, as well as a monthly $300 deposit into each account. The balance at December 31, 2022 was $168,835.

NOTE 4 – INVESTMENTS, CONTINUED

Custodial Credit Risk
Custodial credit risk is the risk that in the event of bank failure, HAOC's deposits may not be returned. HAOC follows HUD policies, which requires collateral for all deposits not covered by federal depository insurance. At December 31, 2022, none of HAOC's deposits and investments were exposed to custodial credit risk.

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

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

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

NOTE 5 – RECEIVABLES

Receivables at December 31, 2022 consisted of the following:

Tenants	$ 81,292
Intergovernmental	78,009
Owed from Component Unit	61,229
Intercompany Owed, net	(17,223)
Total Receivables Before Allowance	203,307
Less Allowance for Doubtful Accounts	(3,236)
Total Receivables	$ 200,071

Receivables for the Component Unit – Meadow Point at December 31, 2022 consisted of the following:

Tenants	$ 13,620
Total Receivables	$ 13,620

NOTE 6 – CAPITAL ASSETS

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

	January 1, 2022	Increases	Transfers/ Retirements	December 31, 2022
Capital assets not depreciated				
Land	$ 628,000	-	-	628,000
Construction in progress	3,538,081	798,986	(4,019,426)	317,641
Total capital assets not depreciated	4,166,081	798,986	(4,019,426)	945,641
Capital assets being depreciated				
Buildings	5,851,072	-	4,002,082	9,853,154
Improvements	2,270,501	54,438	17,344	2,342,283
Machinery and equipment	57,589	-	-	57,589
Furniture and equipment	13,564	2,492	-	16,056
Total capital assets being depreciated	8,192,726	56,930	4,019,426	12,269,082
Accumulated depreciation				
Buildings	1,296,073	268,181	-	1,564,254
Improvements	788,702	103,149	-	891,851
Machinery and equipment	46,950	523	-	47,473
Furniture and equipment	13,564	148	-	13,712
Total accumulated depreciation	2,145,289	372,001	-	2,517,290
Total capital assets, net	$ 10,213,518	483,915	-	10,697,433

NOTE 6 – CAPITAL ASSETS, continued

The following is a summary of the changes in capital assets of the Component Unit – Meadow Point:

	January 1, 2022	Increases	Transfers/ Retirements	December 31, 2022
Capital assets not depreciated or amortized				
Land	$ 322,238	-	-	322,238
Construction in progress	-	792,493	(792,493)	-
Total capital assets not depreciated	322,238	792,493	(792,493)	322,238
Capital assets being depreciated or amortized				
Buildings	11,988,013	-	(897,299)	11,090,714
Improvements	381,543	-	950,057	1,331,600
Furniture and equipment	160,277	-	177,267	337,544
Capitalized costs - tax credit fees	95,592	-	51,463	147,055
Total capital assets being depreciated	12,625,425	-	281,488	12,906,913
Accumulated depreciation and amortization				
Buildings	23,609	277,268	-	300,877
Improvements	1,590	22,632	-	24,222
Furniture and equipment	2,671	18,982	-	21,653
Amortization	1,062	15,518	-	16,580
Total accumulated depreciation	28,932	334,400	-	363,332
Total capital assets, net	$ 12,918,731	458,093	(511,005)	12,865,819

NOTE 7 – LONG-TERM DEBT

The following is a summary of the outstanding balances on notes payable from direct borrowings of the Housing Authority as of December 31, 2022:

Description	Amount
Caribou Trails Apartments	
A note to Washington Community Reinvestment Association, payable at $2,377 per month, including interest at 7.5%. Final payment is due April, 2028.	$ 125,083
A note to Washington State Department of Commerce, payable at $5,000 per month, until June 30, 2028 when interest begins to accrue. Remaining principal is amortized over the 21 consecutive years thereafter. Final payment is due June 30, 2048.	450,000
A note to Washington State Department of Commerce, payable at $1,643 per month, including interest at 1% per month. Final payment is due June 30, 2048.	42,023
Twisp Gardens Apartments	
A note to Rural Development, payable at $939 per month, which includes a monthly interest subsidy payment of $554 and a Housing Authority Borrower principal and interest payment of $385. Interest at is 5.875%. Final payment is due on or before September 15, 2054.	161,999
A note to Washington State Department of Commerce, payable at $1,248 per quarter, including interest at 1%. Final Payment is due June 30, 2044.	96,497
A noninterest bearing note to Washington State Department of Commerce. Repayment is deferred until June 30, 2044. If at the end of the forty-year commitment period, all terms and conditions of the award have been met, the recoverable grant will convert to a full grant on June 30, 2044 with no expectation of repayment.	467,799
IronStraw Farmworker Housing	
A noninterest bearing note to Washington State Department of Commerce. Repayment is deferred until October 31, 2052.	967,836
A noninterest bearing note to Washington State Department of Commerce. Repayment is deferred until October 31, 2052. If at the end of the forty-two year commitment period, all terms and conditions of the award have been met, the loan will be converted to a recoverable grant with no expectation of repayment.	18,723
Vista Park Homes	
A noninterest bearing note to Washington State Department of Commerce, payable at $5,000 per year, Final Payment is due December 31, 2049 with a balloon payment for any principal outstanding.	598,260
A noninterest bearing note to Washington State Department of Commerce, payable at $5,000 per year, Final Payment is due on or before December 31, 2049.	89,285

NOTE 7 – LONG-TERM DEBT, CONTINUED

Sagebrush Acres and Country Homestead	
A noninterest bearing note to CTED (Commerce) Housing Finance Unit. Repayment is deferred until March 31, 2051. If at the end of the term the terms and conditions of the award have been met, the recoverable grant will convert to a full grant on March 31, 2051 with no expectation of repayment.	217,146
Pateros Gardens	
A noninterest bearing note to Washington State Department of Commerce. Repayment is deferred until March 31, 2060. If at the end of the end of the commitment period, all terms and conditions of the award have been met, the recoverable grant will convert to a full grant on June 30, 2044 with no expectation of repayment.	1,400,000
Elmwood Apartments	
A note to Rural Development, payable at $1,592.96 per month, including interest at 2.5%. Final payment is due on or before December 1, 2051.	539,887
A noninterest bearing note to Washington State Department of Commerce. Repayment is deferred until November 30, 2062. If at the end of the forty-year commitment period, all terms and conditions of the award have been met, the loan will be converted to a recoverable grant with no expectation of repayment.	1,162,937
Peachtree Apartments	
A note to Rural Development, payable at $1,558.51 per month, including interest at 2.5%. Final payment is due on or before December 1, 2051.	528,210
A noninterest bearing note to Washington State Department of Commerce. Repayment is deferred until November 30, 2062. If at the end of the forty-year commitment period, all terms and conditions of the award have been met, the loan will be converted to a recoverable grant with no expectation of repayment.	1,320,006
MeadowLark	
An interest bearing note to Washington State Deparment of Commerce. Interest is simple interest at 1%. Repayment and interest are deferred until the maturity date of March 29, 2062.	2,948,847
A note to Rural Community Assistance Corporation. Interest is paid in arrears at 4.5% until October 1, 2022, at which point interest decreases to 1.62%. Repayment of principal and interest are then deferred until October 1, 2062.	287,876
Total Long-Term Debt	11,422,414
Long-Term Debt Payable Within One Year	(43,999)
Long-Term Debt Payable After One Year	$ 11,378,415

NOTE 7 – LONG-TERM DEBT - CONTINUED

Minimum payments on the Housing Authority's long-term debt are due as follows:

Years Ending December 31,	Principal	Interest
2023	$ 43,999	47,345
2024	50,106	44,147
2025	52,228	42,024
2026	53,770	39,759
2027	56,907	37,347
2028-2032	232,699	189,438
2033-2037	242,137	169,759
2038-2042	264,728	147,169
2043-2047	741,128	122,087
2048-2052	2,543,424	76,940
2053-2057	18,713	1,025
2058-2062	7,122,575	1,365,577
2063-2067	-	-
2068-2071	-	-
Total	$ 11,422,414	2,282,617

Changes in long-term liabilities of the Housing Authority are as follows during the year ended December 31, 2022:

	Balance 1/1/2022	Additions	Reductions	Balance 12/31/2022	Due Within One Year
USDA Rural Development	$ 1,241,537	-	11,441	1,230,096	$ 13,077
HTF	7,090,570	277,732	4,004	7,364,298	11,103
CTED	1,355,095	155,275	-	1,510,370	-
HFU	904,691	-	-	904,691	-
RCAC	287,876	-	-	287,876	-
WCRA	143,474	-	18,391	125,083	19,819
Total notes payable on direct borrowings	11,023,243	433,007	33,836	11,422,414	43,999
Compensated absences	22,179	4,037	-	26,216	8,321
Net pension liability	13,019	27,883	-	40,902	-
Total long-term liabilities	$ 11,058,441	464,927	33,836	11,489,532	$ 52,320

NOTE 7 – LONG-TERM DEBT - CONTINUED

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

Description	Amount
Meadow Point Apartments	
Mortgage note payable to WCRA for up $936,100. The note and accrued interest at 3.875% are due when the note matures on November 1, 2042.	$ 933,512
Note payable to Rural Community Assistance Corporation for up to $350,000. The note and accrued interest at 1.17% are due when the note matures on November 1, 2062.	350,000
A note to CTED (Commerce) Housing Trust Fund in the amount of $3,000,000. The note begins accruing simple interest at the rate of 1% on April 1, 2024, and a one-time payment of principal and interest is due on March 31, 2064.	3,000,000
A sponsor loan by the Housing Authority of Okanogan County. The loan bears Interest at 1.17% compounded annually, and payments are due solely from distributions of Cash Flow and/or Capital Transaction proceeds in accordance the Partnership Agreement. Repayment of the full balance of the Note, is due and payable on or before December 31, 2060.	117,000
	4,400,512
Debt issuance costs, net of accumulated amortization	(90,372)
Long Term Debt, net	$ 4,310,140

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

Years Ending December 31,	Principal	Interest
2023	$ 32,176	35,482
2024	33,366	34,293
2025	34,798	32,861
2026	36,190	31,468
2027	37,638	28,597
2028-2032	220,412	117,880
2033-2037	257,874	80,418
2038-2042	902,964	186,598
2043-2047	661,136	129,602
2048-2052	694,860	95,877
2053-2057	730,305	60,432
2058-2062	758,793	92,849
2063-2064	-	-
Total	$ 4,400,512	926,357

NOTE 7 – LONG-TERM DEBT - CONTINUED

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

Type of Debt	Balance 1/1/2022	Additions	Reductions	Balance 12/31/2022	Due Within One Year
HTF	$ 2,988,574	11,426	-	3,000,000	-
WCRA	-	936,100	2,588	933,512	32,176
Key Bank	6,600,381	1,505,482	8,105,863	-	-
RCAC	340,192	9,808	-	350,000	-
Housing Authority	117,000	-	-	117,000	-
Mortgage notes payable	10,046,147	2,462,816	8,108,451	4,400,512	32,176
Debt issuance costs, net	(89,710)	-	662	(90,372)	-
Total direct borrowings on notes payable	$ 9,956,437	2,462,816	8,109,113	4,310,140	32,176

NOTE 8 – TEMPORARILY RESTRICTED NET POSITION

Temporarily restricted net position consists of funds received from governmental agencies and other restricted funds in the amount of $654,628. These funds are restricted for providing housing assistance to qualifying individuals and families, administrative, operating, and capital reserves.

NOTE 9 – LEASES

Authority as Lessor

The Authority has a lease agreement with Meadow Point at Omak LLLP where the Authority is leasing the land where the Tax Credit property was built. Meadow Point at Omak LLLP has paid $297,000 for a ground lease that is to expire December 31, 2119. The Authority has recorded this amount as a deferred inflow of resources related to leases and amortizes it ratably over the lease term. The unamortized amount at December 31, 2022, is $291,882.

Lease revenue included in other nonoperating income totaled $3,005 for the year ended December 31, 2022.

Authority as Lessee

The Authority leases office space under a month-to-month lease agreement and requires base monthly payments of $760. This lease is considered an operating lease for accounting purposes. Lease expense for the year ended December 31, 2022 was $10,720.

NOTE 10 – PENSION PLANS

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

NOTE 10 – PENSION PLANS - CONTINUED

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

The following table represents the aggregate pension amounts for all plans for the fiscal year 2022:

Aggregate Pension Amounts - All Plans		
Pension liabilities	$	(40,902)
Pension assets		71,248
Deferred outflows of resources		75,463
Deferred inflows of resources		(87,422)
Pension expense/expenditures		4,047

State Sponsored Pension Plans

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

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

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

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

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 September 30, 1977.

NOTE 10 – PENSION PLANS - CONTINUED

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates.

The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

	Actual Contribution Rates	
PERS Plan 1	Employer	Employee
January - August 2022		
PERS Plan 1	6.36 %	6.00 %
PERS Plan 1 UAAL	3.71	-
Administrative Fee	0.18	-
Total	10.25 %	6.00 %
July - December 2022		
PERS Plan 1	6.36 %	6.00 %
PERS Plan 1 UAAL	3.85	-
Administrative Fee	0.18	-
Total	10.39 %	6.00 %

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

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

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

NOTE 10 – PENSION PLANS - CONTINUED

PERS Plan 2 members are vested after completing five years of eligible service. PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

<u>Contributions</u>
The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates.

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

	Actual Contribution Rates	
PERS Plan 2/3	Employer 2/3	Employee2
January - August 2022		
PERS Plan 2/3	6.36 %	6.36 %
PERS Plan 1 UAAL	3.71	-
Administrative Fee	0.18	-
Employee PERS Plan 3	-	Varies
Total	10.25 %	6.36 %
July - December 2022		
PERS Plan 2/3	6.36 %	6.36 %
PERS Plan 1 UAAL	3.85	-
Administrative Fee	0.18	-
Employee PERS Plan 3	-	Varies
Total	10.39 %	6.36 %

The Authority's actual PERS plan contributions were $10,302 to PERS Plan 1 and $17,475 to PERS Plan 2/3 for the year ended December 31, 2022.

NOTE 10 – PENSION PLANS - CONTINUED

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the OSA's *2013-2018 Experience Study and the 2021 Economic Experience Study.*

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.25% salary inflation
- Salary increases: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.00%

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

Method did not change from the prior contributions rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.

- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.00 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 7.0% was used to determine the total liability.

NOTE 10 – PENSION PLANS - CONTINUED

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% 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, 2022, are summarized in the table below. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target	Percent Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20 %	1.50%
Tangible Assets	7	4.70%
Real Estate	18	5.40%
Global Equity	32	5.90%
Private Equity	23	8.90%
Total	100 %	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the HAOC's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the HAOC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate.

Plan	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
PERS 1	$ 54,645	$ 13,018	$ 28,908
PERS 2/3	83,901	(71,246)	(198,709)

Pension Plan Fiduciary Net Position

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

NOTE 10 – PENSION PLANS - CONTINUED

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

At December 31, 2022, the Authority reported a total pension liability of $40,902 and a total pension asset of $71,248 for its proportionate share of the net pension liabilities (assets) as follows:

Plan		2022
PERS 1 Liability	$	40,902
PERS 2/3 Liability		-
Total Liability	$	40,902
PERS 1 Asset	$	-
PERS 2/3 Asset		(71,250)
Total Asset	$	(71,250)

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

Plan	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.001066%	0.001469%	0.000403%
PERS 2/3	0.001375%	0.001921%	0.000546%

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

The collective net pension liability was measured as of June 30, 2022, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2021, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2022, the HAOC recognized pension expense as follows:

Plan		2022
PERS 1 Pension Expense	$	29,219
PERS 2/3 Pension Expense		(25,172)
Total Pension Expense	$	4,047

NOTE 10 – PENSION PLANS – CONTINUED

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, the HAOC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	(6,779)
Changes of Assumptions	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	5,026	-
Total	$ 5,026	$ (6,779)

PERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 17,653	$ (1,613)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	(52,672)
Changes of Assumptions	39,710	(10,397)
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	4,644	(15,961)
Contributions Subsequent to the Measurement Date	8,429	-
Total	$ 70,436	$ (80,643)

NOTE 10 – PENSION PLANS – CONTINUED

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

Year Ending December 31,	PERS 1	PERS 2/3
2023	$ (2,869)	$ (17,975)
2024	(2,605)	(16,815)
2025	(3,269)	(21,264)
2026	1,964	22,565
2027	-	7,460
Thereafter	-	7,393

NOTE 11 – PARTICIPATION IN HOUSING AUTHORITY RISK RETENTION POOL

HAOC is a member of the Housing Authority Risk Retention Pool (HARRP). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Inter local 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-three members, of which thirty-five are Washington 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 $5,000 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 for Property.

Coverage limits for General Liability, Errors & Omissions and Property are $2,000,000 per occurrence and $4,000,000 annual aggregate. (Some members have chosen greater Property limits for higher valued properties.) Limits for Automobile Liability are $2,000,000/$2,000,000. HARRP self-insures $2,000,000 per claim. The HARRP Board of Directors determines the limits and coverage terms, in its sole discretion.

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 contributions that are adjusted annually by the HARRP Board on the basis of independent actuarial studies. These assessments cover loss, loss adjustment, 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.

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

HARRP invests its funds that are not needed for its daily operations, in accordance with the strictest provisions of the laws of the states of Washington, Oregon, California and Nevada as they relate to investments of public funds. HARRP's Investment Policy is reviewed by staff and the HARRP Board on an annual basis.

HARRP's financial transactions are subject to annual audits by independent auditors. HARRP also subjects its claims management practices to an independent audit every three years. Additional audits include Washington State Auditor's office review of the financial audits annually and conducts a compliance audit every three years, reinsurance underwriting audits every three years and the Department of Enterprise Service audit every three years.

The HARRP Board of Directors provides general policy direction for staff. It is composed of the executive directors of nine of HARRP's members (three each from the Association of Association of Washington Housing Authorities, the Oregon Housing Association and the California-Association of Housing Authorities). HARRP's Executive Director reports to the HARRP Board of Directors and directs the members of HARRP's staff in their day-to-day functions.

NOTE 12 - RELATED PARTY TRANSACTIONS

As described in Note 1, HAOC's wholly-owned subsidiary, Whispering Brooks LLC, entered into an agreement on November 1, 2020 with its discretely presented component unit, Meadow Point at Omak LLLP (Meadow Point), and investors, who are taking advantage of the federal tax credit program that provides tax incentives for investing in low-income housing. Whispering Brooks LLC is allocated about 0.01% of all profits, losses, and tax credits pursuant to the terms of the partnership or operating agreements, with the remainder allocated to the investor limited partner. As of December 31, 2022 the housing unit is substantially complete and more than 50% of the units are in the process of being leased.

Ground Lease
Under the agreement with the Whispering Brooks LLC, HAOC is leasing land to its component unit, Meadow Point at Omak LLLP, for a term of 99 years. The land held for lease is recorded as a non-depreciable asset in the amount of $180,000 as of December 31, 2022 at the Authority. The Ground Lease provides for total up-front rent payments in the amount of $297,000, of which $180,000 was paid contemporaneously with Investment Closing with the balance funded by the Seller Loan, and $117,000 is financed through a note payable to the HAOC by the component unit. The $297,000 is classified as a non-depreciable land asset with the component unit. The up-front payment owed of $297,000 is recorded as deferred lease revenue for the Housing Authority. The deferred lease is amortized on a straight-line basis over the life of the lease.

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

Partnership Management Fees
Pursuant to the Partnership Agreement, Meadow Point is required to pay $7,500 annually from available Cash Flow and Capital Transaction proceeds commencing in the Fiscal Year during which the Completion Date occurs (prorated for a partial Fiscal Year) and increasing annually thereafter by 3.00% payable pursuant to the terms of the Partnership Management Agreement. During the year ended December 31, 2022, management fees of $55,961 were paid to the Housing Authority.

NOTE 12 - RELATED PARTY TRANSACTIONS, CONTINUED

Operating Deficits

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

Developer Service Agreement

On November 1, 2020, Meadow Point entered into a development services agreement with HAOC and Office of Rural and Farmworker Housing (ORFH). The agreement provides for a developer fee of $1,000,000 (or such lesser amount as may be permitted by the Credit Agency). The balance of the Development Fee shall be deemed to have been earned pro rata as and when the dwelling units in the Project have been completed and are ready to be placed in service. The Development Fee shall be paid in phases, 25% to HAOC and 75% to ORFH. As of December 31, 2022, total developer fees payable were $233,293 and the amount due the Authority is included in amounts due to Housing Authority in the statement of net position.

Long Term Debt

As described in Note 7 Long Term Debt, Meadow Point has a loan with HAOC as of December 31, 2022 of $117,000. The loan accrues interest at a rate of 1.17% per annum, and is payable out of available cash flows as defined in the Partnership Agreement, with any unpaid principal and interest due on or before December 31, 2060.

Distribution of Cash Flows

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

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

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

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

Fourth, to payment of the Partnership Management Fee;

Fifth, to repayment of the Seller Loan;

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

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

NOTE 13 – CONTINGENCIES AND LITIGATION

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

Periodically HAOC receives funding from the State of Washington Department of Commerce that is used to purchase and construct land and buildings. The Department of Commerce maintains the right to be reimbursed for this funding if HAOC is in violation of any terms or conditions of the contracts. At year end, HAOC's management is not aware of any violations of Department of Commerce requirements. As of December 31, 2022 these amounts total $4,343,525.

Subsequent to year end during June 2023, the Authority determined that units in two projects, Cariboo Trails and Meadowlark, contaminated with methamphetamine. The Authority has not identified any additional units requiring remediation and is unable to estimate how many, if any, additional units may need remediation in the future and cannot estimate the future remediation costs, if any.

NOTE 14 – REVOLVING LOAN PAYABLE

At December 31, 2022 HAOC closed revolving loans payable with the ORFH for the purposes of pre-development costs on the Omak Pioneer Gardens and Winthrop Wild Rose properties. The revolving loans were secured by the two properties. Changes in short-term debt for the year ended December 31, 2022 are as follows:

	Balance at 1/1/2022	Additions	Reductions	Balance at 12/31/2022
Revolving loan fund with the Office of Rural and Farmworker Housing for development costs at 3.5% interest and payable upon closing of the project's permanent financing.				
Secured by Wild Rose property.	$ -	35,838	-	35,838
Secured by Pioneer Gardens property.	-	687	-	687
	$ -	36,525	-	36,525

NOTE 15 – RISKS AND UNCERTAINTIES

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

Housing Authority of Okanogan County
Schedules of Required Supplementary Information
As of June 30, 2022
Last 10 Fiscal Years*

Schedule of Proportionate Share of the Net Pension Liability:

PERS 1	2022	2021	2020	2019	2018	2017	2016
Housing Authority's Proportion of the Net Position Liability (Asset)	0.001469%	0.001066%	0.001028%	0.110400%	0.001576%	0.001383%	0.001273%
Housing Authority's Proportionate Share of the Net Position Liability (Asset)	$ (40,902)	$ 53,470	$ 42,453	$ 70,385	$ 65,624	$ 68,366	$ 64,654
Housing Authority's Covered-Employee Payroll	$ 242,653	$ 165,185	$ 156,369	$ 153,466	$ 176,062	$ 185,618	$ 166,294
Housing Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.97%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%

PERS 2/3	2022	2021	2020	2019	2018	2017	2016
Housing Authority's Proportion of the Net Position Liability (Asset)	0.001921%	0.001375%	0.001343%	0.143900%	0.002016%	0.001779%	0.001629%
Housing Authority's Proportionate Share of the Net Position Liability (Asset)	$ 71,250	$ 17,176	$ 13,977	$ 34,421	$ 61,812	$ 82,019	$ 32,281
Housing Authority's Covered-Employee Payroll	$ 242,653	$ 165,185	$ 156,369	$ 153,466	$ 176,062	$ 185,618	$ 166,294
Housing Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	29.36%	10.98%	9.11%	19.55%	33.33%	49.32%	21.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%

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

Housing Authority of Okanogan County
Schedules of Required Supplementary Information
For the Year Ended December 31, 2022
Last 10 Fiscal Years*

Schedule of Employer Contributions:

PERS 1	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	$ 10,302	$ 7,892	$ 7,555	$ 7,542	$ 8,907	$ 9,204	$ 7,932
Contributions in Relation to the Contractually Required Contribution	10,302	7,892	7,555	7,542	8,907	9,204	7,932
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Housing Authority's Covered-Employee Payroll	$ 274,763	$ 185,974	$ 158,805	$ 153,466	$ 176,062	$ 185,618	$ 166,294
Contribution as a Percentage of Covered-Employee Payroll	3.75%	4.24%	4.76%	4.91%	5.06%	4.96%	4.77%

PERS 2/3	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	$17,475.00	$ 13,163	$ 12,511	$ 11,898	$ 13,202	$ 12,928	$ 10,360
Contributions in Relation to the Contractually Required Contribution	17,475	13,163	12,511	11,898	13,202	12,928	10,360
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Housing Authority's Covered-Employee Payroll	$ 274,763	$ 185,974	$ 158,805	$ 153,466	$ 176,062	$ 185,618	$ 166,294
Contribution as a Percentage of Covered-Employee Payroll	6.36%	7.08%	7.88%	7.75%	7.50%	6.96%	6.23%

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

Notes to Required Supplementary Information:

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

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

HOUSING AUTHORITY OF OKANOGAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Award Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
Rural Housing Service, Department of Agriculture	Rural Rental Housing Loans	10.415	56-024-91 169473-010	$ -	163,696	163,696	$ -	1,2,3
Rural Housing Service, Department of Agriculture	Rural Rental Housing Loans	10.415	56-024-78 6869895-03-6	-	539,886	539,886	-	1,2,3
Rural Housing Service, Department of Agriculture	Rural Rental Housing Loans	10.415	56-024-78 6869895-02-4	-	533,029	533,029	-	1,2,3
Rural Housing Service, Department of Agriculture	Rural Rental Housing Loans	10.415	Interest subsidy	-	16,475	16,475	-	1,2,3
Total ALN 10.415:				-	1,253,086	1,253,086	-	*
Rural Housing Service, Department of Agriculture	Rural Rental Assistance Payments	10.427	56-024-91169473-010	-	93,998	93,998	-	1,2,3
Rural Housing Service, Department of Agriculture	Rural Rental Assistance Payments	10.427	56-024-78 6869895-03-6	-	89,541	89,541	-	1,2,3
Rural Housing Service, Department of Agriculture	Rural Rental Assistance Payments	10.427	56-024-78 6869895-02-4	-	87,907	87,907	-	1,2,3
Total ALN 10.427:				-	271,446	271,446	-	*
Office Of Community Planning and Development, Dept. of Housing and Urban Development (via WA State Department of Commerce)	Home Investment Partnerships Program	14.239	15-42401-111 A-B	172,436	-	172,436	-	1,2,3
Housing Voucher Cluster								
Office Of Public and Indian Housing, Dept of Housing and Urban Development	Section 8 Housing Choice Vouchers	14.871	WA071DV0104	-	1,233,007	1,233,007	-	1,2,3
Office Of Public and Indian Housing, Dept of Housing and Urban Development	Emergency Housing Vouchers	14.871	WA071DV0104	-	75,921	75,921	-	1,2,3
Total ALN 14.871:				-	1,308,928	1,308,928	-	
Office Of Public and Indian Housing, Dept of Housing and Urban Development	Mainstream Vouchers	14.879	WA071DV0104	-	800,652	800,652	-	1,2,3
	Total Housing Voucher Cluster			-	2,109,580	2,109,580	-	
		Total Federal Awards Expended:		$ 172,436	3,634,112	3,806,548	$ -	

* **Denotes a major program**

See Independent Auditors' Report and accompanying notes to this schedule

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – PROGRAM COSTS

The amounts shown as federal expenditures for the Supportive Housing for Persons with Disabilities (5-Year Main Stream) Program (CFDA 14.879) represents grant portions of the program costs. Entire program costs, including HAOC's portion, totaled $800,652 for the year ended December 31, 2022.

Amounts shown as federal expenditures for the Washington State (Department of Commerce) HOME Tenant Based Rental Assistance (TBRA) Program (CFDA 14.239) represent grant portions of the program costs. Entire program costs, including HAOC's portion, totaled $172,436 for the year ended December 31, 2022.

The amounts shown as federal expenditures for the USDA Rural Development programs represent grant portions of the program costs for the Twisp Gardens Apartments, Elmwood Apartments, and Peachtree Apartments (CFDA 10.415 and 10.427). Included are outstanding loan balance at year-end, annual interest subsidy per USDA RD loan agreement, and rental assistance payments. Entire program costs, including HAOC's portion, totaled $271,446 for the year ended December 31, 2022. The balance outstanding on the loans at December 31, 2022 were as follows:

Twisp Gardens	USDA Loan 56-024-91 169473-010	$ 161,998
Peachtree Apartments	USDA Loan 56-024-78 6869895-02-4	$ 528,210
Elmwood Apartments	USDA Loan 56-024-78 6869895-03-6	$ 539,887

NOTE 3 – DE MINIMIS COST RATE

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

Housing Authority of Okanogan County (WA071)
Omak, WA
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2022

	6.1 Component Unit - Discretely Presented	2 State/Local	10.415 Rural Rental Housing Loans	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	10.427 Rural Rental Assistance Payments	14.EHV Emergency Housing Voucher	Subtotal	ELIM	Total
111 Cash - Unrestricted	$209,721	$716,349	$151,615	$7,698	$14,904	$183,982			$1,284,269		$1,284,269
112 Cash - Restricted - Modernization and Development											
113 Cash - Other Restricted		$220,633	$170,652			$23,739		$5,121	$420,145		$420,145
114 Cash - Tenant Security Deposits	$31,082	$68,239	$34,296						$133,617		$133,617
115 Cash - Restricted for Payment of Current Liabilities											
100 Total Cash	$240,803	$1,005,221	$356,563	$7,698	$14,904	$207,721	$0	$5,121	$1,838,031	$0	$1,838,031
121 Accounts Receivable - PHA Projects			$11,275						$11,275		$11,275
122 Accounts Receivable - HUD Other Projects			$24,061	$7,085				$4,938	$36,084		$36,084
124 Accounts Receivable - Other Government	$4,065	$17,168	$18,456			$2,944			$42,633		$42,633
125 Accounts Receivable - Miscellaneous		$7,254	$16,504						$23,758		$23,758
126 Accounts Receivable - Tenants	$13,620	$48,081	$25,160			$987			$87,848		$87,848
126.1 Allowance for Doubtful Accounts -Tenants	$0	$0	-$513			$0			-$513		-$513
126.2 Allowance for Doubtful Accounts - Other	$0	$0	-$427	$0		$0		$0	-$427		-$427
127 Notes, Loans, & Mortgages Receivable - Current											
128 Fraud Recovery				$7,843		$11,531			$19,374		$19,374
128.1 Allowance for Doubtful Accounts - Fraud				-$805		-$1,491			-$2,296		-$2,296
129 Accrued Interest Receivable		$3,000							$3,000		$3,000
120 Total Receivables, Net of Allowances for Doubtful Accounts	$17,685	$75,503	$94,516	$14,123	$0	$13,971	$0	$4,938	$220,736	$0	$220,736
131 Investments - Unrestricted		$10							$10		$10
132 Investments - Restricted	$166,523	$168,826							$335,349		$335,349
135 Investments - Restricted for Payment of Current Liability	$117,683								$117,683		$117,683
142 Prepaid Expenses and Other Assets	$29,379	$11,174	$5,624	$299	$46	$702		$255	$47,479		$47,479
143 Inventories											
143.1 Allowance for Obsolete Inventories											
144 Inter Program Due From											
145 Assets Held for Sale											
150 Total Current Assets	$572,073	$1,260,734	$456,703	$22,120	$14,950	$222,394	$0	$10,314	$2,559,288	$0	$2,559,288
161 Land	$322,238	$494,800	$133,200						$950,238		$950,238
162 Buildings	$11,090,714	$6,525,812	$3,327,342						$20,943,868		$20,943,868
163 Furniture, Equipment & Machinery - Dwellings	$337,544	$40,671	$19,410						$397,625		$397,625
164 Furniture, Equipment & Machinery - Administration						$13,564			$13,564		$13,564
165 Leasehold Improvements	$1,331,600	$1,714,339	$627,944						$3,673,883		$3,673,883
166 Accumulated Depreciation	-$363,332	-$1,672,244	-$831,481			-$13,564			-$2,880,621		-$2,880,621
167 Construction in Progress		$39,502	$278,139						$317,641		$317,641
168 Infrastructure	$147,055								$147,055		$147,055

160 Total Capital Assets, Net of Accumulated Depreciation	$12,865,819	$7,142,880	$3,554,554	$0	$0	$0	$0	$0	$23,563,253	$0	$23,563,253
171 Notes, Loans and Mortgages Receivable - Non-Current		$117,000							$117,000		$117,000
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due											
173 Grants Receivable - Non Current											
174 Other Assets		$31,954	$11,824	$9,528	$3,565	$11,166		$3,211	$71,248		$71,248
176 Investments in Joint Ventures		$50,000							$50,000		$50,000
180 Total Non-Current Assets	$12,865,819	$7,341,834	$3,566,378	$9,528	$3,565	$11,166	$0	$3,211	$23,801,501	$0	$23,801,501
200 Deferred Outflow of Resources		$33,843	$12,524	$10,092	$3,776	$11,827		$3,401	$75,463		$75,463
290 Total Assets and Deferred Outflow of Resources	$13,437,892	$8,636,411	$4,035,605	$41,740	$22,291	$245,387	$0	$16,926	$26,436,252	$0	$26,436,252
311 Bank Overdraft											
312 Accounts Payable <= 90 Days	$309,371	$17,595	$64,156		$8,916	$196		$3,319	$403,553		$403,553
313 Accounts Payable >90 Days Past Due											
321 Accrued Wage/Payroll Taxes Payable		$19,937							$19,937		$19,937
322 Accrued Compensated Absences - Current Portion		$1,946	$2,330		$819	$1,416		$374	$6,885		$6,885
324 Accrued Contingency Liability											
325 Accrued Interest Payable	$6,890	$1,858	$1,596						$10,344		$10,344
331 Accounts Payable - HUD PHA Programs											
332 Account Payable - PHA Projects											
333 Accounts Payable - Other Government		$36,524							$36,524		$36,524
341 Tenant Security Deposits	$31,082	$68,239	$34,296						$133,617		$133,617
342 Unearned Revenue	$3,835	$14,131	$10,678			$1,113		$6,920	$36,677		$36,677
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	$32,176	$26,878	$17,120						$76,174		$76,174
344 Current Portion of Long-term Debt - Operating Borrowings											
345 Other Current Liabilities											
346 Accrued Liabilities - Other											
347 Inter Program - Due To											
348 Loan Liability - Current											
310 Total Current Liabilities	$383,354	$187,108	$130,176	$0	$9,735	$2,725	$0	$10,613	$723,711	$0	$723,711
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	$4,294,214	$7,118,201	$4,260,214						$15,672,629		$15,672,629
352 Long-term Debt, Net of Current - Operating Borrowings											
353 Non-current Liabilities - Other											
354 Accrued Compensated Absences - Non Current		$4,318	$4,256	$3,037	$1,984	$3,226		$915	$17,736		$17,736
355 Loan Liability - Non Current											
356 FASB 5 Liabilities											
357 Accrued Pension and OPEB Liabilities		$18,344	$6,787	$5,470	$2,047	$6,411		$1,843	$40,902		$40,902
350 Total Non-Current Liabilities	$4,294,214	$7,140,863	$4,271,257	$8,507	$4,031	$9,637	$0	$2,758	$15,731,267	$0	$15,731,267
300 Total Liabilities	$4,677,568	$7,327,971	$4,401,433	$8,507	$13,766	$12,362	$0	$13,371	$16,454,978	$0	$16,454,978
400 Deferred Inflow of Resources		$331,090	$14,507	$11,691	$4,374	$13,702		$3,940	$379,304		$379,304
508.4 Net Investment in Capital Assets	$8,419,204	-$36,334	-$722,782						$7,660,088		$7,660,088
511.4 Restricted Net Position	$284,206	$419,178	$248,320	$8,163	$3,054	$23,739		$2,751	$989,411		$989,411
512.4 Unrestricted Net Position	$56,914	$594,506	$94,127	$13,379	$1,097	$195,584	$0	-$3,136	$952,471		$952,471
513 Total Equity - Net Assets / Position	$8,760,324	$977,350	-$380,335	$21,542	$4,151	$219,323	$0	-$385	$9,601,970	$0	$9,601,970
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$13,437,892	$8,636,411	$4,035,605	$41,740	$22,291	$245,387	$0	$16,926	$26,436,252	$0	$26,436,252

Housing Authority of Okanogan County (WA071)
Omak, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit   Fiscal Year End: 12/31/2022

	6.1 Component Unit - Discretely Presented	2 State/Local	10.415 Rural Rental Housing Loans	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	10.427 Rural Rental Assistance Payments	14.EHV Emergency Housing Voucher	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$123,251	$343,949	$211,565						$678,765		$678,765
70400 Tenant Revenue - Other	$3,404	$105,162	$5,084						$113,650		$113,650
70500 Total Tenant Revenue	$126,655	$449,111	$216,649	$0	$0	$0	$0	$0	$792,415	$0	$792,415
70600 HUD PHA Operating Grants	$278,309	$48,625		$800,652		$1,233,007		$75,921	$2,436,514	-$162,261	$2,274,253
70610 Capital Grants											
70710 Management Fee											
70720 Asset Management Fee											
70730 Book Keeping Fee											
70740 Front Line Service Fee											
70750 Other Fees											
70700 Total Fee Revenue									$0	$0	$0
70800 Other Government Grants		$667,134	$329,313		$172,436				$1,168,883		$1,168,883
71100 Investment Income - Unrestricted		$1,757	$294						$2,051		$2,051
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	$53,962	$147,672							$201,634	-$74,360	$127,274
71600 Gain or Loss on Sale of Capital Assets											
72000 Investment Income - Restricted	$0	$546	$601						$1,147		$1,147
70000 Total Revenue	$458,926	$1,314,845	$546,857	$800,652	$172,436	$1,233,007	$0	$75,921	$4,602,644	-$236,621	$4,366,023
91100 Administrative Salaries	$21,961	$83,409	$44,174	$34,650	$12,739	$32,110		$11,442	$240,485		$240,485
91200 Auditing Fees	$19,866	$8,220	$6,266	$1,638	$251	$2,082		$88	$38,411	$28,500	$66,911
91300 Management Fee	$39,711	$53,818	$80,654	$9,789	$4,272	$17,342			$205,586	-$74,360	$131,226
91310 Book-keeping Fee	$1,950	$75,584							$77,534	-$28,500	$49,034
91400 Advertising and Marketing	$92	$1,188	$1,472	$155	$32	$487		$71	$3,497		$3,497
91500 Employee Benefit contributions - Administrative	$4,982	$21,629	$17,157	$10,885	$1,391	$12,738		$7,471	$76,253		$76,253
91600 Office Expenses	$4,449	$27,746	$18,507	$3,694	$729	$7,196		$694	$63,015		$63,015
91700 Legal Expense	$2,130	$4,826	$1,384	$117	$32	$266		$284	$9,039		$9,039
91800 Travel		$3,296	$2,466	$671	$146	$1,385		$143	$8,107		$8,107
91810 Allocated Overhead											
91900 Other		$242	$743	$1,975	$304	$5,251		$4,942	$13,457		$13,457
91000 Total Operating - Administrative	$95,141	$279,958	$172,823	$63,574	$19,896	$78,857	$0	$25,135	$735,384	-$74,360	$661,024
92000 Asset Management Fee											
92100 Tenant Services - Salaries			$26,851						$26,851		$26,851
92200 Relocation Costs											

92300 Employee Benefit Contributions - Tenant Services		$4,023	$5,120						$9,143		$9,143
92400 Tenant Services - Other											
92500 Total Tenant Services	$0	$4,023	$31,971	$0	$0	$0	$0	$0	$35,994	$0	$35,994
93100 Water	$13,608	$68,604	$51,412						$133,624		$133,624
93200 Electricity	$8,830	$23,044	$10,774						$42,648		$42,648
93300 Gas											
93400 Fuel											
93500 Labor											
93600 Sewer	$49,789	$60,179	$59,270						$169,238		$169,238
93700 Employee Benefit Contributions - Utilities											
93800 Other Utilities Expense		$35,850	$14,865		$265				$50,980		$50,980
93000 Total Utilities	$72,227	$187,677	$136,321	$0	$265	$0	$0	$0	$396,490	$0	$396,490
94100 Ordinary Maintenance and Operations - Labor	$17,102	$56,509	$18,377						$91,988		$91,988
94200 Ordinary Maintenance and Operations - Materials and Other	$4,405	$37,152	$22,993	$4	$414	$10		$2	$64,980		$64,980
94300 Ordinary Maintenance and Operations Contracts	$24,554	$24,469	$18,900	$1,686		$3,268		$617	$73,494		$73,494
94500 Employee Benefit Contributions - Ordinary Maintenance		$1,364	$5,224						$6,588		$6,588
94000 Total Maintenance	$46,061	$119,494	$65,494	$1,690	$414	$3,278	$0	$619	$237,050	$0	$237,050
95100 Protective Services - Labor											
95200 Protective Services - Other Contract Costs											
95300 Protective Services - Other											
95500 Employee Benefit Contributions - Protective Services											
95000 Total Protective Services	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
96110 Property Insurance		$21,226	$19,576						$40,802		$40,802
96120 Liability Insurance		$1,962	$1,625	$577	$203	$1,305			$5,672		$5,672
96130 Workmen's Compensation											
96140 All Other Insurance	$28,213								$28,213		$28,213
96100 Total insurance Premiums	$28,213	$23,188	$21,201	$577	$203	$1,305	$0	$0	$74,687	$0	$74,687
96200 Other General Expenses	$16,249	$6,989							$23,238		$23,238
96210 Compensated Absences			$3,028	$4,663	$3,519	$4,769		$223	$16,202		$16,202
96300 Payments in Lieu of Taxes	$546								$546		$546
96400 Bad debt - Tenant Rents											
96500 Bad debt - Mortgages											
96600 Bad debt - Other											
96800 Severance Expense											
96000 Total Other General Expenses	$16,795	$6,989	$3,028	$4,663	$3,519	$4,769	$0	$223	$39,986	$0	$39,986
96710 Interest of Mortgage (or Bonds) Payable		$9,982	$39,199						$49,181		$49,181
96720 Interest on Notes Payable (Short and Long Term)	$192,517								$192,517		$192,517
96730 Amortization of Bond Issue Costs											
96700 Total Interest Expense and Amortization Cost	$192,517	$9,982	$39,199	$0	$0	$0	$0	$0	$241,698	$0	$241,698
96900 Total Operating Expenses	$450,954	$631,311	$470,037	$70,504	$24,297	$88,209	$0	$25,977	$1,761,289	-$74,360	$1,686,929
97000 Excess of Operating Revenue over Operating Expenses	$7,972	$683,534	$76,820	$730,148	$148,139	$1,144,798	$0	$49,944	$2,841,355	-$162,261	$2,679,094
97100 Extraordinary Maintenance											
97200 Casualty Losses - Non-capitalized											

97300 Housing Assistance Payments				$716,554	$161,228	$973,559		$86,594	$1,937,935	-$162,261	$1,775,674
97350 HAP Portability-In						$23,443			$23,443		$23,443
97400 Depreciation Expense	$334,400	$207,559	$164,442						$706,401		$706,401
97500 Fraud Losses											
97600 Capital Outlays - Governmental Funds											
97700 Debt Principal Payment - Governmental Funds											
97800 Dwelling Units Rent Expense											
90000 Total Expenses	$785,354	$838,870	$634,479	$787,058	$185,525	$1,085,211	$0	$112,571	$4,429,068	-$236,621	$4,192,447
10010 Operating Transfer In		$107,342							$107,342		$107,342
10020 Operating transfer Out				-$71,442		-$35,900			-$107,342		-$107,342
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)	$8,165,262								$8,165,262		$8,165,262
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)	$8,165,262	$107,342	$0	-$71,442	$0	-$35,900	$0	$0	$8,165,262	$0	$8,165,262
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	$7,838,834	$583,317	-$87,622	-$57,848	-$13,089	$111,896	$0	-$36,650	$8,338,838	$0	$8,338,838
11020 Required Annual Debt Principal Payments	$0	$0	$0	$0	$0	$0	$0	$0	$0		$0
11030 Beginning Equity	$921,490	$394,033	-$292,713	$79,390	$17,240	$107,427	$0	$0	$1,226,867		$1,226,867
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors								$36,265	$36,265		$36,265
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						$195,584			$195,584		$195,584
11180 Housing Assistance Payments Equity						$23,739			$23,739		$23,739
11190 Unit Months Available		348	192	1032	336	2218		90	4216		4216
11210 Number of Unit Months Leased		333	189	952	295	2108		10	3887		3887
11270 Excess Cash											
11610 Land Purchases											
11620 Building Purchases											
11630 Furniture & Equipment - Dwelling Purchases											
11640 Furniture & Equipment - Administrative Purchases											
11650 Leasehold Improvements Purchases											
11660 Infrastructure Purchases											
13510 CFFP Debt Service Payments											
13901 Replacement Housing Factor Funds											

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

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

Board of Commissioners
Housing Authority of Okanogan County
Omak, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Housing Authority of Okanogan County (the "Authority"), as of and for the year ended December 31, 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 October 6, 2023. The financial statements of the discretely presented component unit, Meadow Point at Omak LLLP, were not audited in accordance with *Governmental Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component unit.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 that we consider to be significant deficiencies.

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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*.

Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Authority's response to the findings identified in our audit and described in an attachment following the accompanying schedule of findings and questioned costs. Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Finney, Neill & Company, P.S.

October 6, 2023
Seattle, Washington

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

Board of Commissioners
Housing Authority of Okanogan County
Omak, Washington

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Housing Authority of Okanogan County ("the Authority's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2022. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Housing Authority of Okanogan County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Finney, Neill & Company, P.S.

October 6, 2023
Seattle, Washington

HOUSING AUTHORITY OF OKANOGAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2022

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	________ yes	__X__ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	__X__ yes	______ none reported
Noncompliance material to financial statements noted?	________ yes	__X__ no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	________ yes	__X__ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	________ yes	__X__ none reported
Type of auditors' report issued on compliance for major programs		Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	________ yes	__X__ no

Identification of major programs:

ALN	Name of Federal Program
10.415	*U.S. Department of Agriculture – Rural Rental Housing Loans*
10.427	*U.S. Department of Agriculture – Rural Rental Assistance Payments*

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

Auditee qualifies as low-risk auditee? _____ yes __X__ no

Section II – Financial Statement Findings

2022-001 Year-end Close and Financial Reporting

Finding:

Internal control processes over financial reporting did not ensure that all material transactions were properly recorded to the correct accounts during the year-end accounting close process.

Criteria:

A complete system of internal accounting control contemplates an accounting and reporting system designed to properly identify and record all transactions and prepare financial statements in accordance with generally accepted accounting principles, including all accompanying footnotes and disclosures.

The Authority is responsible for day-to-day transactional accounting, as well as monthly, quarterly, and annual financial statement reporting. As such, the Authority is responsible for implementing adequate procedures to ensure that such information and reports are accurate and complete.

Sample Size and Population - Sampling was not applicable to this finding.

Condition and context:

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

Cause:

Management's internal financial statement preparation process did not ensure that all accounting activity for the year had been recorded and properly presented.

Effect:

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

Recommendation:

We recommend the Authority implement procedures to ensure that all accounting transactions are recorded timely. We recommend the draft of the financial statements be reviewed for accuracy and completeness prior to being provided to the auditor..

Questioned Costs: None

Management Response:

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

Contact Person: Nancy Nash Mendez, Executive Director

Section III –Federal Award Findings and Questioned Costs

NONE

NONE

Housing Authority of Okanogan County
431 5th Ave West •Omak, WA 98841 • (509) 422-3721• fax (509) 422-1713

MANAGEMENT CORRECTIVE ACTION PLAN

The following is management's response and corrective action plan for the audit findings identified in the audit reporting package for the year ending December 31, 2022.

2022-001 Year-end Close and Financial Reporting

The Housing Authority of Okanogan County recognizes that the agency did not have adequate internal control processes over financial reporting to ensure that all material transactions were properly recorded to the correct accounts during the year-end accounting closing processes. We lacked personnel with the experience and knowledge to analyze the financial statements, notes, and other supplemental reports in comparison to the trial balance and adjusting entries.

The management team recognized a lack of controls over financial statement preparation to identify errors and correct errors. We have recently employed a full-time Accountant to perform the daily transactional processes and month-end closing. In addition, we have moved the contracted accountant to a Controller to relieve the Director of internal control processes including the much-needed financial statement review.

The Controller worked as a State Auditor for 15 years performing financial statement audits and worked for years in accounting. The Controller's function includes internal controls processes, compliance, monthly bank reconciliations. At year-end, the Controller assumes responsibility to provide a detailed review of the financial statements to the records of the Housing Authority to assure accurate reporting.

Sincerely,

Nancy Nash-Mendez
Executive Director
Housing Authority of Okanogan County
September 27, 2023

EQUAL HOUSING OPPORTUNITY

Assisting residents of Okanogan County to acquire and retain affordable housing while strengthening our communities by removing barriers, empowering dignity and building trust