



Office of the Washington State Auditor  
Pat McCarthy

## **Financial Statements and Federal Single Audit Report**

# **Housing Authority of the City of Othello**

**For the period July 1, 2022 through June 30, 2023**

*Published March 25, 2024*

Report No. 1034491



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

March 25, 2024

Board of Commissioners  
Housing Authority of the City of Othello  
Othello, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the Housing Authority of the City of Othello's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the Housing Authority's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Housing Authority of the City of Othello July 1, 2022 through June 30, 2023

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Housing Authority of the City of Othello are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Housing Authority.

#### Federal Awards

##### Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Housing Authority’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
10.415	Rural Rental Housing Loans

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Housing Authority qualified as a low-risk auditee under the Uniform Guidance.

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

## INDEPENDENT AUDITOR'S REPORT

### 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*

#### **Housing Authority of the City of Othello July 1, 2022 through June 30, 2023**

Board of Commissioners  
Housing Authority of the City of Othello  
Othello, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Othello, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated March 18, 2024.

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the Housing Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing 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 Housing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or

significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.


## **REPORT ON COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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 Housing 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 Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

March 18, 2024

## INDEPENDENT AUDITOR'S REPORT

### Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

#### **Housing Authority of the City of Othello July 1, 2022 through June 30, 2023**

Board of Commissioners  
Housing Authority of the City of Othello  
Othello, Washington

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

#### **Opinion on Each Major Federal Program**

We have audited the compliance of the Housing Authority of the City of Othello, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended June 30, 2023. The Housing Authority's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Housing 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 June 30, 2023.

#### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Housing Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis



for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Housing Authority's compliance with the compliance requirements referred to above.

### **Responsibilities of Management for Compliance**

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

### **Auditor's Responsibilities for the Audit of Compliance**

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

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

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

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

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### Purpose of this Report

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

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

March 18, 2024

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Housing Authority of the City of Othello July 1, 2022 through June 30, 2023**

Board of Commissioners  
Housing Authority of the City of Othello  
Othello, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinion**

We have audited the accompanying financial statements of the Housing Authority of the City of Othello, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Othello, as of June 30, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Housing Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Required Supplementary Information

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

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The accompanying Financial Data Schedule form is supplementary information required by HUD. These schedules are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 March 18, 2024 on our consideration of the Housing Authority's internal control over financial

reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing 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 Housing Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

March 18, 2024

## **FINANCIAL SECTION**

### **Housing Authority of the City of Othello July 1, 2022 through June 30, 2023**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2023

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2023

Statement of Revenues, Expenses and Changes in Net Position – 2023

Statement of Cash Flows – 2023

Notes to Financial Statements – 2023

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of Net Pension Liability – PERS 1 and PERS 2/3 – 2023

Schedule of Employer Contributions – PERS 1 and PERS 2/3 – 2023

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2023

Notes to the Schedule of Expenditures of Federal Awards – 2023

Financial Data Schedule – 2023



**CITY OF OTHELLO HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

As management of the City of Othello Housing Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2023.

**FINANCIAL HIGHLIGHTS**

- Overall financial position increased approximately \$82,000 from the prior year.
- The Authority's assets and deferred outflows of resources, at fiscal year-end, exceeded liabilities and deferred inflows of resources by approximately \$4.1 million.
- Year-end cash and cash equivalents totaled approximately \$3.2 million of which about \$954,000 was restricted.
- Total Revenue increased from prior year by \$172,000. Rental revenue increased by \$147,000 and other income decreased by \$31,500. Grants and subsidies increased by \$29,000.
- The Authority paid approximately \$790,000 in salaries, wages, and benefits.

**OVERVIEW OF THE CITY OF OTHELLO HOUSING AUTHORITY**

The City of Othello Housing Authority was created on April 11, 1966, to provide and promote safe and sanitary housing on a subsidized basis for low-income persons residing in Othello, Washington. The Authority was created pursuant to the authority of the Constitution and statutes of the state of Washington, including particularly, RCW Chapter 35.82.

An independent board of directors appointed by the City of Othello governs the Authority.

Our current portfolio is:

55	Units HUD Public Housing
42	Units Harvest Manor
31	Units Oasis Apartments
16	Units Nonsubsidized Rental Housing
52	Units Lions Park Apartments USDA 515
22	Units Parkview Apartments HUD 236
26	Units Cedar Park Apartments USDA 515 Senior
216	Beds Lugar Seguro
<u>460</u>	

**CITY OF OTHELLO HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**OVERVIEW OF THE CITY OF OTHELLO HOUSING AUTHORITY (CONTINUED)**

The Authority's financial statements consist of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include the Authority-wide financial statements and notes to the financial statements.

- The Authority-wide financial statements provide information about the Authority's overall financial position, results of operations, and cash flows. These statements, which are presented on the accrual basis, consist of the statement of net position; the statement of revenues, expenses, and changes in fund net position; and the statement of cash flows.
- The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the Authority-wide statements.

The Authority-wide statements report information about the Authority as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in fund net position regardless of when cash is received or paid.

- The Authority-wide statements report the Authority's net position. Net position, the difference between the Authority's assets plus deferred outflows and liabilities and deferred inflows, is one way to measure the Authority's financial position.
- The Authority does not believe there are any restrictions, commitments, or other limitations that would significantly affect the availability of fund resources for future use.

**CITY OF OTHELLO HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**OVERVIEW OF THE AUTHORITY-WIDE FINANCIAL POSITION AND OPERATIONS**

The Authority's overall net position is summarized below.

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current Assets	\$ 3,256,898	\$ 3,059,247
Capital Assets, Net of Depreciation	12,161,526	12,534,299
Other	172,829	492,004
Total Assets	<u>15,591,253</u>	<u>16,085,550</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	220,651	98,796
<b>LIABILITIES</b>		
Current Liabilities	434,219	444,152
Noncurrent Liabilities	11,086,088	11,194,447
Total Liabilities	<u>11,520,307</u>	<u>11,638,599</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	188,356	524,342
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,020,459	1,245,663
Restricted	835,913	930,723
Unrestricted	2,246,869	1,845,019
Total Net Position	<u>\$ 4,103,241</u>	<u>\$ 4,021,405</u>

The Authority's total assets at June 30, 2023, were \$15,591,253, a decrease of \$494,297 or 3.07% from June 30, 2022. The change in assets primarily consisted of a decrease in accounts receivable and net pension asset combined with a decrease in capital assets due to depreciation.

**Cash and Cash Equivalents:**

Total cash and cash equivalents increased by approximately \$202,000 as of June 30, 2023. This is primarily due to cash payments received from tenant rents, HUD, and USDA.

**Accounts Receivable:**

Accounts receivable decreased by approximately \$1,800 as of June 30, 2023. This decrease is due to collections from Tenant and Tenant Fraud receivables.

**Net Pension Asset:**

Net pension asset decreased by approximately \$319,000 as of June 30, 2023. This is due to changes in the proportionate share the Authority has in the cost-sharing multiple-employer public employee defined benefit retirement plan administered by the Washington State Department of Retirement Systems. For further information see Note 4 in the notes to the financial statements.

**CITY OF OTHELLO HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**OVERVIEW OF THE AUTHORITY-WIDE FINANCIAL POSITION AND OPERATIONS (CONTINUED)**

**Land, Structures, and Equipment:**

This table summarizes the changes in capital assets between fiscal years. See Note 3 in the notes to financial statements.

	2023	2022	Change
Land	\$ 1,305,522	\$ 1,305,522	\$ -
Structures and Improvements	22,368,116	22,304,853	63,263
Equipment	1,256,685	1,126,370	130,315
Construction in Progress	15,869	-	15,869
Total	24,946,192	24,736,745	209,447
Less: Accumulated Depreciation	(12,784,666)	(12,202,446)	(582,220)
Net Capital Assets	<u>\$ 12,161,526</u>	<u>\$ 12,534,299</u>	<u>\$ (372,773)</u>

**Current Liabilities:**

Accounts payable and payroll liabilities decreased by approximately \$19,600 as of June 30, 2023.

Unearned revenue decreased by approximately \$6,100 as of June 30, 2023.

Accrued interest decreased by approximately \$1,700 as of June 30, 2023. This is normal fluctuations for accrued interest.

Tenant Security Deposits increased by approximately \$7,100 as of June 30, 2023. This is due to increased tenant security deposits for all properties to cover damages from unit turnover.

Current maturities of long-term debt increased by approximately \$12,800 as of June 30, 2023. This is due to timing of maturities on long-term debt.

**Long-Term Debt:**

The Authority repaid notes payable of approximately \$147,600, representing all long-term liability payments due by the Authority during the year. The outstanding debts of approximately \$11.1 million are secured by real estate or by first mortgages on real estate. For further information see Note 6 in the notes to the financial statements.

**Net Pension Liability:**

Net pension liability increased by approximately \$52,900 as of June 30, 2023. This is due to changes in the proportionate share the Authority has in the cost-sharing multiple-employer public employee defined benefit retirement plan administered by the Washington State Department of Retirement Systems. For further information see Note 4 in the notes to the financial statements.

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

Deferred outflows and inflows of resources are due to the Authority's participation in cost-sharing multiple-employer pension plans. See Note 4 in the notes to the financial statements.

**Net Position:**

The Authority's net position increased by \$81,836 during the fiscal year ended June 30, 2023.

**CITY OF OTHELLO HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**OVERVIEW OF THE AUTHORITY-WIDE FINANCIAL POSITION AND OPERATIONS (CONTINUED)**

The results of operations, nonoperating activities, and capital contributions for the Authority are presented below:

	<u>2023</u>	<u>2022</u>
<b>OPERATING REVENUES</b>		
Rental Revenue	\$ 1,761,124	\$ 1,614,491
Revenue, Tenant - Other	50,853	34,925
Subsidies	774,430	745,542
Other	<u>3,600</u>	<u>35,142</u>
Total Operating Revenues	2,590,007	2,430,100
<b>NONOPERATING REVENUES</b>		
Interest Income	20,187	2,025
Other	<u>(7,419)</u>	<u>(1,781)</u>
Total Nonoperating Revenues	12,768	244
Total Revenues	2,602,775	2,430,344
<b>OPERATING EXPENSES</b>		
Wages and Benefits	789,825	606,939
Depreciation	608,634	606,948
Utilities	491,370	521,822
Taxes and Insurance	122,461	115,470
Maintenance Materials	234,582	137,541
Other	<u>204,061</u>	<u>212,872</u>
Total Operating Expenses	2,450,933	2,201,592
<b>NONOPERATING EXPENSES</b>		
Interest	<u>143,136</u>	<u>158,921</u>
Total Expenses	2,594,069	2,360,513
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	8,706	69,831
<b>CAPITAL CONTRIBUTIONS</b>		
Capital Contributions	<u>73,130</u>	<u>-</u>
Total Capital Contributions	73,130	-
<b>CHANGES IN NET POSITION</b>	81,836	69,831
Net Position - Beginning of Year	<u>4,021,405</u>	<u>3,951,574</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 4,103,241</u>	<u>\$ 4,021,405</u>

The details of the changes are explained in the results of operations section.

**CITY OF OTHELLO HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**RESULTS OF OPERATIONS**

Operating revenue of the Authority's activities is generated principally from rental revenue. In 2023, the Authority's operating revenue totaled \$2,590,007. Of this total, \$1,761,124 was from rental revenue and \$774,430 was from subsidies. Operating expenses of the Authority's activities consist primarily of wages and depreciation. The total operating expenses were \$2,450,933, of which \$789,825 and \$608,634 were wages and depreciation, respectively.

The increase in net position for the year ended June 30, 2023, was \$81,836 compared to an increase of \$69,831 for the year ended June 30, 2022. Factors contributing to these results included:

Operating revenues increased by approximately \$146,633 primarily due to an increase in rental revenue and subsidies.

Wages and benefits increased by approximately \$183,000. This was primarily due adjustments to employee benefits for those participating in our cost-sharing multiple-employer pension plan.

Utilities decreased by approximately \$30,500. This was primarily due to a combination decrease in sewer and water expense of approximately \$8,900 and \$33,800, respectively.

Taxes and insurance increased by approximately \$7,000. Overall insurance increased by approximately \$10,600 which was offset by the decrease in taxes of approximately \$3,600.

Maintenance materials increased by approximately \$97,000.

**CITY OF OTHELLO HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**ECONOMIC OUTLOOK**

The Othello Housing Authority is located within an economically stable, rural community and has year-round waiting lists with very low vacancy rates for all current projects except Lugar Seguro. Lugar Seguro is a seasonal farm worker project with daily or weekly leases. There continues to be a steady, high demand for seasonal farmworker housing in our agricultural area. In the year 2022, approximately 150 farmworkers were not housed due to being no availability at Lugar Seguro.

The Othello Housing Authority continues to balance the challenges of an aging housing inventory, increased operating costs, and limited resources to increase our income by being mindful of the ever-changing local needs and conditions. Our diversified portfolio allows us to meet our mission of providing safe, decent, and affordable housing.

Othello continues to be in need of apartment rentals and farmworker housing as mentioned in the Othello Housing Action Plan.

***Contact Information:***

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Othello, WA 99344  
509-488-3527  
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**CITY OF OTHELLO HOUSING AUTHORITY  
STATEMENT OF NET POSITION  
JUNE 30, 2023**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**CURRENT ASSETS**

Cash and Cash Equivalents, Unrestricted	\$ 2,268,749
Cash, Restricted - Tenant Deposits	117,865
Cash, Restricted	835,913
Accounts Receivable:	
Tenants, Less Allowance for Doubtful Accounts of \$6	6,272
Other	10,330
Prepaid Expenses	975
Inventories	16,794
Total Current Assets	<u>3,256,898</u>

**NONCURRENT ASSETS**

Capital Assets not being Depreciated:	
Land	1,305,522
Construction in Progress	15,868
Capital Assets being Depreciated:	
Structures and Equipment, Net	<u>10,840,136</u>
Total Noncurrent Assets	<u>12,161,526</u>

**OTHER NONCURRENT ASSETS**

Net Pension Asset	<u>172,829</u>
Total Noncurrent Assets	<u>12,334,355</u>

**TOTAL ASSETS**

\$ 15,591,253

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows Related to Pensions	\$ 220,651
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**CITY OF OTHELLO HOUSING AUTHORITY  
STATEMENT OF NET POSITION (CONTINUED)  
JUNE 30, 2023**

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts Payable - Trade	\$ 48,678
Unearned Revenue	47,393
Accrued Interest	6,817
Accrued Compensated Absences, Current	44,040
Tenant Security Deposits	117,865
Current Maturities of Long-Term Debt	169,426
Total Current Liabilities	<u>434,219</u>

**NONCURRENT LIABILITIES**

Long-Term Debt, Net of Current Maturities	10,971,644
Accrued Compensated Absences	14,680
Net Pension Liability	<u>99,764</u>

Total Noncurrent Liabilities	<u>11,086,088</u>
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**TOTAL LIABILITIES**

\$ 11,520,307

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows Related to Pensions	<u><u>\$ 188,356</u></u>
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**NET POSITION**

Net Investment in Capital Assets	\$ 1,020,459
Restricted	835,913
Unrestricted	<u>2,246,869</u>

**TOTAL NET POSITION**

\$ 4,103,241

**CITY OF OTHELLO HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2023**

**OPERATING REVENUES**

Rental Revenue	\$ 1,761,124
Revenue, Tenant Other	50,853
Other Government Grants	354,431
HUD PHA Grants	370,424
Interest Subsidy, USDA	49,575
Fraud Recovery	670
Other	2,930
Total Operating Revenues	<u>2,590,007</u>

**OPERATING EXPENSES**

Wages:	
Maintenance	324,558
Administrative	312,881
Compensated Absences	72,288
Depreciation	608,634
Sewer	199,980
Water	105,542
Maintenance Materials	234,582
Garbage	100,643
Insurance:	
Property Insurance	61,918
Workmen's Compensation	21,823
Liability Insurance	6,033
Administrative Costs	79,426
Electricity	80,323
Payment in Lieu of Taxes	32,687
Maintenance Contracts	25,291
Office	29,751
Bad Debt, Tenant Rent	6,622
Auditing Fees	27,634
Legal	535
Other Utility Expense	7,789
Travel	8,306
Gas	4,882
Security	5,074
Advertising	96
Employee Benefits	80,098
Other Operating Expenses	13,537
Total Operating Expenses	<u>2,450,933</u>

<b>OPERATING INCOME</b>	<b>139,074</b>
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**CITY OF OTHELLO HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)**  
**YEAR ENDED JUNE 30, 2023**

**NONOPERATING REVENUES (EXPENSES)**

Interest Income	\$ 20,187
Loss on Disposal of Capital Assets	(7,419)
Interest Expense	<u>(143,136)</u>
Total Nonoperating Revenues (Expenses)	<u>(130,368)</u>

**INCOME BEFORE CAPITAL CONTRIBUTIONS**

8,706

**CAPITAL CONTRIBUTIONS**

73,130

**CHANGE IN NET POSITION**

81,836

Net Position - Beginning of Year

4,021,405

**NET POSITION - END OF YEAR**

\$ 4,103,241

**CITY OF OTHELLO HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2023**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Rents Received from Tenants	\$ 1,754,567
Cash Received from HUD	370,424
Cash Received from USDA	404,006
Cash Received from Other Operating Revenues	60,861
Cash Paid to and for Employees	(887,663)
Cash Paid to Suppliers	(1,057,658)
Net Cash Provided by Operating Activities	<u>644,537</u>

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES**

Principal Payments on Long-Term Debt	(147,566)
Capital Contributions	73,130
Interest Paid	(144,860)
Additions to Capital Assets	(243,279)
Net Cash Used by Capital and Related Financing Activities	<u>(462,575)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Received	20,187
Net Cash Provided by Investing Activities	<u>20,187</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

202,149

Cash and Cash Equivalents - Beginning of Year

3,020,378

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 3,222,527

**CASH AND CASH EQUIVALENTS, UNRESTRICTED**

\$ 2,268,749

**CASH, RESTRICTED, TENANT DEPOSITS**

117,865

**CASH, RESTRICTED, CURRENT**

835,913

Total

\$ 3,222,527

**CITY OF OTHELLO HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**RECONCILIATION OF INCOME FROM OPERATIONS TO NET**

**CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 139,074
Adjustments to Reconcile Operating Loss to	
Net Cash Provided by Operating Activities	
Depreciation and Amortization	608,634
(Increase) Decrease in Assets and Deferred Outflows of Resources:	
Accounts Receivable	1,764
Prepaid Expenses	6,081
Inventories	(3,347)
Net Pension Asset	319,175
Deferred Outflows Related to Pensions	(121,855)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:	
Accounts Payable	(10,828)
Accrued Liabilities	(1,662)
Unearned Revenue	(6,081)
Compensated Absences	(3,288)
Net Pension Liability	52,856
Deferred Inflows Related to Pensions	(335,986)
Total Adjustments	<u>505,463</u>
Net Cash Provided by Operating Activities	<u><u>\$ 644,537</u></u>

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Reporting Entity**

The City of Othello Housing Authority (the Authority) was created pursuant to the authority of the Constitution and statutes of the state of Washington, including particularly, RCW Chapter 35.82, and was organized on April 11, 1966, and, since the date of its organization, has continued to exist without interruption in the performance of its public corporate purposes. The Authority owns and/or manages a variety of low-income housing developments to provide and promote safe and sanitary housing on a subsidized basis for low-income persons residing in Othello, Washington. The Authority is governed by an independent board of directors appointed by the City of Othello and has no component units.

**Use of Estimates**

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

**Basis of Accounting**

The accounting records are maintained in accordance with Financial and Accounting Handbooks (RHA 7510.1 and 7420.6) prescribed by the Department of Housing and Urban Development (HUD), applicable rules prescribed by the Department of Agriculture, Farmers Home Administration (USDA-RD), and by the Washington State Auditor under the authority of Chapter 43.09 RCW.

In 1999, HUD mandated that all housing authorities perform financial reporting in accordance with accounting principles generally accepted in the United States of America.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus and basis of accounting. The transactions of the Authority are accounted for on the economic resources measurement focus and full accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operations are included on the statement of net position and revenue is recognized when earned, if measurable, and expenses are recognized when incurred, if measurable, and reported on the statement of revenues, expenditures and changes in fund net position.

**Budgeting**

The Authority follows the guidelines set forth in the *Low Rent Housing Financial Management Handbook* (RHA 7475.1) issued by HUD.

**Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

It is the Authority's policy to invest all temporary cash surpluses. At June 30, 2023, the Authority was holding \$500,464 in short-term residual investments of surplus cash.

**Restricted Cash**

Restricted cash is comprised of security deposits, replacement reserves, and operating reserves.

**Temporary Investments**

The Authority considers all investments purchased with an original maturity of greater than three months to be temporary investments. As of June 30, 2023, the Authority did not have any temporary investments.

**Receivables**

Tenant accounts receivable consist of amounts owed for rent and miscellaneous other charges as noted on the rental register. Receivables are carried at original amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. In the opinion of management, an allowance of \$6 was necessary at June 30, 2023. Management regularly evaluates the customer balances to determine collectability. A receivable is considered to be past due when payment is extended beyond the stated agreement. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources (Continued)**

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or net realizable value. Maintenance supplies and office supplies are generally used within a relatively short period of time and are, therefore, expensed when purchased. An excess maintenance material inventory is maintained and updated annually on a consumption method.

Capital Assets and Depreciation

See Note 3.

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time. A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

Accounts Payable

Accounts payable to contractors and contract retentions consist of amounts owing on Capital Fund and development projects.

Tenant security deposits are offset by the security deposit fund.

Other accounts payable consist of accrued short-term monthly payables.

Unearned Revenue

Consists of amounts received from tenants and others, which are properly recognized in future periods. At times, the Authority contracts with farm labor employers to reserve beds at Lugar Seguro during peak times. These contracts require prepayments up to a year in advance. If the employer does not use the beds, the payments are nonrefundable unless the Authority is able to lease the units to someone else. Unearned revenue of \$21,945 (related to these contracts) at June 30, 2023, will be earned by November 15, 2023. The remaining amount in unearned revenue will be earned when consumed by tenants.



**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources (Continued)**

Accrued Compensated Absences

The Authority records all accumulated unpaid employee leave benefits such as unused vacation. Vacation pay, which may be accumulated up to 40 days for nonexempt and 30 days for exempt employees, is payable upon resignation, retirement, or death. Sick leave may accumulate up to 180 days and may be cashed out at 25% of the accumulated accrual upon resignation, retirement, or death. Vacation accrues at various rates based on length of employment. Sick pay accrues at one day per month of employment for full-time employees. In addition, employees are allowed two personal days annually, which are not allowed to accumulate, nor be cashed out. Regular part-time employees accrue compensated absences on a pro rata basis.

Other Accrued Liabilities

These accounts consist of accrued employee withholding and employee benefits.

Long-Term Debt

According to Public Housing Authority (PHA) Circular #00-08 published by HUD and issued June 14, 2000, permanent notes have been reclassified as capital contributions. The Authority does not continue to make entries to record interest or annual contribution payments for this reclassified debt. See Note 6 for more information on long-term debt.

Restricted Net Position

Includes HUD security deposit funds, tenant deposits, and required replacement reserves.

**Net Position**

Net position is displayed in three components as follows:

Net Investment in Capital Assets – This component of net position consists of all capital assets, net of accumulated depreciation, and capital-related deferred outflows of resources reduced by the balances of any capital-related borrowings and deferred inflows of resources.

Restricted Net Position – This component of net position consists of restricted assets when constraints are placed on the asset by creditors, grantors, contributors, laws, regulations, etc. reduced by related liabilities and deferred inflows of resources.

Unrestricted Net Position – This component of net position consists of resources that do not meet the definition of net investment capital assets or restricted net position.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Operating Revenue and Expenses**

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

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

**Donations and Nonexchange Transactions**

Donations and nonexchange transactions are recorded as capital contribution revenue based on the standards established by GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

**Pensions**

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

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

**NOTE 2 DEPOSITS AND INVESTMENTS**

**Deposits**

Cash on hand as of June 30, 2023, was \$2,901. The carrying amount of the Authority's deposits, including certificates of deposit, was \$3,222,527 and the bank balances was \$3,244,099.

**CITY OF OTHELLO HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Deposits (Continued)**

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Authority would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The District deposits and certificates of deposit are covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

**Investments**

As required by state law, all investments of the Authority's funds are obligations of the U.S. government, deposits with Washington state banks and savings and loan institutions, or Washington State Local Government Investment Pool (LGIP).

As of June 30, 2023, the Authority had the following investments, which are measured at amortized cost:

Washington State Local Government Investment Pool (LGIP)	\$ 500,464
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**Investments in Local Government Investment Pool (LGIP)**

The City of Othello Housing Authority is a participant in the LGIP was authorized by chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by the GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

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

**CITY OF OTHELLO HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 3 CAPITAL ASSETS AND DEPRECIATION**

Land, structures, and equipment consist of the following at June 30, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Structures and Improvements	\$ 22,304,853	\$ 73,503	\$ (10,240)	\$ 22,368,116
Equipment	1,126,370	153,906	(23,591)	1,256,685
Total Capital Assets Being Depreciated	23,431,223	227,409	(33,831)	23,624,801
Less: Accumulated Depreciation	(12,202,446)	(608,634)	26,414	(12,784,666)
Total Capital Assets Being Depreciated, Net	11,228,777	(381,225)	(7,417)	10,840,135
Capital Assets Not Being Depreciated:				
Land	1,305,522	-	-	1,305,522
Construction in Progress	-	15,869	-	15,869
Total Capital Assets Not Being Depreciated	1,305,522	15,869	-	1,321,391
Total Capital Assets, Net	\$ 12,534,299	\$ (365,356)	\$ (7,417)	\$ 12,161,526

**General Policies**

Assets with costs in excess of \$300, plus appliances, including capital leases and major repairs that increase useful lives, are capitalized and depreciated. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. Assets retired, replaced, or otherwise disposed of are eliminated from the asset accounts and the related amounts of accumulated depreciation are eliminated from the accumulated depreciation accounts.

The Authority has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the Authority has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets in the accompanying financial statements.

**Depreciable Capital Assets**

Capital assets of the Authority are capitalized and depreciated using the straight-line method over the useful life of the asset as follows:

Equipment	5 to 10 Years
Improvements	25 Years
Structures	10 to 40 Years

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 4 PENSION PLANS**

The following table represents the aggregate pension amounts for all plans as of and for the year ended June 30, 2023:

<u>Aggregate Pension Amounts - All Plans</u>	
Net Pension Liabilities	\$ 99,764
Net Pension Assets	172,829
Deferred Outflows of Resources	220,651
Deferred Inflows of Resources	188,356
Pension Expense	(18,198)

Substantially all of the Authority's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit 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 it may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

**Public Employees' Retirement System (PERS)**

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

**CITY OF OTHELLO HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 4 PENSION PLANS (CONTINUED)**

**PERS Plan 1**

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 PERS Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

Actual Contribution Rate:	July 2022 - August 2022	
	Employer	Employee
PERS Plan 1	10.07 %	6.00 %
Administrative Fee	0.18	-
Total	10.25 %	6.00 %

Actual Contribution Rate:	September 2022 - June 2023	
	Employer	Employee
PERS Plan 1	10.21 %	6.00 %
Administrative Fee	0.18	-
Total	10.39 %	6.00 %

The Authority's actual contribution to the plan was \$25,364 for the year ended June 30, 2023.

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 4 PENSION PLANS (CONTINUED)**

**PERS Plan 2/3**

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 5 years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65.

PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3% for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

Other PERS Plan 2/3 benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing 5 years of eligible service.

Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after 5 years of service if 12 months of that service are earned after age 44.

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 6 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.

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 4 PENSION PLANS (CONTINUED)**

**PERS Plan 2/3 (Continued)**

Contributions

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.

Contributions (Continued)

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

Actual Contribution Rate:	July 2022 - August 2022	
	Employer	Employee
PERS Plan 2/3	6.36 %	6.36 %
PERS Plan 1 UAAL	3.71	-
Administrative Fee	0.18	-
Employee PERS Plan 3	-	Varies
Total	<u>10.25 %</u>	<u>6.36 %</u>

Actual Contribution Rate:	September 2022 - June 2023	
	Employer	Employee
PERS Plan 2/3	6.36 %	6.36 %
PERS Plan 1 UAAL	3.85	-
Administrative Fee	0.18	-
Employee PERS Plan 3	-	Varies
Total	<u>10.39 %</u>	<u>6.36 %</u>

The Authority's actual contribution to the plan was \$42,248 for the year ended June 30, 2023.

**Actuarial Assumptions**

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



**CITY OF OTHELLO HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 4 PENSION PLANS (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, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

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

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

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**Discount Rate**

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

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 7.00% was used to determine the total liability.

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 4 PENSION PLANS (CONTINUED)**

**Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.00% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

**Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the table below. The inflation component used to create the table is 2.20% and represents WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20.00 %	1.50 %
Tangible Assets	7.00	4.70
Real Estate	18.00	5.40
Global Equity	32.00	5.90
Private Equity	23.00	8.90
Total	100.00 %	

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

The table below presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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 (6.00%) or 1 percentage point higher (8.00%) than the current rate.

Pension Trust	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
PERS 1	\$ 133,283	\$ 99,764	\$ 70,509
PERS 2/3	203,529	(172,829)	(482,031)

**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.

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 4 PENSION PLANS (CONTINUED)**

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

At June 30, 2023, the Authority reported a total pension liability of \$99,764 and a total pension asset of \$172,829 for its proportionate share of the net pension liabilities(assets) as follows:

<u>Pension Trust</u>	<u>Liability (Asset)</u>
PERS 1	\$ 99,764
PERS 2/3	(172,829)
Total	<u>\$ (73,065)</u>

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

<u>Pension Trust</u>	<u>Proportionate Share June 30, 2021</u>	<u>Proportionate Share June 30, 2022</u>	<u>Change in Proportion</u>
PERS 1	0.003841 %	0.003583 %	(0.000258)%
PERS 2/3	0.004939 %	0.004660 %	(0.000279)%

Employer contribution transmittals received and processed by 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 DRS in the Schedules of Employer and Nonemployer Allocations.

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

**Pension Expense**

For the year ended June 30, 2023, the Authority recognized pension expense as follows:

<u>Pension Trust</u>	<u>Pension Expense (Benefit)</u>
PERS 1	\$ 38,687
PERS 2/3	(56,886)
Total	<u>\$ (18,199)</u>

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 4 PENSION PLANS (CONTINUED)**

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

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

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources			Deferred Inflows of Resources		
	PERS 1	PERS 2/3	Total	PERS 1	PERS 2/3	Total
Differences Between Expected and Actual Experience	\$ -	\$ 42,823	\$ 42,823	\$ -	\$ (3,912)	\$ (3,912)
Changes of Assumptions	-	96,328	96,328	-	(25,222)	(25,222)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-	-	(16,534)	(127,774)	(144,308)
Changes in Proportion and Differences Between Housing Authority Contributions and Proportionate Share of Contributions	-	13,888	13,888	-	(14,914)	(14,914)
Housing Authority Contributions Subsequent to the Measurement Date	25,364	42,248	67,612	-	-	-
Total	<u>\$ 25,364</u>	<u>\$ 195,287</u>	<u>\$ 220,651</u>	<u>\$ (16,534)</u>	<u>\$ (171,822)</u>	<u>\$ (188,356)</u>

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date (\$25,364 for PERS 1 and \$42,248 for PERS 2/3) will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	PERS 1	PERS 2/3	Total
2024	\$ (6,997)	\$ (38,588)	\$ (45,585)
2025	(6,355)	(37,382)	(43,737)
2026	(7,972)	(43,572)	(51,544)
2027	4,790	58,453	63,243
2028	-	21,559	21,559
Thereafter	-	20,747	20,747
Total	<u>\$ (16,534)</u>	<u>\$ (18,783)</u>	<u>\$ (35,317)</u>

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 5 PARTICIPATION IN HOUSING AUTHORITY RISK RETENTION POOL**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

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

General and Automobile Liability coverages are written on an occurrence basis, without member deductibles. Errors & Omissions coverage (which includes Employment Practices Liability) is written on a claims made basis, and the members are responsible for 10% of the incurred costs of the claims. (Due to special underwriting circumstances, some members may be subject to a greater E&O co-payment.) The Property coverage offered by HARRP is on a replacement cost basis with deductibles ranging from \$1,000 to \$25,000. Fidelity coverage, with limits of \$100,000 (with options up to \$500,000) for employee dishonesty and forgery or alteration and \$10,000 for theft are also provided with deductibles the same as Property. HARRP purchases an additional \$45M of property reinsurance, bringing the total coverage limits to \$47M.

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

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

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 5 PARTICIPATION IN HOUSING AUTHORITY RISK RETENTION POOL (CONTINUED)**

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

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

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

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

**NOTE 6 LONG-TERM DEBT**

Long-term debt as of June 30, 2023, consisted of the following:

**Note Payable to the Department of Commerce**

This note is secured by a mortgage on the land and building located at 1150 S. Sylvan and 830 E. Ash. The mortgage was originally issued in the amount of \$192,396 on December 31, 1999. Principal and interest payments are due in annual installments, including interest at 1%. Payments are deferred until 2024, and the final payment is due December 2049.

**Note Payable to the Department of Commerce**

This note is secured by a first mortgage on the land and building located at 730 E. Ash. The mortgage was originally issued in the amount of \$777,800 on June 1, 2004. This mortgage has a 0% interest rate. Principal is due in a single balloon payment in November 2044.

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

**Note Payable to the Department of Commerce**

This note is secured by a mortgage on the land and building located at 525 Cedar Blvd. The mortgage was originally issued for \$560,155. This mortgage has a 0% interest rate. Principal is due in a single balloon payment in October 2048.

**Note Payable to the Department of Commerce**

This note is secured by a first mortgage on the land and building located at 2214 West Sielaff. The mortgage was originally issued in the amount of \$3,531,400 on January 24, 2011. This mortgage has a 0% interest rate. Principal payments are due in quarterly installments of \$3,406. There is a final balloon payment of \$3,003,406 due October 31, 2049.

**Note Payable to the Washington Community Reinvestment Association (WCRA)**

This note is secured by a first mortgage on the land and building located at 125 N. 10th. The mortgage was originally issued in the amount of \$673,100 on December 1, 2003. Principal and interest payments are due in monthly installments of \$4,535, including interest at 7.125%, final payment due January 2034.

**Note Payable to the United States Department of Agriculture (USDA)**

This note is secured by a mortgage on the land and building located at 125 N. 10th. The mortgage was originally issued in the amount of \$982,652 on December 1, 2003. Principal and interest payments are due in monthly installments of \$5,544, including interest at 5.75%, with a balloon payment of approximately \$183,000 due December 2033.

**Note Payable to the United States Department of Agriculture (USDA)**

This note is secured by a mortgage on the land and building located at 125 N. 10th. The mortgage was originally issued in the amount of \$383,923 on December 1, 2003. Principal and interest payments are due in monthly installments of \$2,166, including interest at 5.75%, with a balloon payment of approximately \$71,000 due December 2033.

**Note Payable to the United States Department of Agriculture (USDA)**

This note is secured by a mortgage on the land and building located at 525 Cedar Blvd. The mortgage was originally issued in the amount of \$176,643 on July 31, 2008. Principal and interest payments are due in monthly installments of \$850, including interest at 5.375%, with a balloon payment of approximately \$125,000 due July 2039.

**Note Payable to the Housing Assistance Council (HAC)**

This note is secured by a first mortgage on the land and building located at 525 Cedar Blvd. The mortgage was originally issued in the amount of \$520,000 on July 31, 2008. Principal and interest payments are due in quarterly installments of \$7,855, including interest at 4%, final payment due September 2035.

**CITY OF OTHELLO HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

**Note Payable to the Department of Commerce**

This note is secured by a first mortgage on the land and building located in Othello, WA. The mortgage was originally issued in the amount of \$898,000 on November 1, 2002. Principal and interest payments are due in quarterly payments of \$8,257, including interest at 1.5%, with a balloon payment of approximately \$31,000 due October 2038.

**Note Payable to the Department of Commerce**

This note is secured by a first mortgage on the land and building located at 1150 Sylvan Dr. The mortgage was originally issued in the amount of \$650,000 on April 22, 1998. Principal and interest payments are due in annual payments of \$16,583, including interest at 1%, final payment due December 2050.

**Note Payable to Columbia Bank**

This note is secured by a mortgage on the land and building located at 730 E. Ash. The mortgage was originally issued in the amount of \$354,600 on June 18, 2004. Principal and interest payments are due in monthly installments of \$2,391, including interest at 7%, final payment due July 2034.

**Note Payable to the Department of Commerce**

This note is secured by a first mortgage on the land and building located at 613 Seguro Lane and 615 Seguro Lane. The mortgage was originally issued in the amount of \$1,212,929 on April 28, 2015. Additional proceeds were received in the amount of \$1,525,014 on April 10, 2017, and \$252,057 on July 7, 2017, for a total of \$3,000,000. This mortgage has a 0% interest rate. Principal is due in a single balloon payment in April 2055.

**Note Payable to Umpqua Bank**

This note is secured by a first mortgage on the land and building located at 919, 929, 939, and 949 E. Main Street. The mortgage was originally approved for \$256,000 on March 14, 2013. Principal and interest payments are due in monthly installments of \$1,569 until December 15, 2023, with a final balloon payment due January 15, 2024. The variable interest rate is the Weekly Average Rate for five-year fixed rate swaps per Federal Reserve Statistical Release H.15 plus 4.44%, currently 6.22%. The variable interest rates for the loan shall not fall below 4.75%.



**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

**Note Payable to Washington State Housing Finance Commission**

This note is secured by a mortgage on the land and building located at 632 S Taylor Rd (FU 7 BLK 49). The mortgage was originally issued in the amount of \$235,500 on October 25, 2021. This mortgage has a 1% interest rate per annum. Principal and interest are due in a single balloon payment in October 2030.

The following is a summary of the long-term debt transactions for the year ended June 30, 2023:

Direct Borrowings and Direct Placements	Balances June 30, 2022	Additions	Reductions	Balances June 30, 2023	Due Within One Year
Notes Payable:					
Department of Commerce	\$ 192,396	\$ -	\$ -	\$ 192,396	\$ 6,291
Department of Commerce	777,800	-	-	777,800	-
Department of Commerce	560,155	-	-	560,155	-
Department of Commerce	3,371,299	-	10,219	3,361,080	13,626
WCRA	428,338	-	24,695	403,643	26,513
USDA	653,327	-	29,732	623,595	31,487
USDA	255,256	-	11,616	243,640	12,302
USDA	162,296	-	1,509	160,787	1,592
HAC	321,952	-	18,824	303,128	19,588
Department of Commerce	475,477	-	19,493	455,984	26,262
Department of Commerce	403,253	-	12,550	390,703	12,803
Columbia Bank	225,593	-	16,256	209,337	13,923
Department of Commerce	3,000,000	-	-	3,000,000	-
Umpqua Bank	225,994	-	2,672	223,322	5,039
WSHFC LAP Loan	235,500	-	-	235,500	-
Total Long-Term Debt	11,288,636	-	147,566	11,141,070	169,426
Compensated Absences	62,008	72,288	75,576	58,720	44,040
Net Pension Liability	46,908	52,856	-	99,764	-
Total Long-Term Liabilities	<u>\$ 11,397,552</u>	<u>\$ 125,144</u>	<u>\$ 223,142</u>	<u>\$ 11,299,554</u>	<u>\$ 213,466</u>

**CITY OF OTHELLO HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

Minimum payments due are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 169,426	\$ 138,615
2025	389,757	125,637
2026	178,937	110,281
2027	186,847	102,371
2028	195,200	94,016
2029-2033	1,356,106	325,484
2034-2038	770,686	74,692
2039-2043	306,454	14,466
2044-2048	1,558,601	7,024
2049-2053	3,029,056	110
2054-2058	3,000,000	-
Total	<u>\$ 11,141,070</u>	<u>\$ 992,696</u>

**NOTE 7 CONTINGENCIES**

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

Periodically the Authority receives funding from the state of Washington Department of Commerce that is used to purchase and construct land and buildings. The Department of Commerce maintains the right to be reimbursed for this funding if the Authority is in violation of any terms or conditions of the contracts. At year-end, the Authority's management is not aware of any violations of Department of Commerce requirements. As of June 30, 2023, these amounts total \$8,738,118.

**NOTE 8 RISKS AND UNCERTAINTIES**

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

**CITY OF OTHELLO HOUSING AUTHORITY**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**PERS 1 & PERS 2/3**  
**JUNE 30 (MEASUREMENT DATE)**  
**LAST 10 FISCAL YEARS\***

PERS 1					
Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.003583%	\$ 43,757	\$ 664,276	6.59%	76.56%
2021	0.003841%	46,908	575,455	8.15%	88.74%
2020	0.003488%	123,145	579,211	21.26%	68.64%
2019	0.003870%	148,815	542,626	27.42%	67.12%
2018	0.003918%	174,979	520,647	33.61%	63.22%
2017	0.004379%	207,799	512,613	40.54%	61.24%
2016	0.003789%	203,501	490,132	41.52%	57.03%
2015	0.004586%	239,890	525,833	45.62%	59.10%
2014	0.004820%	242,810	531,800	45.66%	61.19%

**Notes to Schedule:**

1. PERS 1 contributions are from the component of PERS 2 contributions required to address the PERS 1 unfunded actuarially accrued liability (UAAL).  
 \*Until a full 10-year trend is compiled, only information for those years available is presented.

PERS 2/3					
Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.004660%	(172,829)	\$ 664,276	-26.02%	106.73%
2021	0.004939%	(492,004)	575,455	-85.50%	120.29%
2020	0.004565%	58,384	579,211	10.08%	97.22%
2019	0.004993%	48,499	542,626	8.94%	97.77%
2018	0.005054%	86,293	520,647	16.57%	95.77%
2017	0.005633%	195,715	512,613	38.18%	90.97%
2016	0.004862%	244,780	490,132	49.94%	85.82%
2015	0.005928%	211,811	525,833	40.28%	89.20%
2014	0.006205%	125,425	531,800	23.58%	93.29%

**Notes to Schedule:**

- \*Until a full 10-year trend is compiled, only information for those years available is presented

**CITY OF OTHELLO HOUSING AUTHORITY  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
PERS 1 & PERS 2/3  
JUNE 30 (EMPLOYER REPORTING DATE)  
LAST 10 FISCAL YEARS\***

PERS 1					
Year	Contributions in		Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percent of Covered Payroll
	Statutorily Required Contribution	Relation to the Statutorily Required Contribution			
2023	\$ 25,364	\$ (25,364)	-	\$ 664,276	3.82%
2022	21,349	(21,349)	-	575,455	3.71%
2021	28,712	(28,712)	-	591,798	4.85%
2020	27,570	(27,570)	-	579,211	4.76%
2019	27,749	(27,749)	-	542,626	5.11%
2018	26,188	(26,188)	-	520,647	5.03%
2017	24,452	(24,452)	-	512,613	4.77%
2016	23,379	(23,379)	-	490,132	4.77%
2015	21,078	(21,078)	-	525,833	4.01%

**Notes to Schedule:**

1. PERS 1 contributions are from the component of PERS 2 contributions required to address the PERS 1 unfunded actuarially accrued liability (UAAL).

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

PERS 2/3					
Year	Contributions in		Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percent of Covered Payroll
	Statutorily Required Contribution	Relation to the Statutorily Required Contribution			
2023	\$ 42,248	\$ (42,248)	-	\$ 664,276	6.36%
2022	36,599	(36,599)	-	575,455	6.36%
2021	46,871	(46,871)	-	591,798	7.92%
2020	45,874	(45,874)	-	579,211	7.92%
2019	40,779	(40,779)	-	542,626	7.52%
2018	38,996	(38,996)	-	520,647	7.49%
2017	31,936	(31,936)	-	512,613	6.23%
2016	30,535	(30,535)	-	490,132	6.23%
2015	26,404	(26,404)	-	525,833	5.02%

**Notes to Schedule:**

\*Until a full 10-year trend is compiled, only information for those years available is presented

HOUSING AUTHORITY OF THE CITY OF OTHELLO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2023

Schedule 16

1	2	3	4	5				6
Federal Agency Name / Pass Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures				Footnote Reference
				From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients	
Department of Housing and Urban Development Office of Public and Indian Housing	Public and Indian Housing	14.850	WA026-000000122D	\$0.00	\$85,528.00			
	Public and Indian Housing	14.850	WA026-00000116D	\$0.00	\$9.00			
	Public and Indian Housing	14.850	WA026-00000119D	\$0.00	\$25.00			
	Public and Indian Housing	14.850	WA026-00000117D	\$0.00	\$461.00			
	Public and Indian Housing	14.850	WA026-00000118D	\$0.00	\$31.00			
	Public and Indian Housing	14.850	WA026-00000123D	\$0.00	\$99,384.02			
			<b>Total for CFDA 14.850</b>	<b>\$0.00</b>	<b>\$185,438.02</b>	<b>\$185,438.02</b>	<b>\$0.00</b>	Note 1
Department of Housing and Urban Development Office of Public and Indian Housing	Public Housing Capital Fund	14.872	WA01P026501-21	\$0.00	\$64,024.12			
	Public Housing Capital Fund	14.872	WA01P026501-22	\$0.00	\$129,026.37			
				<b>\$0.00</b>	<b>\$193,050.49</b>	<b>\$193,050.49</b>	<b>\$0.00</b>	Note 1
Department of Housing and Urban Development Office of Housing – Federal Housing Commissioner	Section 8 Housing Assistance Payments Program	14.195	WA25L00018	\$0.00	\$16,657.00			
	Section 8 Housing Assistance Payments Program	14.195	WA19M000109	\$0.00	\$48,409.00			
			<b>Total for CFDA 14.195</b>	<b>\$0.00</b>	<b>\$65,066.00</b>	<b>\$65,066.00</b>	<b>\$0.00</b>	Note 1
Department of Agriculture Rural Housing Service	Rural Rental Assitance Payments	10.427	56-01-549626707-015	\$0.00	\$239,594.00			
	Rural Rental Assitance Payments	10.427	56-01-549626707-027	\$0.00	\$115,351.00			
			<b>Total for CFDA 10.427</b>	<b>\$0.00</b>	<b>\$354,945.00</b>	<b>\$354,945.00</b>	<b>\$0.00</b>	Note 1,4
Department of Agriculture Rural Housing Service	Rural Rental Housing Loans	10.415	56001 549626707 01-5 03	\$0.00	\$243,640.37			
	Rural Rental Housing Loans	10.415	56001 549626707 01-5 02	\$0.00	\$623,595.38			
	Rural Rental Housing Loans	10.415	56001 549626707 02-7	\$0.00	\$160,787.33			
			<b>Subtotal for CFDA 10.415</b>	<b>\$0.00</b>	<b>\$1,028,023.08</b>	<b>\$1,028,023.08</b>	<b>\$0.00</b>	Note 1,5
Department of Agriculture Rural Housing Service	Rural Rental Housing Loans – Subsidy Credit	10.415	56001 549626707 01-5 02	\$0.00	\$12,326.52			
	Rural Rental Housing Loans – Subsidy Credit	10.415	56001 549626707 01-5 01	\$0.00	\$31,549.68			
	Rural Rental Housing Loans – Subsidy Credit	10.415	56001 549626707 02-7	\$0.00	\$5,699.16			
			<b>Subtotal for CFDA 10.415</b>	<b>\$0.00</b>	<b>\$49,575.36</b>	<b>\$49,575.36</b>	<b>\$0.00</b>	Note 1,3
			<b>Total for CFDA 10.415</b>	<b>\$0.00</b>	<b>\$1,077,598.44</b>	<b>\$1,077,598.44</b>	<b>\$0.00</b>	
			<b>Total Federal Awards Expended</b>	<b>\$0.00</b>	<b>\$1,876,097.95</b>	<b>\$1,876,097.95</b>	<b>\$0.00</b>	

**Housing Authority of the City of Othello**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**July 1, 2022 through June 30, 2023**

**NOTE 1 – BASIS OF ACCOUNTING**

The Housing Authority prepares the Schedule of Expenditures of Federal Awards on the same basis of accounting as the Housing Authority's financial statements. The Housing Authority uses the accrual basis of accounting for all programs receiving federal financial assistance.

**NOTE 2 – PROGRAM COSTS**

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

**NOTE 3 – RURAL RENTAL HOUSING LOAN SUBSIDY CREDIT**

The Rural Housing Service provides the Rural Rental Housing Loan. Subsidy Credit for Lions Park Apartments and Cedar Park Apartments to reduce the effective interest rate of the loan. The Housing Authority records interest expense separate from the subsidy credit.

**NOTE 4 – RURAL RENTAL ASSISTANCE PAYMENTS**

The rental assistance payments shown represents the total of rental assistance received that is determined by netting the approved basic rent for the shelter and tenant contributions.

**NOTE 5 – UNITED STATE DEPARTMENT OF AGRICULTURE**

The Housing Authority has three USDA Rural Rental Housing Loans outstanding with balances totaling \$1,028,023.08 as of June 30, 2023.

**NOTE 6 - INDIRECT COST RATE**

The Housing Authority of the City of Othello has not elected to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Housing Authority City of Othello (WA026)  
OTHELLO, WA

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2023

	Project Total	1 Business Activities	10.415 Rural Rental Housing Loans	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	10.427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$324,591	\$1,917,409		\$15,573	\$11,176	\$2,268,749		\$2,268,749
112 Cash - Restricted - Modernization and Development								
113 Cash - Other Restricted		\$415,634		\$143,471	\$276,808	\$835,913		\$835,913
114 Cash - Tenant Security Deposits	\$22,599	\$46,409		\$7,732	\$41,125	\$117,865		\$117,865
115 Cash - Restricted for Payment of Current Liabilities								
100 Total Cash	\$347,190	\$2,379,452	\$0	\$166,776	\$329,109	\$3,222,527	\$0	\$3,222,527
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects								
124 Accounts Receivable - Other Government								
125 Accounts Receivable - Miscellaneous	\$324	\$10,006				\$10,330		\$10,330
126 Accounts Receivable - Tenants	\$3,428	\$1,937		\$170	\$745	\$6,278		\$6,278
126.1 Allowance for Doubtful Accounts - Tenants	-\$1	-\$2		-\$1	-\$2	-\$6		-\$6
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0			\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current								
128 Fraud Recovery								
128.1 Allowance for Doubtful Accounts - Fraud								
129 Accrued Interest Receivable								
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$3,749	\$11,941	\$0	\$169	\$743	\$16,602	\$0	\$16,602
131 Investments - Unrestricted								
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets		\$975				\$975		\$975
143 Inventories	\$4,734	\$12,060				\$16,794		\$16,794
143.1 Allowance for Obsolete Inventories	\$0	\$0				\$0		\$0
144 Inter Program Due From		\$160,721				\$160,721	-\$160,721	\$0
145 Assets Held for Sale								
150 Total Current Assets	\$355,673	\$2,565,149	\$0	\$166,945	\$329,852	\$3,417,619	-\$160,721	\$3,256,898
161 Land	\$816,907	\$88,204		\$102,970	\$297,441	\$1,305,522		\$1,305,522
162 Buildings	\$3,721,416	\$14,436,153		\$1,125,907	\$2,991,174	\$22,274,650		\$22,274,650
163 Furniture, Equipment & Machinery - Dwellings	\$189,942	\$557,886		\$26,475	\$110,946	\$885,249		\$885,249
164 Furniture, Equipment & Machinery - Administration	\$151,995	\$211,930		\$6,262	\$18,410	\$388,597		\$388,597
165 Leasehold Improvements		\$76,309				\$76,309		\$76,309
166 Accumulated Depreciation	-\$3,646,694	-\$6,901,864		-\$556,132	-\$1,680,176	-\$12,784,666		-\$12,784,666
167 Construction in Progress		\$15,865				\$15,865		\$15,865
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,233,566	\$8,484,683	\$0	\$705,482	\$1,737,795	\$12,161,526	\$0	\$12,161,526
171 Notes, Loans and Mortgages Receivable - Non-Current								
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due								
173 Grants Receivable - Non-Current								
174 Other Assets		\$172,829				\$172,829		\$172,829
176 Investments in Joint Ventures								
180 Total Non-Current Assets	\$1,233,566	\$8,657,512	\$0	\$705,482	\$1,737,795	\$12,334,355	\$0	\$12,334,355
200 Deferred Outflow of Resources		\$220,651				\$220,651		\$220,651
290 Total Assets and Deferred Outflow of Resources	\$1,589,239	\$11,443,312	\$0	\$872,427	\$2,067,647	\$15,972,625	-\$160,721	\$15,811,904
311 Bank Overdraft								
312 Accounts Payable <= 90 Days	\$13,613	\$21,103		\$4,376	\$9,586	\$48,678		\$48,678
313 Accounts Payable >90 Days Past Due								
321 Accrued Wage/Payroll Taxes Payable								
322 Accrued Compensated Absences - Current Portion	\$9,248	\$18,936		\$3,524	\$12,332	\$44,040		\$44,040
324 Accrued Contingency Liability								
325 Accrued Interest Payable		\$3,710		\$120	\$2,987	\$6,817		\$6,817
331 Accounts Payable - HUD PHA Programs								
332 Account Payable - PHA Projects								
333 Accounts Payable - Other Government								
341 Tenant Security Deposits	\$22,599	\$46,409		\$7,732	\$41,125	\$117,865		\$117,865
342 Unearned Revenue	\$10,344	\$32,316		\$1,268	\$3,465	\$47,393		\$47,393
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		\$64,021		\$13,923	\$91,482	\$169,426		\$169,426
344 Current Portion of Long-term Debt - Operating Borrowings								
345 Other Current Liabilities								
346 Accrued Liabilities - Other								
347 Inter Program - Due To	\$2,318	\$13,823		\$293	\$144,287	\$160,721	-\$160,721	\$0
348 Loan Liability - Current								
310 Total Current Liabilities	\$58,122	\$200,318	\$0	\$31,236	\$305,264	\$594,940	-\$160,721	\$434,219
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$7,794,964		\$973,214	\$2,203,466	\$10,971,644		\$10,971,644
352 Long-term Debt, Net of Current - Operating Borrowings								
353 Non-current Liabilities - Other								
354 Accrued Compensated Absences - Non-Current	\$3,083	\$6,313		\$1,174	\$4,110	\$14,680		\$14,680
355 Loan Liability - Non-Current								
356 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities		\$99,764				\$99,764		\$99,764
350 Total Non-Current Liabilities	\$3,083	\$7,901,041	\$0	\$974,388	\$2,207,576	\$11,086,088	\$0	\$11,086,088

300 Total Liabilities	\$61,205	\$8,101,359	\$0	\$1,005,624	\$2,512,840	\$11,681,028	-\$160,721	\$11,520,307
400 Deferred Inflow of Resources		\$188,356				\$188,356		\$188,356
508.4 Net Investment in Capital Assets	\$1,233,566	\$625,701		-\$281,655	-\$557,153	\$1,020,459		\$1,020,459
511.4 Restricted Net Position	\$0	\$415,635	\$0	\$143,471	\$276,807	\$835,913		\$835,913
512.4 Unrestricted Net Position	\$294,468	\$2,112,261	\$0	\$4,987	-\$164,847	\$2,246,869		\$2,246,869
513 Total Equity - Net Assets / Position	\$1,528,034	\$3,153,597	\$0	-\$133,197	-\$445,193	\$4,103,241	\$0	\$4,103,241
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,589,239	\$11,443,312	\$0	\$872,427	\$2,067,647	\$15,972,625	-\$160,721	\$15,811,904
70300 Net Tenant Rental Revenue	\$301,331	\$1,160,941		\$108,957	\$189,895	\$1,761,124		\$1,761,124
70400 Tenant Revenue - Other	\$3,887	\$23,505		\$6,251	\$17,210	\$50,853		\$50,853
70500 Total Tenant Revenue	\$305,218	\$1,184,446	\$0	\$115,208	\$207,105	\$1,811,977	\$0	\$1,811,977
70600 HUD PHA Operating Grants	\$305,358			\$65,066		\$370,424		\$370,424
70610 Capital Grants	\$73,130					\$73,130		\$73,130
70710 Management Fee								
70720 Asset Management Fee								
70730 Book Keeping Fee								
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue						\$0	\$0	\$0
70800 Other Government Grants					\$354,431	\$354,431		\$354,431
71100 Investment Income - Unrestricted	\$56	\$19,226		\$2	\$3	\$19,287		\$19,287
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery				\$670		\$670		\$670
71500 Other Revenue	\$10,200	\$79,173	\$49,575	\$428	\$1,425	\$140,801	-\$88,296	\$52,505
71600 Gain or Loss on Sale of Capital Assets	-\$209	-\$1,853		-\$1,728	-\$3,629	-\$7,419		-\$7,419
72000 Investment Income - Restricted	\$2	\$82		\$16	\$800	\$900		\$900
70000 Total Revenue	\$693,755	\$1,281,074	\$49,575	\$179,662	\$560,135	\$2,764,201	-\$88,296	\$2,675,905
91100 Administrative Salaries	\$148,178	\$76,667		\$27,327	\$60,709	\$312,881		\$312,881
91200 Auditing Fees	\$13,225	\$11,388		\$627	\$2,394	\$27,634		\$27,634
91300 Management Fee								
91310 Book-keeping Fee								
91400 Advertising and Marketing	\$96					\$96		\$96
91500 Employee Benefit contributions - Administrative	\$31,423	\$8,127		\$4,891	\$10,760	\$55,201		\$55,201
91600 Office Expenses	\$9,985	\$10,571		\$1,544	\$7,651	\$29,751		\$29,751
91700 Legal Expense					\$535	\$535		\$535
91800 Travel	\$5,064	\$1,977		\$271	\$994	\$8,306		\$8,306
91810 Allocated Overhead								
91900 Other	\$24,342	\$51,039		\$13,791	\$70,630	\$159,802	-\$80,376	\$79,426
91000 Total Operating - Administrative	\$232,313	\$159,769	\$0	\$48,451	\$153,673	\$594,206	-\$80,376	\$513,830
92000 Asset Management Fee								
92100 Tenant Services - Salaries								
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services								
92400 Tenant Services - Other								
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
93100 Water	\$36,890	\$45,694		\$7,060	\$15,898	\$105,542		\$105,542
93200 Electricity	\$9,879	\$52,546		\$4,779	\$13,119	\$80,323		\$80,323
93300 Gas	\$667	\$4,215				\$4,882		\$4,882
93400 Fuel								
93500 Labor								
93600 Sewer	\$41,795	\$84,061		\$16,142	\$57,982	\$199,980		\$199,980
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense	\$24,024	\$46,423		\$11,837	\$26,148	\$108,432		\$108,432
93000 Total Utilities	\$113,255	\$232,939	\$0	\$39,818	\$113,147	\$499,159	\$0	\$499,159
94100 Ordinary Maintenance and Operations - Labor	\$72,379	\$199,161		\$16,475	\$36,543	\$324,558		\$324,558
94200 Ordinary Maintenance and Operations - Materials and Other	\$64,031	\$122,609		\$13,615	\$34,327	\$234,582		\$234,582
94300 Ordinary Maintenance and Operations Contracts	\$8,486	\$13,856		\$1,569	\$9,300	\$33,211	-\$7,920	\$25,291
94500 Employee Benefit Contributions - Ordinary Maintenance	\$15,442			\$2,948	\$6,507	\$24,897		\$24,897
94000 Total Maintenance	\$160,338	\$335,626	\$0	\$34,607	\$86,677	\$617,248	-\$7,920	\$609,328
95100 Protective Services - Labor								
95200 Protective Services - Other Contract Costs	\$1,129	\$1,900			\$2,045	\$5,074		\$5,074
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95000 Total Protective Services	\$1,129	\$1,900	\$0	\$0	\$2,045	\$5,074	\$0	\$5,074
96110 Property Insurance	\$12,398	\$27,363		\$4,996	\$17,161	\$61,918		\$61,918
96120 Liability Insurance	\$1,792	\$2,559		\$379	\$1,303	\$6,033		\$6,033
96130 Workmen's Compensation	\$4,583	\$9,384		\$1,746	\$6,110	\$21,823		\$21,823
96140 All Other Insurance								
96100 Total Insurance Premiums	\$18,773	\$39,306	\$0	\$7,121	\$24,574	\$89,774	\$0	\$89,774
96200 Other General Expenses	\$5,120	\$8,327			\$90	\$13,537		\$13,537
96210 Compensated Absences	\$24,636	\$31,869		\$4,590	\$11,193	\$72,288		\$72,288
96300 Payments in Lieu of Taxes	\$16,117	\$12,870		\$1,000	\$2,700	\$32,687		\$32,687



96400 Bad debt - Tenant Rents	\$602	\$613		\$2,158	\$3,249	\$6,622		\$6,622
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96800 Severance Expense								
96000 Total Other General Expenses	\$46,475	\$53,679	\$0	\$7,748	\$17,232	\$125,134	\$0	\$125,134
96710 Interest of Mortgage (or Bonds) Payable		\$9,822		\$15,528	\$101,812	\$127,162		\$127,162
96720 Interest on Notes Payable (Short and Long Term)		\$15,974				\$15,974		\$15,974
96730 Amortization of Bond Issue Costs								
96700 Total Interest Expense and Amortization Cost	\$0	\$25,796	\$0	\$15,528	\$101,812	\$143,136	\$0	\$143,136
96900 Total Operating Expenses	\$572,283	\$849,015	\$0	\$153,273	\$499,160	\$2,073,731	-\$88,296	\$1,985,435
97000 Excess of Operating Revenue over Operating Expenses	\$121,472	\$432,059	\$49,575	\$26,389	\$60,975	\$690,470	\$0	\$690,470
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments								
97350 HAP Portability-In								
97400 Depreciation Expense	\$66,260	\$398,074		\$36,879	\$87,421	\$608,634		\$608,634
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	\$658,543	\$1,247,089	\$0	\$190,152	\$586,581	\$2,682,365	-\$88,296	\$2,594,069
10010 Operating Transfer In	\$119,920					\$119,920	-\$119,920	\$0
10020 Operating transfer Out	-\$119,920					-\$119,920	\$119,920	\$0
10030 Operating Transfers from/to Primary Government								
10040 Operating Transfers from/to Component Unit								
10050 Proceeds from Notes, Loans and Bonds								
10060 Proceeds from Property Sales								
10070 Extraordinary Items, Net Gain/Loss								
10080 Special Items (Net Gain/Loss)								
10091 Inter Project Excess Cash Transfer In								
10092 Inter Project Excess Cash Transfer Out								
10093 Transfers between Program and Project - In					\$49,575	\$49,575	-\$49,575	\$0
10094 Transfers between Project and Program - Out			-\$49,575			-\$49,575	\$49,575	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	-\$49,575	\$0	\$49,575	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$35,212	\$33,985	\$0	-\$10,490	\$23,129	\$81,836	\$0	\$81,836
11020 Required Annual Debt Principal Payments	\$0	\$57,213	\$0	\$13,010	\$86,376	\$156,599		\$156,599
11030 Beginning Equity	\$1,492,822	\$3,119,612	\$0	-\$122,707	-\$468,322	\$4,021,405		\$4,021,405
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors								
11050 Changes in Compensated Absence Balance								
11060 Changes in Contingent Liability Balance								
11070 Changes in Unrecognized Pension Transition Liability								
11080 Changes in Special Term/Severance Benefits Liability								
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents								
11100 Changes in Allowance for Doubtful Accounts - Other								
11170 Administrative Fee Equity								
11180 Housing Assistance Payments Equity								
11190 Unit Months Available	660	1056		252	924	2892		2892
11210 Number of Unit Months Leased	657	1038		248	910	2853		2853
11270 Excess Cash	\$245,127					\$245,127		\$245,127
11610 Land Purchases	\$0					\$0		\$0
11620 Building Purchases	\$7,999					\$7,999		\$7,999
11630 Furniture & Equipment - Dwelling Purchases	\$45,755					\$45,755		\$45,755
11640 Furniture & Equipment - Administrative Purchases	\$19,376					\$19,376		\$19,376
11650 Leasehold Improvements Purchases	\$0					\$0		\$0
11660 Infrastructure Purchases	\$0					\$0		\$0
13510 CFFP Debt Service Payments	\$0					\$0		\$0
13901 Replacement Housing Factor Funds	\$0					\$0		\$0

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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