



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

March 14, 2024

Board of Commissioners
Housing Authority of Island County
Coupeville, Washington

Contracted CPA Firm's Audit Report on Financial Statements

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

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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HOUSING AUTHORITY OF ISLAND COUNTY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2021



CPAs | CONSULTANTS | WEALTH ADVISORS

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**HOUSING AUTHORITY OF ISLAND COUNTY
TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2021**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	9
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION	10
STATEMENT OF CASH FLOWS	11
NOTES TO FINANCIAL STATEMENTS	12
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF THE HOUSING AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	32
SCHEDULE OF THE HOUSING AUTHORITY CONTRIBUTION PENSION PLANS	33
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	34
SUPPLEMENTARY INFORMATION	
FINANCIAL DATA SCHEDULE	35
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	43
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	45
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	47
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	48
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	49



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Authority of Island County
Coupeville, Washington

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those statements, which were prepared in accordance with the accounting standards issued by the Financial Accounting Standards Board, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, 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 Authority as of September 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 9 and pension schedules on page 33 to 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operation, economic or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

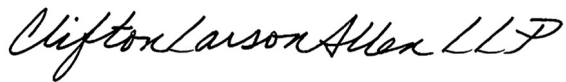
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and financial data schedules (collectively the "supplementary information") as required by the U.S. Department of Housing and Urban Development are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 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.

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

CliftonLarsonAllen LLP

Pittsburgh, Pennsylvania
February 17, 2023

**HOUSING AUTHORITY OF ISLAND COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDING SEPTEMBER 30, 2021**

As management of the Housing Authority of Island County (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ending September 30, 2021. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Entity Overview

The Housing Authority of Island County is a municipal corporation incorporated in the state of Washington and governed by a six-member board. Board members are appointed by the Board of Island County Commissioners. The financial performance discussed in the following analyses does not include Bayview Greens, LLC. Bayview Greens, LLC is owned by a separate limited liability company with the Authority acting as the managing member. This separate legal entity is reported as a discretely presented component unit in the Authority's financial statements.

Financial Highlights

The assets and deferred outflows of the Authority exceeded its total liabilities and deferred inflows at the close of the most recent fiscal year by \$2,456,501 (net position). This represents an increase of \$240,575. This increase is the result of increased grant funding and decrease in operating costs. At the close of the current fiscal year, the Authority expended \$2.6 million in federal grant revenues.

The Authority's cash balance at September 30, 2021 was \$653,787 representing a decrease of \$25,880 from September 30, 2020.

The Authority had operating revenues of \$3,339,754 and operating expenses of \$3,175,979.

Overview of the Financial Statements

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

Financial Statements

The Authority presents entity-wide financial statements. For more information on the separate federal programs of the Authority, see the list on the schedule of expenditures of federal awards (SEFA). The Authority is considered a "Special Purpose Government;" therefore, the U.S. Department of Housing and Urban Development (HUD) has recommended this model be used.

In accordance with the reporting requirements of accounting principles generally accepted in the United States of America (GAAP), the statements include, "statement of net position", "statement of revenues, expenses and changes in net position," and the "statement of cash flows."

**HOUSING AUTHORITY OF ISLAND COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDING SEPTEMBER 30, 2021**

The Authority's entity-wide financial statements include:

Statement of Net Position

The statement of net position reports all financial and capital resources as well as obligations of the Authority. The statement is presented in the format where assets plus deferred outflows of resources, less liabilities plus deferred inflows of resources, equal net position (formerly referred to as net assets). Assets and liabilities are presented in order of liquidity, and are classified as current (convertible into cash within one year), and noncurrent. The statement of net position is designed to represent the available liquid (noncapital) assets, net of liabilities, for the entire Authority. Net position is reported in three categories:

Net investment in Capital Assets – This component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted Net Position – This component of net position consists of assets that do meet the definitions of "net investment in capital assets" or "restricted net position."

Statement of Revenues, Expenses, and Changes in Net Position

This statement includes operating revenues, such as rental income, operating expenses such as administrative expenses, utilities and maintenance expenses, and depreciation; and Nonoperating revenue and expenses, such as grant revenue, investment income and interest expense. This statement presents information showing how the Authority's net position, as described above, changed during the year. The focus of the statement of revenues, expenses and changes in net position is the change in net position, which is similar to net income or loss. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Statement of Cash Flows

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

Supplementary Financial Information

Effective September 1, 1998, the Department of Housing and Urban Development's Real Estate Assessment Center (REAC) established standards for the submission of "Uniform Financial Reporting Standards for HUD Housing Programs". The standards include the creation of GAAP based "Financial Data Schedules" and electronic reporting requirements. The reports are a more easily readable fund based columnar format that is inclusive of all HUD and public fund financial reports of the Authority. The reports include an "Entity Wide Balance Sheet" and an "Entity Wide Revenue and Expense Summary."

**HOUSING AUTHORITY OF ISLAND COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDING SEPTEMBER 30, 2021**

Notes to the Financial Statement

The "notes to the financial statements" provide additional information that is essential to a full understanding of the data provided in the proprietary financial statements. They are intended to disclose all pertinent matters as prescribed under GAAP.

Authority Wide Financial Analysis

Statement of Net Position

The following table reflects the condensed statement of net positions for fiscal year 2021 compared to fiscal year 2020.

	2021	2020	Total Change	% Change
Assets				
Cash, Cash Equivalents and Investments	\$ 653,787	\$ 679,667	\$ (25,880)	(3.81)%
Other Current Assets	533,750	193,885	339,865	175.29%
Capital Assets	4,412,568	4,478,288	(65,720)	(1.47)%
Other Noncurrent Assets	400,602	334,014	66,588	19.94%
Total Assets	6,000,707	5,685,854	314,853	5.54%
Deferred Outflows of Resources	45,661	33,434	12,227	36.57%
Liabilities				
Current Liabilities	175,178	227,933	(52,755)	(23.14)%
Noncurrent Liabilities	2,959,356	3,209,377	(250,021)	(7.79)%
Total Liabilities	3,134,534	3,437,310	(302,776)	(8.81)%
Deferred Inflows of Resources	455,333	66,052	389,281	589.36%
Net Position				
Net Investment in Capital Assets	1,472,707	1,513,546	(40,839)	(2.70)%
Restricted Net Position	463,299	149,197	314,102	210.53%
Unrestricted Net Position	520,495	553,183	(32,688)	(5.91)%
Total Net Position	\$ 2,456,501	\$ 2,215,926	\$ 240,575	10.86%

The balance sheet stayed relatively consistent as compared to the prior year except as noted below.

Other current assets increased by \$339,865 in 2021 as compared to 2020 due to the increase in the pension asset

Noncurrent liabilities decreased by \$250,021 in 2021 as compared to 2020 due to the pension flipping to an asset versus a liability and payout of FSS liabilities to participants .

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, net position totaled \$2,456,501 at September 30, 2021. Total assets are \$6,000,707, of which \$4,412,568, is capital assets, and \$1,588,139 is cash and other assets. Restricted net position balance totaled \$463,299 and unrestricted net position balance totaled \$520,495.

Nearly all of the Authority's assets (74%) reflect its investment in capital assets, (e.g., buildings, improvements, and equipment). The Authority uses these capital assets to provide housing services to low and moderate income tenants; consequently, these assets are not available for future spending.

**HOUSING AUTHORITY OF ISLAND COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDING SEPTEMBER 30, 2021**

Authority Wide Financial Analysis (Continued)

Statement of Revenues, Expenses and Changes in Net Position

The following table reflects the condensed statement of revenues, expenses, and changes in net position for fiscal year 2021 compared to fiscal year 2020.

	2021	2020	Total Change	% Change
Revenues				
Tenant Revenue	\$ 609,226	\$ 571,134	\$ 38,092	6.67%
HUD Operating and Capital Grants	2,637,887	2,665,231	(27,344)	(1.03)%
Other Government Grants	69,832	73,600	(3,768)	(1853.29)%
Investment Income	941	5,787	(4,846)	(83.74)%
Other Income	98,668	118,426	(19,758)	(16.68)%
Total Revenues	3,416,554	3,434,178	(17,624)	(0.51)%
Expenses				
Administrative	280,964	409,086	(128,122)	(31.32)%
Tenant Services	62,755	51,436	11,319	22.01%
Utilities	267,215	261,626	5,589	2.14%
Maintenance and Operations	306,602	304,099	2,503	0.82%
General Expenses	9,479	99,801	(90,322)	(90.50)%
Housing Assistance Payments	2,026,145	2,024,649	1,496	0.07%
Interest Expense	29,220	29,276	(56)	(0.19)%
Depreciation Expense	193,599	209,163	(15,564)	(7.44)%
Total Expenses	3,175,979	3,389,136	(213,157)	(6.29)%
Change in Net Position	240,575	45,042	195,533	434.11%
Beginning Net Position, As Restated	2,215,926	2,170,884	45,042	2.07%
Ending Net Position	<u>\$ 2,456,501</u>	<u>\$ 2,215,926</u>	<u>\$ 240,575</u>	<u>10.86%</u>

Tenant revenue increased by \$38,092 in 2021 as compared to 2020 due to less vacancies and increased tenant rents.

HUD operating and capital grants decreased by \$13,767 in 2021 as compared to 2020 due to overall decrease in the Housing Choice Voucher program funds because of decrease in leasing .

Administrative expenses decreased by \$128,122 in 2021 as compared to 2020 due to the pension asset decreasing benefit expense in 2021.

General expenses decreased by \$90,322 in 2021 as compared to 2020 due to decrease in expenses associated with the CARES funding in the prior year.

For 2021, there was an overall excess of revenues over expenses of \$240,575.

**HOUSING AUTHORITY OF ISLAND COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDING SEPTEMBER 30, 2021**

Authority Wide Financial Analysis (Continued)

The unrestricted net position of the Authority are available for future use to provide additional housing services and resources.

Capital Assets

At September 30, 2021, the Authority's investment in capital assets for its activities was \$4,412,568 (net of accumulated depreciation). There is related debt of \$2,939,861 which results in net investment in capital assets of \$-. This investment in capital assets includes buildings, land, and equipment. During fiscal year 2021, the Authority had capital purchases of \$128,238.

**CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION)**

	2021	2020	Total Change	% Change
Land	\$ 1,070,397	\$ 1,070,397	\$ -	0.00%
Buildings and Improvements	7,901,392	7,787,653	113,739	1.46%
Furniture, Equipment, and Machinery	484,142	477,626	6,516	1.36%
	9,455,931	9,335,676	120,255	1.29%
Less: Accumulated Depreciation	(5,043,363)	(4,857,388)	(185,975)	3.83%
Net Capital Assets	<u>\$ 4,412,568</u>	<u>\$ 4,478,288</u>	<u>\$ (65,720)</u>	<u>-1.47%</u>

Long-Term Debt

At September 30, 2021 and 2020, the Authority had outstanding debt in the amount of \$2,939,861 and \$2,964,742, respectively. The long-term debt of the Authority consists of loans and recoverable grants incurred for the purpose of acquisition of real property providing low- and moderate-income housing.

OUTSTANDING DEBT AT YEAR-END

Islander Apts (HTF)	\$ 140,800
Glenhaven Apts (HTF)	197,528
Marjie's House	20,000
Glenhaven Apts (People's Bank)	428,383
Sunnyview Village	575,000
Glenhaven	80,000
Marjie's House	1,498,150
Total Debt	<u>\$ 2,939,861</u>

**HOUSING AUTHORITY OF ISLAND COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDING SEPTEMBER 30, 2021**

Economic Factors

Significant economic factors that impact the authority are as follows:

- Federal funding which is at the discretion of the U.S. Department of Housing and Urban Development
- Local inflationary trends, which can affect the costs of operating and maintaining properties
- Inflationary increases in utility costs, supplies, and other costs which affect the cost to operate our programs

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Housing Authority of Island County, 7 NW 6th Street, Coupeville, WA 98239.

**HOUSING AUTHORITY OF ISLAND COUNTY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

	Business-Type Activities	Bayview Greens, LLC as of December 31, 2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents - Unrestricted	\$ 312,662	\$ 40,702
Cash and Cash Equivalents - Restricted	176,032	92,262
Investments	165,093	-
Accounts Receivable, Net	466,272	10,485
Prepaid Expenses	61,765	5,078
Inventories	5,713	-
Total Current Assets	<u>1,187,537</u>	<u>148,527</u>
NONCURRENT ASSETS		
Capital Assets, Net	4,412,568	4,721,545
Net Pension Asset	400,602	11,264
Total Noncurrent Assets	<u>4,813,170</u>	<u>4,732,809</u>
DEFERRED OUTFLOWS OF RESOURCES - PENSION RELATED		
	<u>45,661</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 6,046,368</u></u>	<u><u>\$ 4,881,336</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 908	\$ 4,685
Accrued Interest Payable	-	172,431
Accrued Compensated Absences - Current Portion	40,003	-
Accrued Liabilities	41,921	153,185
Tenant Security Deposits	39,650	23,605
Unearned Revenue	26,250	-
Long-Term Debt, Current Portion	26,446	18,418
Total Current Liabilities	<u>175,178</u>	<u>372,324</u>
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current	2,913,415	3,657,425
Other Noncurrent Liabilities	45,941	168,823
Total Noncurrent Liabilities	<u>2,959,356</u>	<u>3,826,248</u>
Total Liabilities	<u>3,134,534</u>	<u>4,198,572</u>
DEFERRED INFLOWS OF RESOURCES - PENSION RELATED		
	<u>455,333</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	1,472,707	1,045,702
Restricted	463,299	68,657
Unrestricted	520,495	(431,595)
Total Net Position	<u>2,456,501</u>	<u>682,764</u>
Total Liabilities, Deferred Outflows of Resources, and Net Position	<u><u>\$ 6,046,368</u></u>	<u><u>\$ 4,881,336</u></u>

See accompanying Notes to Financial Statements.

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

	Business-Type Activities	Bayview Greens, LLC as of December 31, 2020
OPERATING REVENUES		
Tenant Dwelling Rental	\$ 604,009	\$ 229,367
Other Tenant Rental	5,217	3,591
Total Tenant Income	<u>609,226</u>	<u>232,958</u>
HUD Grants - Noncapital	2,561,877	-
Other Government Grants	69,832	-
Other Income	98,819	-
Total Operating Revenues	<u>3,339,754</u>	<u>232,958</u>
OPERATING EXPENSES		
Administrative	280,964	76,466
Tenant Services	62,755	-
Utilities	267,215	74,866
Maintenance and Operations	306,602	59,330
General Expense	9,479	7,215
Housing Assistance Payments	2,026,145	-
Interest Expense	29,220	93,680
Depreciation Expense	193,599	172,569
Total Operating Expenses	<u>3,175,979</u>	<u>484,126</u>
NET INCOME (LOSS) FROM OPERATIONS	163,775	(251,168)
NONOPERATING REVENUES (EXPENSES)		
Loss on Sale of Assets	(151)	-
Investment Income	941	-
Total Nonoperating Revenues (Expenses)	<u>790</u>	<u>-</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	164,565	(251,168)
HUD Grants - Capital	<u>76,010</u>	<u>-</u>
INCREASE (DECREASE) IN NET POSITION	240,575	(251,168)
Net Position - Beginning of Year	<u>2,215,926</u>	<u>933,932</u>
NET POSITION - END OF YEAR	<u><u>\$ 2,456,501</u></u>	<u><u>\$ 682,764</u></u>

See accompanying Notes to Financial Statements.

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

	Business-Type Activities
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers and Users	\$ 592,299
Governmental Grants and Subsidiary - Operations	2,657,959
Cash Received from Other Sources	98,819
Payments to Suppliers for Operations	(165,830)
Payments for Housing Operations and Tenant Services	(484,957)
Housing Assistance Payments	(2,026,145)
Payments to Employees	(621,706)
Net Cash Provided by Operating Activities	<u>50,439</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale of Investments	1,714
Interest Received	941
Net Cash Provided by Investing Activities	<u>2,655</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Grant Revenue - Capital Grants	76,010
Proceeds from Sale of Assets	(151)
Principal Paid on Note Payable	(24,881)
Acquisition of Capital Assets	(128,238)
Net Cash Used by Capital and Related Financing Activities	<u>(77,260)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(24,166)
Cash and Cash Equivalents - Beginning of Year	<u>512,860</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 488,694</u></u>
REPORTED AS:	
Cash and Cash Equivalents - Unrestricted	\$ 312,662
Cash and Cash Equivalents - Restricted	176,032
Total Cash - End of Year	<u><u>\$ 488,694</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Income from Operations	\$ 163,775
Adjustments to Reconcile Net Income from Operations to Net Cash Provided by Operating Activities:	
Depreciation	193,599
Loss on Disposal of Assets	359
Bad Debt Expense (Tenants)	(79)
Effects of Changes in Operating Assets and Liabilities:	
Accounts Receivable	(14,598)
Prepaid Expenses	8,706
Inventories	120
Deferred Outflows of Resources	(12,227)
Accounts Payable	(6,183)
Accrued Liabilities	(85,891)
Unearned Revenue	26,250
Pension Asset/Liability	(575,936)
Tenant Security Deposits	(2,250)
Other Noncurrent Liabilities	(34,487)
Deferred Inflows of Resources	389,281
Net Cash Provided by Operating Activities	<u><u>\$ 50,439</u></u>

See accompanying Notes to Financial Statements.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Housing Authority of Island County (the Authority) conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the most significant policies (including identification of those policies which result in departures from generally accepted accounting principles):

A. Reporting Entity

The Housing Authority of Island County is a municipal corporation governed by an appointed six-member board of directors. As required by GAAP, management has considered all potential component units in defining the reporting entity. These financial statements represent the activities of the Housing Authority of Island County for the stated year and date.

The criteria for including organizations within the Authority's reporting entity, as set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, relate to financial accountability. On the basis of these criteria, Bayview Greens, LLC of which the Housing Authority is the managing member is reported as discretely presented component unit. Bayview Greens, LLC has a calendar year end and accordingly, the amounts included in the discrete component unit column in the financial statements are as of, and for the year-end that falls within the year ended September 30, 2021.

B. Basis of Accounting and Presentation

The accounting records of the Authority are maintained and reported in accordance with methods prescribed by the state auditor under the authority of Chapter 43.09 RCW and the Federal Department of Housing and Urban Development. The Authority must report using GAAP; however it has the option to use either the single enterprise proprietary fund or the special purpose governmental fund model. The Authority has elected to report as a single enterprise proprietary fund model and uses the accrual basis of accounting. The measurement focus is on the flow of economic resources. The propriety fund is composed of a number of programs. These programs are designed to provide low income individuals with housing.

C. Proprietary Funds

Proprietary funds are used to account for activities that are operated in a manner similar to private enterprise business. Under this method revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the fund.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the authority considers all highly liquid investments (including restricted investments) with maturities of three months or less when purchased to be cash equivalents. Deposit accounts are secured by the Federal Deposit Insurance Corporation (FDIC) and the Washington Public Deposit Protection Commission (WPDPC). The WPDPC is a risk sharing pool of public depository banks. The Authority transfers funds to other institutions to remain within the FDIC \$250,000 insurance as the securities mature. See Notes 1i and 3.

E. Investments and Custodial Risks

The funds of the Authority are invested in deposit accounts in accordance with RCW 35.82.070 (6) and HUD Financial Management Handbook 7475.1 Chapter 4. The Authority invests in savings accounts, money market accounts, and certificates of deposits at banks that are qualified depositories as designated by the Washington Public Deposit Protection Commission (WPDPC) pursuant to RCW 39.58. The WPDPC is a risk sharing pool whereby member banks that are designated as "qualified public depositories" mutually insure public deposits against loss. The Authority transfers investments between financial institutions as they mature to maintain full FDIC insurance for all Authority deposits and investments. See Note 1d.

F. Restricted Assets

In accordance with certain agreements and Washington State Landlord-Tenant law separate restricted accounts are required to be established. The assets held in these accounts are reserved to specified purposes, and bear debt service and other special reserve requirements. Restricted resources currently include Family Self-Sufficiency Escrow Accounts; Operating and Replacement Reserves accounts; tenant security deposits; and Housing Assistance Payment accounts.

G. Accounts Receivable

Accounts receivable consist of amounts due from grantor agencies and unpaid rents due the Authority. Uncollectible accounts occur when tenants depart. The Authority estimates its reserve for doubtful accounts based upon a three-year running average of collection losses. Individual tenant accounts are written off after six months of unsuccessful collection efforts.

H. Developer Fees Receivable

Developer fees receivable are stated at the amount management expects to collect on balances outstanding at year-end. Developer fees are due based upon terms of the related agreements. Management evaluates collectability based upon several factors, including historical collection experience and review and assessment of the financial condition of the entity. At September 30, 2021, amounts were deemed 100% collectible.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Inventories

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

J. Capital Assets

The Authority's capitalization threshold is \$5,000 for an asset with an initial individual cost and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Capital assets are recorded at cost and depreciated using the straight-line method over the asset's estimated useful life which is 40 years for buildings/improvements and 5 to 10 years for equipment.

K. Compensated Absences

Effective September 1, 1996, the Authority's employees earn paid time off (PTO) which can be used for either vacation or sick leave. Employees may accrue PTO up to 520 hours. Balances in these accounts were used to determine accrued compensated absences.

L. Elimination

Activity between programs that represent borrowing arrangements outstanding at the end of the year are referred to as due to/from other programs in the accompanying statement of net position. All significant interfund accounts and transactions have been eliminated.

M. Deferred Outflows and Inflows of Resources

Deferred outflows of resources, reported after total assets, represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The Authority reports deferred outflows from pension activities.

Deferred inflows of resources, reported after total liabilities, represent an acquisition of net position that applies to future periods. The revenue is recognized in the applicable future period(s). The Authority reports deferred inflows from pension activities.

N. Net Pension Liability

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Operating Revenues/Expenses

Operating revenues include fees and charges from services in connection with the ongoing operations of providing low-income housing. Operating revenues also include operating subsidies and grants provided by HUD. Capital grants are reported as nonoperating revenues and presented as cash flows from noncapital financing activities in the statement of cash flows. Operating expenses are those that are directly incurred in the operation of providing low income housing.

P. Use of Estimates

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

Q. Net Position

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

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvements of those assets or related debt are included in this component of net position.

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

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

It is the Authority’s policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

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

NOTE 2 DEPOSITS AND INVESTMENTS

A. Deposits

The Authority's cash and cash equivalents and investments consist of cash held in interest and noninterest bearing checking accounts and certificates of deposit. For the fiscal year ended September 30, 2021, the carrying amount of the Authority's cash (including restricted cash) and investments was \$653,787, and the bank balance was \$560,277.

Custodial Credit Risk

The Authority's deposits and certificates of deposit are covered by the FDIC or by WPDPC participation by the financial institution where applicable. The Authority transfers funds to other institutions to remain within the FDIC \$250,000 insurance as the securities mature.

Fair Value Measurement

As of September 30, 2021, all investments were in certificates of deposits (CDs) which are not subject to fair value measurement requirements. As of September 30, 2021, all CDs had a maturity dates of .1-3 years.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at September 30, 2021:

Tenant Receivable, Less Allowance for	
Doubtful Accounts of \$2,025	\$ 11,498
Accounts Receivable - Other Government	75
Accounts Receivable - Other	908
Accounts Receivable from Bayview Greens, LLC	112,106
Sponsor Loan from Bayview Greens, LLC	165,191
Developer Fee Receivable from Bayview Greens, LLC	168,823
Fraud Recovery Receivable	7,671
Net Accounts Receivable	<u>\$ 466,272</u>

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

NOTE 4 CAPITAL ASSETS

Primary Government

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

	Balance October 1, 2020	Additions	Deletions	Balance September 30, 2021
Historical Cost:				
Capital Assets not Being Depreciated:				
Land	\$ 1,070,397	\$ -	\$ -	\$ 1,070,397
Capital Assets Being Depreciated:				
Buildings and Improvements	7,787,654	113,738	-	7,901,392
Furniture, Equipment, and Machinery	477,443	14,500	(7,801)	484,142
Total Cost	8,265,097	128,238	(7,801)	8,385,534
Accumulated Depreciation:				
Infrastructure	-	-	-	-
Buildings and Improvements	(4,857,388)	(193,599)	7,624	(5,043,363)
Furniture, Equipment, and Machinery	-	-	-	-
Total Accumulated Depreciation	(4,857,388)	(193,599)	7,624	(5,043,363)
Net Capital Assets Being Depreciated	3,407,709	(65,361)	(177)	3,342,171
Net Capital Assets	\$ 4,478,106	\$ (65,361)	\$ (177)	\$ 4,412,568

Discretely Presented Component Unit

The following is a summary of capital asset activity for the year ended December 31, 2020:

	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020
Historical Cost:				
Capital Assets not Being Depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Capital Assets Being Depreciated:				
Buildings and Improvements	5,846,003	-	-	5,846,003
Furniture, Equipment, and Machinery	12,471	-	(12,471)	-
Total Cost	5,858,474	-	(12,471)	5,846,003
Accumulated Depreciation:				
Infrastructure	-	-	-	-
Buildings and Improvements	(951,889)	(172,569)	-	(1,124,458)
Furniture, Equipment, and Machinery	-	-	-	-
Total Accumulated Depreciation	(951,889)	(172,569)	-	(1,124,458)
Net Capital Assets Being Depreciated	4,906,585	(172,569)	(12,471)	4,721,545
Net Capital Assets	\$ 4,906,585	\$ (172,569)	\$ (12,471)	\$ 4,721,545

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

NOTE 5 LONG-TERM DEBT AND LIABILITIES

A. Real Estate Mortgages

The Authority is obligated for long-term commercial loans and loans from the Washington State Housing Trust Fund (HTF) and Island County secured by capital assets. These loans were used to acquire capital assets that provide low-income housing. The HTF loans are being repaid by revenues generated by the Authority. The Island County loans are forgiven as the end of the term if all elements of the promissory note are maintained.

Property (Lender)	Original Amount	Issue Date	Term	Interest Rate	Installments/ Year/Month
Islander Apts (HTF)	\$ 280,000	April 1993	50 Years	0%	\$ 6,400
Glenhaven Apts (HTF)	300,000	June 2021	50 Years	1%	7,653
Marjie's House (Island County)	100,000	February 2005	20 Years	0%	5,000
Glenhaven Apts (People's Bank)	450,000	January 2019	15 Years	5.90%	2,921
Sunnyview Village (Island County)	575,000	July 2008	40 Years	0%	-
Glenhaven (Island County)	80,000	December 2008	20 Years	0%	-
Marjie's House (Island County)	1,498,150	April 2004	40 Years	0%	-

	Beginning Balance	Additions	Retirement	Ending Balance	Amount Due in One Year
Islander Apts (HTF)	\$ 147,200	\$ -	\$ (6,400)	\$ 140,800	\$ 6,400
Glenhaven Apts (HTF)	203,145	-	(5,617)	197,528	5,679
Marjie's House (Island County)	25,000	-	(5,000)	20,000	5,000
Glenhaven Apts (People's Bank)	436,247	-	(7,864)	428,383	9,367
Sunnyview Village	575,000	-	-	575,000	-
Glenhaven	80,000	-	-	80,000	-
Marjie's House	1,498,150	-	-	1,498,150	-
Total	<u>\$ 2,964,742</u>	<u>\$ -</u>	<u>\$ (24,881)</u>	<u>\$ 2,939,861</u>	<u>\$ 26,446</u>

Service requirements to maturity for mortgages are as follows:

<u>Year Ending September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 26,446	\$ 27,656	\$ 54,102
2023	27,088	27,014	54,102
2024	27,885	26,217	54,102
2025	28,738	25,422	54,160
2026	24,528	26,009	50,537
2027-2031	215,658	103,790	319,448
2032-2036	364,253	45,882	410,135
2037-2041	65,630	5,272	70,902
2042-2046	1,546,295	4,640	1,550,935
2047-2051	613,340	-	613,340
Total	<u>\$ 2,939,861</u>	<u>\$ 291,902</u>	<u>\$ 3,231,763</u>

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

NOTE 5 LONG-TERM DEBT AND LIABILITIES (CONTINUED)

A. Real Estate Mortgages (Continued)

The above schedule does not reflect the recoverable grants since no principal or interest payments are due unless the Authority fails to fulfill its agreement to restrict use of the assets to low income housing only.

B. Changes in Long-Term Liabilities

Balance October 1, 2020	Additions	Used	Balance September 30, 2021	Current Portion
\$ 77,278	\$ -	\$ (37,275)	\$ 40,003	\$ 40,003

Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. Since July 1, 2019, The Authority's employees earn vacation based on their status of being an exempt/nonexempt employee and their time in service at the Authority. Balances in these accounts were used to determine accrued compensated absences. Vacation is use or lose, but the sick leave bank can have up to 520 hours for personnel hired after 1 July 2016, and up to 720 for personnel hired prior to 1 July 2016. This enables those personnel that choose to move PTO from the previous program to the sick leave bank to not be penalized. Vacation/sick leave will not be cashed out upon retirement.

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

NOTE 6 PENSION PLAN

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 state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

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

Public Employees' Retirement System (PERS)

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

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

NOTE 6 PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and nonduty disability payments, an optional cost of living adjustment (COLA), and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

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

PERS PLAN 1

Actual Contribution Rates:

October 2020 - June 2021

PERS Plan 1

PERS Plan 1 UAAL

Administrative Fee

Total

Employer	Employee*
7.92%	6.00%
4.87	0.00
0.18	0.00
<u>12.97%</u>	<u>6.00%</u>

July 2021 - September 2021

PERS Plan 1

Administrative Fee

Total

10.07%	6.00%
0.18	0.00
<u>10.25%</u>	<u>6.00%</u>

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

NOTE 6 PENSION PLAN (CONTINUED)

Contributions (Continued)

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

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

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

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

NOTE 6 PENSION PLAN (CONTINUED)

Contributions (Continued)

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

PERS PLAN 2/3

Actual Contribution Rates:

October 2020 - June 2021

PERS Plan 2/3

PERS Plan 1 UAAL

Administrative Fee

Employee PERS Plan 3

Total

Employer 2/3

Employee 2*

7.92%

7.90%

4.87

0.00

0.18

0.00

0.00

Varies

12.97%

7.90%

July 2021 - September 2021

PERS Plan 2/3

PERS Plan 1 UAAL

Administrative Fee

Employee PERS Plan 3

Total

6.36%

6.36%

3.71

0.00

0.18

0.00

0.00

Varies

10.25%

6.36%

The Authority's actual PERS plan contributions were \$25,797 to PERS Plan 1 and \$42,116 to PERS Plan 2/3 for the year ended September 30, 2021.

Actuarial Assumptions

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

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

NOTE 6 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation.** 2.75% total economic inflation; 3.5% salary inflation
- **Salary increase.** In addition to the base 3.5% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return.** 7.4%

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

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

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

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

NOTE 6 PENSION PLAN (CONTINUED)

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

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

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

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

NOTE 6 PENSION PLAN (CONTINUED)

Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease (6.4%)	Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 72,046	\$ 42,291	\$ 16,342
PERS 2/3	(126,172)	(442,893)	(703,713)

Pension Plan Fiduciary Net Position

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

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

At September 30, 2021, the Authority reported a total pension asset of \$400,602 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 42,291
PERS 2/3	(442,893)

On June 30, 2020, the Authority's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share June 30, 2020	Proportionate Share June 30, 2021	Change in Proportion
PERS 1	0.003369 %	0.003463%	-0.000094%
PERS 2/3	0.004409 %	0.004446%	-0.000037%

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

The collective net pension liability (asset) was measured as of June 30, 2021, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019 with update procedures used to roll forward the total pension liability to the measurement date.

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

NOTE 6 PENSION PLAN (CONTINUED)

Pension Expense

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

	Pension Expense
PERS 1	\$ 7,769
PERS 2/3	100,354
Total	<u>\$ 108,123</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Plan Name PERS 1</u>		
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual		
Investment Earnings on Pension Plan Investments	-	(46,929)
Changes of Assumptions	-	-
Changes in Proportion and Differences Between		
Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	-	-
Total	<u>\$ -</u>	<u>\$ (46,929)</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Plan Name PERS 2/3</u>		
Differences Between Expected and Actual Experience	\$ 21,511	\$ (5,429)
Net Difference Between Projected and Actual		
Investment Earnings on Pension Plan Investments	-	(370,155)
Changes of Assumptions	647	(31,453)
Changes in Proportion and Differences Between		
Contributions and Proportionate Share of Contributions	12,537	(1,368)
Contributions Subsequent to the Measurement Date	10,966	-
Total	<u>\$ 45,661</u>	<u>\$ (408,405)</u>

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

NOTE 6 PENSION PLAN (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

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

<u>Year Ending September 30,</u>	<u>Plan Name PERS 1</u>	<u>Plan Name PERS 2/3</u>
2022	\$ (11,694)	\$ (96,567)
2023	(11,426)	(89,916)
2024	(10,814)	(89,055)
2025	(12,995)	(97,285)
2026	-	(887)
Total	<u>\$ (46,929)</u>	<u>\$ (373,710)</u>

NOTE 7 MATERIAL RELATED PARTY TRANSACTIONS

The Authority has a material related party relationship with Island County Government in that the Board of Commissioners of Island County appoints the Housing Authority Board of Commissioners. The Housing Authority also receives funding for the development of several of their properties. Other transactions for transitional and emergency housing are also conducted with the Human Services Department of Island County Government.

The Housing Authority has a material related party relationship with Bayview Greens, LLC for the development of Sunny View Village. See Note 9 for further discussion of Bayview Green, LLC.

One Housing Authority board member is also the Vice President and Manager at the bank which the Authority does business.

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

NOTE 8 RISK MANAGEMENT

The Housing Authority of Island County is not facing any type of risk and has no settlements that exceeded the insurance coverage traditionally insured with property and casualty insurance. We are unaware of any loss exposures that may need specialized coverage traditionally excluded in property and casualty insurance. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

The Housing Authority of Island County is a member of Housing Authorities Risk Retention Pool (HARRP). Utilizing Chapter 190.080 ORS and 48.62 RCW (self-insurance regulations) and chapter 39.34 (Interlocal Cooperation Act), fifty-five public housing authorities in the states of Washington, Oregon, and California originally formed HARRP in March 1987. HARRP was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and or jointly contracting for risk management services. HARRP is a U.S. Department of Housing and Urban Development (HUD) approved self-insurance entity for utilization by public housing authorities. HARRP has a total of eighty-three/owner housing authorities in the states of Washington, Oregon, California and Nevada. Thirty-four of the eighty- three members are Washington public housing entities.

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

General and Automobile Liability Coverage is written on an occurrence basis, without member deductibles. Errors and Omissions coverage (which includes Employment Practices Liability) is written on 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 greater deductibles and E & O co-payments). Coverage limits for General Liability, Automobile Liability, as well as Errors and Omissions, are \$2,000,000 per occurrence with a \$2,000,000 aggregate.

The Property coverage offered by HARRP is on a replacement cost basis, with deductibles ranging from \$2,500 to \$25,000. Our property coverages include equipment breakdown, as well as Fidelity coverage with limits of \$100,000 (with options up to \$1,000,000) for employee dishonesty, forgery or alteration and \$50,000 for theft, with a \$1,000 deductible.

HARRP self insures coverage for liability lines. HARRP self insures the first \$2,000,000 for property, then purchases \$45 million of excess insurance from Munich Reinsurance for a combined total of \$47,000,000. The HARRP board of directors determines the limits and coverage terms, at its sole discretion.

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

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

NOTE 8 RISK MANAGEMENT (CONTINUED)

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

NOTE 9 BAYVIEW GREENS LLC AND COMMITMENT

Bayview Greens, LLC, has a calendar fiscal year-end as of December 31, 2020. Bayview Greens, (Sunny View Village) was completed and placed in service June 2015. Bayview Greens, LLC was initially formed November 21, 2007; the formation was amended December 13, 2011 to withdraw a former member and add a new managing member. The Housing Authority of Island County owns 0.01% of the LLC, and the investor, NOC Corporate Equity Fund XI, L.P., owns 99.99% of the project.

There are several funding streams for Sunny View Village listed as follows:

Island County Low Income Housing Surcharge Fund and the Homeless Housing fund each provided funding streams to acquire the land on which to build Sunny View Village. The LIHSF recoverable grant in the amount of \$225,000 is for 40 years at 0% interest. The Homeless Housing Fund recoverable grant is in the amount of \$350,000 for 40 years at 0% interest. Neither grant will be required to be repaid as long as the property is continually used for the intended purpose of serving low income working families.

Sunny View Village is a 4% Low Income Tax CrediUBond project. There are funds passed through the State of Washington Department of Commerce in the amount of \$2,500,000. These funds are broken down as \$700,000 from the Washington State Housing Trust Fund, and \$1,800,000 in federal HOME dollars. The note matures in 40 years and accrues interest at 1%. No payments are required until maturity.

The Washington State Housing Finance Commission provided bonds in the amount of \$3,068,000. There are two bonds 2014A which is the Term note, of \$1,205,000 and 2014B which is the Construction loan of \$1,863,000. Both bonds are funded through Heritage Bank.

Capital Contributions from the investor total \$2,162,238. The construction financing was converted to a mortgage in June of 2016. The final contribution from the investor provided a payoff of the 2014B bond of \$1,863,000.

The Housing Authority has a sponsor loan of \$159,983 including accrued interest to the project. The outstanding balance accrues at 3.27% compounded annually. Payments of principal and interest are to be paid annually commencing on April 15, 2016 and each year thereafter until paid in full. Payments are subject to net cash flow. The note is secured by a leasehold deed of trust and matures on June 30, 2055.

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

NOTE 9 BAYVIEW GREENS LLC AND COMMITMENT (CONTINUED)

The Authority earned a developer fee of \$168,823 during the development phase of Bayview Greens, LLC. The fee is to be paid from cash flow from operations as defined in the Bayview Greens, LLC operating agreement.

As of September 30, 2021, the Authority is owed \$277,297 related to advancing funds to cover the operating costs at Bayview Greens, LLC.

The Authority and Bayview Greens, LLC have executed a land lease agreements, which commenced on June 4, 2014. Bayview Greens is leasing the land for use as a low income housing project pursuant to Section 42 of the Internal Revenue Code. The lease expires on June 3, 2089. Pursuant to the lease agreement, the tenant (Bayview Greens, LLC) shall pay the landlord (the Authority) a base rent of \$1 per year which commenced on January 1, 2015.

The Authority entered into an Operating Deficit Guaranty with Bayview Greens, LLC. During the Operating Deficit Guaranty Period, the Authority is obligated to provide funds to Bayview Greens, LLC in an amount up to the Operating Deficits, as set forth in the Operating Agreement. In the event the Investor Member of Bayview Greens, LLC has approved use of the Operating Reserve to pay any deficits, the Authority agrees to immediately refund the Operating Reserve up to the amount of such deficits to maintain the balance required by the operating agreement. Repayment of any letters of credit or other borrowings arranged by the Authority in furtherance of their obligations under the operating agreement shall be the sole obligation of the Authority. Any operating deficit loans shall be interest free and are repayable in accordance with provisions in the Operating Agreement.

**HOUSING AUTHORITY OF ISLAND COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE HOUSING AUTHORITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS* ENDED JUNE 30, 2021**

<u>PERS 1</u>	2021	2020	2019	2018	2017	2016	2015	2014	2013
Housing Authority's Proportion of the Net Pension Liability (Asset)	0.003463 %	0.003369 %	0.003413 %	0.003484 %	0.003452 %	0.004044 %	0.003769 %	0.003909 %	0.004289 %
Housing Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 42,291	\$ 118,944	\$ 131,242	\$ 155,597	\$ 163,800	\$ 217,182	\$ 197,514	\$ 196,918	\$ 250,617
Housing Authority's Covered Payroll	505,932	470,437	508,886	503,597	478,774	463,330	438,006	444,395	485,868
Housing Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of the Total Net Pension Liability	00.08 %	25.28%	25.79%	30.90%	34.21%	46.87%	45.09%	44.31%	51.58%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	88.74 %	68.64 %	67.12 %	63.22 %	61.24 %	57.03 %	59.10 %	61.19 %	
<u>PERS 2/3</u>									
Housing Authority's Proportion of the Net Pension Liability (Asset)	0.004446 %	0.004409 %	0.004404 %	0.004484 %	0.004441 %	0.005176 %	0.004896 %	0.005033 %	0.005712 %
Housing Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ (442,893)	\$ 56,389	\$ 42,778	\$ 76,731	\$ 154,304	\$ 260,608	\$ 173,972	\$ 101,735	\$ 243,903
Housing Authority's Covered Payroll	505,932	470,437	508,886	503,597	478,774	463,330	438,006	444,395	485,868
Housing Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of the Total Net Pension Liability	-87.54%	11.99%	8.41%	15.24%	32.23%	56.25%	39.72%	22.89%	50.20%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	120.29 %	97.22 %	97.77 %	95.77 %	90.97 %	85.82 %	89.20 %	93.29 %	

*Until a full 10-year trend is completed, information is presented only for those years for which information is available.

See accompanying Notes to Required Supplementary Information.

**HOUSING AUTHORITY OF ISLAND COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE HOUSING AUTHORITY CONTRIBUTION
PENSION PLANS
LAST TEN FISCAL YEARS***

<u>PERS 1</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 25,797	\$ 24,414	\$ 24,476	\$ 23,296	\$ 20,767	\$ 22,931	\$ 17,324	\$ 17,302	\$ 11,124
Contributions in Relation to the									
Contractually Required	(25,797)	(24,414)	(24,476)	(23,296)	(20,767)	(22,931)	(17,324)	(17,302)	(11,124)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-
Housing Authority's Covered									
Payroll	505,932	470,437	508,886	503,597	478,774	463,330	438,006	444,395	485,868
Contributions as a Percentage of									
Covered Payroll	5.10%	5.19%	4.81%	4.63%	4.34%	4.95%	3.96%	3.89%	2.29%
<u>PERS 2/3</u>									
Contractually Required Contribution	\$ 42,116	\$ 40,621	\$ 35,969	\$ 34,645	\$ 27,124	\$ 29,879	\$ 21,668	\$ 21,261	\$ 22,166
Contributions in Relation to the									
Contractually Required	(42,116)	(40,621)	(35,969)	(34,645)	(27,124)	(29,879)	(21,668)	(21,261)	(22,166)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-
Housing Authority's Covered									
Payroll	505,932	470,437	508,886	503,597	478,774	463,330	438,006	444,395	485,868
Contributions as a Percentage of									
Covered Payroll	8.32%	8.63%	7.07%	6.88%	5.67%	6.45%	4.95%	4.78%	4.56%

*Until a full 10-year trend is completed, information is presented only for those years for which information is available.

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

Changes of Benefit Terms

There were no changes in the benefit terms for the pension plans.

Changes of Assumptions

There were no changes in the assumptions for the pension plan.

Covered Payroll

Covered payroll has been presented in accordance with GASB 82, pension issues.

Covered payroll includes all payroll on which a contribution is based.

HOUSING AUTHORITY OF ISLAND COUNTY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2021

STATEMENT OF NET POSITION DATA

Line Item #	Accounts Description	Project Total 14.850/14.872	PIH FSS 14.896	Business Activities	State / Local	HOME 14.239	Housing Choice Vouchers 14.871
ASSETS							
CURRENT ASSETS							
Cash:							
111	Unrestricted	\$ 148,726	\$ -	\$ 5,275	\$ 1	\$ 1	\$ 148,390
113	Other Restricted	-	-	-	-	-	75,281
114	Tenant Security Deposits	29,282	-	-	11,862	-	-
	Total Cash	178,008	-	5,275	11,863	1	223,671
Accounts Receivable:							
124	Accounts Receivable - Other Government	75	-	-	-	-	-
125	Accounts Receivable - Miscellaneous	908	-	-	446,120	-	-
126	Accounts Receivable - Tenant Rents	5,150	-	-	8,373	-	-
126.1	Allowance for Doubtful Accounts - Tenants	(1,116)	-	-	(909)	-	-
128	Accounts Receivable - Fraud Recovery	-	-	-	-	-	7,671
	Total Receivables, Net	5,017	-	-	453,584	-	7,671
131	Investments - Unrestricted	-	-	-	28,696	-	-
132	Investments - Restricted	-	-	-	60,325	-	76,072
142	Prepaid Expenses and Other Assets	42,750	-	-	7,747	29	3,228
143	Inventories	5,713	-	-	-	-	-
144	Interprogram Due from	674	-	7,337	-	-	-
	Total Current Assets	232,162	-	12,612	562,215	30	310,642
NONCURRENT ASSETS							
Capital Assets:							
161	Land	47,825	-	-	1,022,572	-	-
162	Buildings	5,142,826	-	-	2,758,566	-	-
163	Furniture and Equipment - Dwellings	101,776	-	-	132,400	-	-
164	Furniture and Equipment - Admin	228,241	-	-	-	-	21,725
166	Accumulated Depreciation	(3,552,812)	-	-	(1,468,826)	-	(21,725)
	Total Capital Assets, Net	1,967,856	-	-	2,444,712	-	-
174	Other Assets	192,289	-	-	72,108	4,006	128,193
180	Total Noncurrent Assets	2,160,145	-	-	2,516,820	4,006	128,193
200	Deferred Outflows of Resources	21,917	-	-	8,218	457	14,612
290	Total Assets and Deferred Outflows of Resources	\$ 2,414,224	\$ -	\$ 12,612	\$ 3,087,253	\$ 4,493	\$ 453,447

HOUSING AUTHORITY OF ISLAND COUNTY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2021

STATEMENT OF NET POSITION DATA (CONTINUED)

Line Item #	Accounts Description	Shelter Plus Care 14.238	HCV CARES Act Funds 14.HCC	Emergency Housing Voucher 14.EHV	Elimination	Subtotal	Discrete Component Unit	Total
ASSETS								
CURRENT ASSETS								
Cash:								
111	Unrestricted	\$ -	\$ -	\$ 10,269	\$ -	\$ 312,662	\$ 40,702	\$ 353,364
113	Other Restricted	-	-	59,607	-	134,888	68,657	203,545
114	Tenant Security Deposits	-	-	-	-	41,144	23,605	64,749
	Total Cash	-	-	69,876	-	488,694	132,964	621,658
Accounts Receivable:								
124	Accounts Receivable - Other Government	-	-	-	-	75	-	75
125	Accounts Receivable - Miscellaneous	-	-	-	-	447,028	-	447,028
126	Accounts Receivable - Tenant Rents	-	-	-	-	13,523	10,485	24,008
126.1	Allowance for Doubtful Accounts - Tenants	-	-	-	-	(2,025)	-	(2,025)
128	Accounts Receivable - Fraud Recovery	-	-	-	-	7,671	-	7,671
	Total Receivables, Net	-	-	-	-	466,272	10,485	476,757
131	Investments - Unrestricted	-	-	-	-	28,696	-	28,696
132	Investments - Restricted	-	-	-	-	136,397	-	136,397
142	Prepaid Expenses and Other Assets	-	-	-	-	53,754	5,078	58,832
143	Inventories	-	-	-	-	5,713	-	5,713
144	Interprogram Due from	-	-	-	-	8,011	-	8,011
	Total Current Assets	-	-	69,876	-	1,187,537	148,527	1,336,064
NONCURRENT ASSETS								
Capital Assets:								
161	Land	-	-	-	-	1,070,397	-	1,070,397
162	Buildings	-	-	-	-	7,901,392	5,846,003	13,747,395
163	Furniture and Equipment - Dwellings	-	-	-	-	234,176	-	234,176
164	Furniture and Equipment - Admin	-	-	-	-	249,966	-	249,966
166	Accumulated Depreciation	-	-	-	-	(5,043,363)	(1,124,458)	(6,167,821)
	Total Capital Assets, Net	-	-	-	-	4,412,568	4,721,545	9,134,113
174	Other Assets	4,006	-	-	-	400,602	11,264	411,866
180	Total Noncurrent Assets	4,006	-	-	-	4,813,170	4,732,809	9,545,979
200	Deferred Outflows of Resources	457	-	-	-	45,661	-	45,661
290	Total Assets and Deferred Outflows of Resources	\$ 4,463	\$ -	\$ 69,876	\$ -	\$ 6,046,368	\$ 4,881,336	\$ 10,927,704

HOUSING AUTHORITY OF ISLAND COUNTY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2021

STATEMENT OF NET POSITION DATA (CONTINUED)

Line Item #	Accounts Description	Project Total 14.850/14.872	PIH FSS 14.896	Business Activities	State / Local	HOME 14.239	Housing Choice Vouchers 14.871
LIABILITIES AND NET POSITION							
CURRENT LIABILITIES							
312	Accounts Payable < 90 Days	\$ -	\$ -	\$ -	\$ 908	\$ -	\$ -
322	Accrued Compensated Absences	23,283	-	-	3,513	358	12,849
325	Accrued Interest Payable	-	-	-	-	-	-
332	Accounts Payable - PHA Projects	-	-	-	-	-	-
341	Tenant Security Deposits	28,650	-	-	11,000	-	-
342	Unearned Revenue	-	-	-	-	-	-
343	Current Portion Long-Term Debt - Capital	-	-	-	26,446	-	-
345	Other Current Liabilities	-	-	-	-	-	-
346	Accrued Liabilities - Other	11,760	-	-	-	-	22,150
347	Interprogram due to	-	-	-	640	6,697	-
	Total Current Liabilities	63,693	-	-	42,507	7,055	34,999
NONCURRENT LIABILITIES							
351	Long-Term Debt - Capital	-	-	-	2,913,415	-	-
353	Noncurrent Liabilities - Other	-	-	-	-	-	45,941
357	Accrued Pension and OPEB Liabilities	-	-	-	-	-	-
	Total Noncurrent Liabilities	-	-	-	2,913,415	-	45,941
	Total Liabilities	63,693	-	-	2,955,922	7,055	80,940
400	Deferred Inflows of Resources	218,560	-	-	81,960	4,553	145,707
NET POSITION							
508.4	Net Investment in Capital Assets	1,967,856	-	-	(495,149)	-	-
511.4	Restricted Net Position	192,289	-	-	72,108	4,006	157,533
512.4	Unrestricted Net Position	(28,174)	-	12,612	472,412	(11,121)	69,267
	Total Net Position	2,131,971	-	12,612	49,371	(7,115)	226,800
600	Total Liabilities, Deferred Inflows and Net Position	\$ 2,414,224	\$ -	\$ 12,612	\$ 3,087,253	\$ 4,493	\$ 453,447

**HOUSING AUTHORITY OF ISLAND COUNTY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2021**

STATEMENT OF NET POSITION DATA (CONTINUED)

Line Item #	Accounts Description	Shelter Plus Care 14.238	HCV CARES Act Funds 14.HCC	Emergency Housing Voucher 14.EHV	Elimination	Subtotal	Discrete Component Unit	Total
LIABILITIES AND NET POSITION								
CURRENT LIABILITIES								
312	Accounts Payable < 90 Days	\$ -	\$ -	\$ -	\$ -	\$ 908	\$ 4,685	\$ 5,593
322	Accrued Compensated Absences	-	-	-	-	40,003	-	40,003
325	Accrued Interest Payable	-	-	-	-	-	172,431	172,431
332	Accounts Payable - PHA Projects	-	-	-	-	-	-	-
341	Tenant Security Deposits	-	-	-	-	39,650	23,605	63,255
342	Unearned Revenue	-	-	26,250	-	26,250	-	26,250
343	Current Portion Long-Term Debt - Capital	-	-	-	-	26,446	18,418	44,864
345	Other Current Liabilities	-	-	-	-	-	153,185	153,185
346	Accrued Liabilities - Other	-	-	-	-	33,910	-	33,910
347	Interprogram due to	674	-	-	-	8,011	-	8,011
	Total Current Liabilities	674	-	26,250	-	175,178	372,324	547,502
NONCURRENT LIABILITIES								
351	Long-Term Debt - Capital	-	-	-	-	2,913,415	3,657,425	6,570,840
353	Noncurrent Liabilities - Other	-	-	-	-	45,941	168,823	214,764
357	Accrued Pension and OPEB Liabilities	-	-	-	-	-	-	-
	Total Noncurrent Liabilities	-	-	-	-	2,959,356	3,826,248	6,785,604
	Total Liabilities	674	-	26,250	-	3,134,534	4,198,572	7,333,106
400	Deferred Inflows of Resources	4,553	-	-	-	455,333	-	455,333
NET POSITION								
508.4	Net Investment in Capital Assets	-	-	-	-	1,472,707	682,764	2,155,471
511.4	Restricted Net Position	4,006	-	33,357	-	463,299	-	463,299
512.4	Unrestricted Net Position	(4,770)	-	10,269	-	520,495	-	520,495
	Total Net Position	(764)	-	43,626	-	2,456,501	682,764	3,139,265
600	Total Liabilities, Deferred Inflows and Net Position	\$ 4,463	\$ -	\$ 69,876	\$ -	\$ 6,046,368	\$ 4,881,336	\$ 10,927,704

HOUSING AUTHORITY OF ISLAND COUNTY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2021

STATEMENT OF REVENUE AND EXPENSES DATA

Line Item #	Accounts Description	Project Total 14.850/14.872	PIH FSS 14.896	Business Activities	State / Local	HOME 14.239	Housing Choice Vouchers 14.871
REVENUE							
70300	Net Tenant Rental Revenue	\$ 343,811	\$ -	\$ -	\$ 260,198	\$ -	\$ -
70400	Tenant Revenue - Other	3,465	-	-	1,752	-	-
70500	Total Tenant Revenue	347,276	-	-	261,950	-	-
70600	HUD PHA Operating Grants	331,197	62,755	-	-	-	2,036,301
70610	Capital Grants	76,010	-	-	-	-	-
70800	Other Governmental Grants	-	-	-	20,020	49,812	-
71100	Investment Income - Unrestricted	147	-	-	-	-	-
71400	Fraud Recovery	-	-	-	-	-	1,555
71500	Other Revenue	3,645	-	550	1,935	-	91,134
71600	Gain or Loss on Sale of Capital Assets	(151)	-	-	-	-	-
72000	Investment Income - Restricted	-	-	-	755	-	39
	Total Revenue	758,124	62,755	550	284,660	49,812	2,129,029
EXPENSES							
Administrative:							
91100	Administrative Salaries	94,682	-	-	36,727	4,750	74,330
91200	Auditing Fees	16,339	-	-	2,434	-	15,317
91300	Management Fee	-	-	-	-	-	-
91500	Employee Benefit Contrib - Admin	(76,784)	-	-	(6,434)	1,786	(21,158)
91600	Office Expenses	33,331	-	-	-	-	13,433
91800	Travel	156	-	-	-	-	-
91900	Other	8,968	-	-	13,565	1,051	11,950
	Total Administrative	76,692	-	-	46,292	7,587	93,872
Tenant Services:							
92100	Salaries	-	62,755	-	-	-	-
92300	Employee Benefit Contributions	-	-	-	-	-	-
	Total Tenant Services	-	62,755	-	-	-	-
Utilities:							
93100	Water	47,250	-	-	15,792	-	-
93200	Electricity	15,459	-	-	17,604	-	-
93300	Gas	1,276	-	-	4,770	-	-
93400	Fuel	4,797	-	-	-	-	-
93600	Sewer	92,559	-	-	26,481	-	-
93800	Other Utilities Expense	31,700	-	-	9,527	-	-
	Total Utilities	193,041	-	-	74,174	-	-

**HOUSING AUTHORITY OF ISLAND COUNTY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2021**

STATEMENT OF REVENUE AND EXPENSES DATA (CONTINUED)

Line Item #	Accounts Description	Shelter Plus Care 14.238	HCV CARES Act Funds 14.HCC	Emergency Housing Voucher 14.EHV	Subtotal	Discrete Component Unit	Total
REVENUE							
70300	Net Tenant Rental Revenue	\$ -	\$ -	\$ -	\$ 604,009	\$ 229,367	\$ 833,376
70400	Tenant Revenue - Other	-	-	-	5,217	3,591	8,808
70500	Total Tenant Revenue	-	-	-	609,226	232,958	842,184
70600	HUD PHA Operating Grants	33,494	53,847	44,283	2,561,877	-	2,561,877
70610	Capital Grants	-	-	-	76,010	-	76,010
70800	Other Governmental Grants	-	-	-	69,832	-	69,832
71100	Investment Income - Unrestricted	-	-	-	147	-	147
71400	Fraud Recovery	-	-	-	1,555	-	1,555
71500	Other Revenue	-	-	-	97,264	-	97,264
71600	Gain or Loss on Sale of Capital Assets	-	-	-	(151)	-	(151)
72000	Investment Income - Restricted	-	-	-	794	-	794
	Total Revenue	33,494	53,847	44,283	3,416,554	232,958	3,649,512
EXPENSES							
Administrative:							
91100	Administrative Salaries	1,595	51,269	-	263,353	-	263,353
91200	Auditing Fees	-	-	-	34,090	-	34,090
91300	Management Fee	-	-	-	-	10,000	10,000
91500	Employee Benefit Contrib - Admin	422	-	-	(102,168)	-	(102,168)
91600	Office Expenses	-	-	-	46,764	-	46,764
91800	Travel	-	-	-	156	-	156
91900	Other	-	2,578	657	38,769	66,466	105,235
	Total Administrative	2,017	53,847	657	280,964	76,466	357,430
Tenant Services:							
92100	Salaries	-	-	-	62,755	-	62,755
92300	Employee Benefit Contributions	-	-	-	-	-	-
	Total Tenant Services	-	-	-	62,755	-	62,755
Utilities:							
93100	Water	-	-	-	63,042	-	63,042
93200	Electricity	-	-	-	33,063	-	33,063
93300	Gas	-	-	-	6,046	-	6,046
93400	Fuel	-	-	-	4,797	-	4,797
93600	Sewer	-	-	-	119,040	-	119,040
93800	Other Utilities Expense	-	-	-	41,227	74,866	116,093
	Total Utilities	-	-	-	267,215	74,866	342,081

**HOUSING AUTHORITY OF ISLAND COUNTY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2021**

STATEMENT OF REVENUE AND EXPENSES DATA (CONTINUED)

Line Item #	Accounts Description	Project Total 14.850/14.872	PIH FSS 14.896	Business Activities	State / Local	HOME 14.239	Housing Choice Vouchers 14.871
EXPENSES (Continued)							
	Ordinary Maintenance and Operations:						
94100	Labor	\$ 160,092	\$ -	\$ -	\$ 15,481	\$ -	\$ -
94200	Materials and Other	28,714	-	-	8,188	-	-
94300	Contracts	14,562	-	-	19,402	-	-
94500	Employee Benefits Contribution	60,163	-	-	-	-	-
	Total Ordinary Maintenance and Operations	263,531	-	-	43,071	-	-
	Insurance Premiums:						
96140	All Other Insurance	21,304	-	-	7,596	-	6,468
96100	Total Insurance Premiums	21,304	-	-	7,596	-	6,468
	General Expenses:						
96200	Other General Expenses	-	-	-	10,845	-	-
96210	Compensated Absences	(19,829)	-	-	(8,900)	6	(8,129)
96300	Payments in Lieu of Taxes	197	-	-	-	-	-
96400	Bad Debt - Tenant Rents	(100)	-	-	-	-	-
96600	Bad Debt - Other	-	-	-	21	-	-
	Total General Expenses	(19,732)	-	-	1,966	6	(8,129)
	Interest Expense:						
96710	Interest on Mortgage (or Bonds) Payable	-	-	-	29,220	-	-
96730	Amortization of Bond Issue Costs	-	-	-	-	-	-
96700	Total Interest Expense	-	-	-	29,220	-	-
	Total Operating Expenses	534,836	62,755	-	202,319	7,593	92,211
	Excess (Deficiency) of Operating Revenue Over Operating Expenses	223,288	-	550	82,341	42,219	2,036,818
97300	Housing Assistance Payments	-	-	-	-	46,168	1,857,720
97350	HAP Portability - In	-	-	-	-	-	90,016
97400	Depreciation Expense	121,917	-	-	71,682	-	-
	Total Expenses	656,753	62,755	-	274,001	53,761	2,039,947
	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ 101,371	\$ -	\$ 550	\$ 10,659	\$ (3,949)	\$ 89,082
Memo Account Information							
11020	Required Annual Debt Principal Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11030	Beginning Equity	2,030,600	-	12,062	38,712	(3,166)	137,718
11040	Prior Period Adjustments, Equity Transfers	-	-	-	-	-	-
11170	Administrative Fee Equity	-	-	-	-	-	-
11180	Housing Assistance Payments Equity	-	-	-	-	-	-
11190	Unit Months Available	1,320	-	-	360	60	3,733
11210	Unit Months Leased	1,272	-	-	315	60	2,516
11270	Excess Cash	65,361	-	-	-	-	-
11620	Building Purchases	76,010	-	-	-	-	-

**HOUSING AUTHORITY OF ISLAND COUNTY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2021**

STATEMENT OF REVENUE AND EXPENSES DATA (CONTINUED)

Line Item #	Accounts Description	Shelter Plus Care 14.238	HCV CARES Act Funds 14.HCC	Emergency Housing Voucher 14.EHV	Subtotal	Discrete Component Unit	Total
EXPENSES (Continued)							
	Ordinary Maintenance and Operations:						
94100	Labor	\$ -	\$ -	\$ -	\$ 175,573	\$ -	\$ 175,573
94200	Materials and Other	-	-	-	36,902	59,330	96,232
94300	Contracts	-	-	-	33,964	-	33,964
94500	Employee Benefits Contribution	-	-	-	60,163	-	60,163
	Total Ordinary Maintenance and Operations	-	-	-	306,602	59,330	365,932
	Insurance Premiums:						
96140	All Other Insurance	-	-	-	35,368	7,215	42,583
96100	Total Insurance Premiums	-	-	-	35,368	7,215	42,583
	General Expenses:						
96200	Other General Expenses	-	-	-	10,845	-	10,845
96210	Compensated Absences	-	-	-	(36,852)	-	(36,852)
96300	Payments in Lieu of Taxes	-	-	-	197	-	197
96400	Bad Debt - Tenant Rents	-	-	-	(100)	-	(100)
96600	Bad Debt - Other	-	-	-	21	-	21
	Total General Expenses	-	-	-	(25,889)	-	(25,889)
	Interest Expense:						
96710	Interest on Mortgage (or Bonds) Payable	-	-	-	29,220	92,473	121,693
96730	Amortization of Bond Issue Costs	-	-	-	-	1,207	1,207
96700	Total Interest Expense	-	-	-	29,220	93,680	122,900
	Total Operating Expenses	2,017	53,847	657	956,235	311,557	1,267,792
	Excess (Deficiency) of Operating Revenue Over Operating Expenses	31,477	-	43,626	2,460,319	(78,599)	2,381,720
97300	Housing Assistance Payments	32,241	-	-	1,936,129	-	1,936,129
97350	HAP Portability - In	-	-	-	90,016	-	90,016
97400	Depreciation Expense	-	-	-	193,599	172,569	366,168
	Total Expenses	34,258	53,847	657	3,175,979	484,126	3,660,105
	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ (764)	\$ -	\$ 43,626	\$ 240,575	\$ (251,168)	\$ (10,593)
Memo Account Information							
11020	Required Annual Debt Principal Payments	\$ -	\$ -	\$ -	\$ -	\$ 18,418	\$ 18,418
11030	Beginning Equity	-	-	-	2,215,926	933,932	3,149,858
11040	Prior Period Adjustments, Equity Transfers	-	-	-	-	-	-
11170	Administrative Fee Equity	-	-	-	-	-	-
11180	Housing Assistance Payments Equity	-	-	-	-	-	-
11190	Unit Months Available	96	-	45	5,614	-	5,614
11210	Unit Months Leased	37	-	-	4,200	-	4,200
11270	Excess Cash	-	-	-	65,361	-	65,361
11620	Building Purchases	-	-	-	76,010	-	76,010



**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 Island County
Coupeville, 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 Island County (the Authority) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 17, 2023. Our report includes a reference to other auditors who audited the financial statements of Bayview Greens, LLC as described in our report on the Authority's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

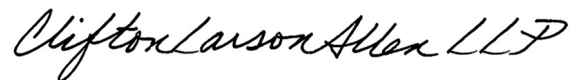
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

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

CliftonLarsonAllen LLP

Pittsburgh, Pennsylvania
February 17, 2023



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

Board of Commissioners
Housing Authority of Island County
Coupeville, Washington

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of Island County's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2021. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The Authority's basic financial statements include the operations of Bayview Greens, LLC, a discretely presented component unit which may have received federal awards, and which are not included in the schedule of expenditures of federal awards for the year ended September 30, 2021. Our audit, described below, did not include the operations of the discretely presented component unit because other auditors were engaged to perform audits of compliance, if applicable.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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



CliftonLarsonAllen LLP

Pittsburgh, Pennsylvania
February 17, 2023

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

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
Department of Housing and Urban Development (HUD) - Direct Program:				
Section 8 Housing Choice Vouchers (Housing Voucher Cluster)	14.871	-	-	\$ 2,039,947
Emergency Housing Vouchers	14.871	-	-	657
COVID-19 HCV CARES Act Funding	14.871	-	-	53,847
Total Housing Voucher Cluster				<u>2,094,451</u>
Shelter Plus Care	14.238	-	-	33,494
PIH Family Self Sufficiency Program	14.896	-	-	62,755
Public Housing Capital Fund	14.872	-	-	76,010
Public and Indian Housing	14.850	-	-	331,197
Total Public and Indian Housing				<u>407,207</u>
Total Direct Programs				2,597,907
Indirect Programs:				
Department of Commerce:				
HOME Investment Partnerships Program	14.239	-	-	49,812
Total Program				<u>49,812</u>
Total HUD Financial Assistance				<u>2,647,719</u>
Total Federal Expenditures				<u>\$ 2,647,719</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

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

NOTE 1 BASIS OF ACCOUNTING

The schedule of expenditures of federal awards is prepared on the same basis of accounting as the Authority financial statements. The Authority uses the accrual basis of accounting. The Authority's accounting records are maintained in accordance with the methods prescribed by the state auditor under the authority of Washington State law, Chapter 43.09 RCW. The Authority uses the revenue and expenditure classifications contained in the Financial and Accounting Handbooks prescribed by the Department of Housing and Urban Development (HUD).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures are recognized following cost principles contained in the OMB Circular - A87 and Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Housing Authority of Island County's portion, are more than shown.

NOTE 4 USE OF REVENUES

This schedule reflects the use of revenues rather than actual expenditures for Section 8 and Public Housing (HUD programs); other programs are actual expenditures.

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

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)

14.871

Name of Federal Program or Cluster

Section 8 Housing Choice Vouchers
(Housing Voucher Cluster)

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

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes x no

**HOUSING AUTHORITY OF ISLAND COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2021**

Section II – Financial Statement Findings

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

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).



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HOUSING AUTHORITY OF ISLAND COUNTY

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HOUSING AUTHORITY OF ISLAND COUNTY SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED SEPTEMBER 30, 2021

U.S. Department of Housing and Urban Development

Housing Authority of Island County respectfully submits the following summary schedule of prior audit findings for the year ended September 30, 2021.

Audit period: October 1, 2020 – September 30, 2021

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2020 – 001 Financial Statement Finding

Condition: The audit identified that the Housing Authority was missing a material receivable from the Component Unit. The receivable was also material as of the prior year-end of September 30, 2019. This also causes a prior period adjustment as a result. The Housing Authority instead of recording a receivable and recorded expenses such as payroll and utilities in its financial records that were expenses of the Component Unit.

Status: Summary schedule need only list the audit findings and state that the corrective action was taken.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2020 – 002

Condition: The utility allowances for trash were understated by \$10 for units with 0 to 2 bedrooms, \$16 for units with 3 to 5 bedrooms, and \$22 for units with 6 to 8 bedroom. This related to the utility allowance schedule that was effective as of November 1, 2018. Voucher holders would have been subject to this utility allowance schedule until they recertified in the fiscal year ended September 30, 2020. This would impact voucher holders who were responsible for paying for trash. Also, a portion of voucher holders were subject to a sewer service charge. Utility allowances for water and sewer were overstated by \$12 per bedroom type for potentially 16 voucher holders how lived the area subject to the sewer service charge.

Status: Summary schedule need only list the audit findings and state that the corrective action was taken.

If the U.S. Department of Housing and Urban Development has questions regarding this schedule, please call Maria Maguire at 360-678-4181.