



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

January 21, 2025

Board of Commissioners  
Housing Authority of Skagit County  
Burlington, Washington

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

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements and compliance with federal grant requirements of the Housing Authority of Skagit County for the fiscal year ended September 30, 2022. The Housing Authority contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements or the Housing Authority of Skagit County's compliance with federal grant agreements and, accordingly, we do not express an opinion on those financial statements or on compliance.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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

**HOUSING AUTHORITY OF SKAGIT COUNTY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2022**



CPAs | CONSULTANTS | WEALTH ADVISORS

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Housing Authority of Skagit County  
Burlington, Washington

### Report on the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of business-type activities and the discretely presented component unit of the Housing Authority of Skagit County (the Authority), as of and for the year ended September 30, 2022 except for the discretely presented component unit for whom the financial statements are for the period of Inception(October 21, 2021) to December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit as of September 30, 2022, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

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

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 9, schedule of the Authority's proportionate share of the net pension liability, schedule of Authority's pension contributions and related notes on pages 39 to 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


### ***Other Information***

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Bellevue, Washington  
July 7, 2023

## **FINANCIAL SECTION**



**HOUSING AUTHORITY OF SKAGIT COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

As management of the Housing Authority of Skagit County (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2022. This discussion and analysis are intended to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial position, and identify issues or concerns. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

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

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$13.0 million.
- The majority (69%) of the Authority's programs are funded by federal grants and subsidies.
- Twenty percent (20%) of the net position is subject to external restrictions on how it may be used. The portions of net position that are federal programs that cannot be used for day-to-day operations are restricted.
- The unrestricted category of net position is \$2,857,270 at September 30, 2022. Unrestricted net position represents the amount the Authority can use to meet the ongoing obligations to citizens and creditors.
- The Authority's total net position increased between September 30, 2021 and September 30, 2022, by 1.2 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

**HOUSING AUTHORITY OF SKAGIT COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

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

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

**FINANCIAL ANALYSIS**

**Condensed Statement of Net Position**

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

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

	<u>2022</u>	<u>2021</u>
Assets and Deferred Outflows of Resources:		
Current and Other Assets	\$ 6,377,577	\$ 5,771,442
Capital Assets	19,763,202	21,233,224
Total Assets	26,140,779	27,004,666
Deferred Outflows of Resources	331,328	95,267
Total Assets and Deferred Outflows of Resources	<u>\$ 26,472,107</u>	<u>\$ 27,099,933</u>
Liabilities and Deferred Inflows of Resources:		
Long-Term Debt Outstanding	\$ 12,238,719	\$ 13,859,520
Other Liabilities	885,344	705,301
Total Liabilities	13,124,063	14,564,821
Deferred Inflows of Resources	383,685	814,169
Total Liabilities and Deferred Inflows of Resources	13,507,748	15,378,990
Net Position:		
Net Investment in Capital Assets	7,524,483	7,373,704
Restricted	2,582,606	2,768,469
Unrestricted	2,857,270	1,578,770
Total Net Position	<u>12,964,359</u>	<u>11,720,943</u>
Total Liabilities and Net Position	<u>\$ 26,472,107</u>	<u>\$ 27,099,933</u>

**HOUSING AUTHORITY OF SKAGIT COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

The Authority's net position is \$13.0 million at September 30, 2022. Of this amount, \$2.6 million, or 20% of total net position, is restricted for legal constraints from debt covenants, net pension assets, enabling legislation and federal grant requirements that limits the Authority's ability to use this component of net position for day-to-day operations. The four major components of restricted net position are debt service reserves, net pension assets, Housing Choice Voucher housing assistance payment (HAP) program reserves and required replacement reserves. Restricted net position decreased by approximately \$.2 million. HAP reserves decreased by \$.1 million, as subsidy received was less than the housing assistance payments made. The Authority increased replacement reserves by \$.2 million.

At September 30, 2022, the unrestricted net position increased to \$2.9 million, or 22% of net position. This represents the amount that may be used to meet the Authority's ongoing obligations. The increase is due to increased tenant rents and other income exceeding operating expenses.

The Authority's investment in capital, less any related debt used to acquire the assets that is still outstanding, reflects its net investment in capital assets (\$7.5 million or 58.0% at 2022). The Authority's capital assets are used to provide housing to citizens. Consequently, these assets are not available for future spending. The net investment in capital assets at fiscal year-end shows a 2% increase.

The current and other asset category increased \$.6 million from FY 2021 to FY 2022, caused by increases of cash and cash equivalents and accounts receivables. As mentioned previously, capital assets increased due to construction in progress on the farmworker housing project.

The Authority's total liabilities decreased 10% between 2021 and 2022 due to principal payments on bonds and mortgages payable. Other liabilities increased by \$.18 million or 26%.

At September 30, 2022, the Authority reports positive balances in all three categories of net position. Overall, the Authority's financial condition has improved.

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

Direct grants and subsidies from HUD, USDA and other grant programs make up 62% of the revenue received, including contributions. The largest program the Authority administers is the Housing Choice Voucher program, commonly known as Section 8. This program also generates the largest single category of expense in the form of housing assistance payments (HAP), which are disbursements to private landlords to assist eligible low-income families with their rent.

A major factor affecting the Statement of Revenues, Expenses and Changes in Net Position is Congress' continued appropriation and support for these programs. In fiscal year 2022, HUD support decreased from the prior year by \$0.31 million; economic factors including rising rents and high occupancy rates in the local rental market resulted in fewer families assisted.

**HOUSING AUTHORITY OF SKAGIT COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

The tenant revenues between fiscal year 2021 and 2022 increased 15%, or \$.3 million. Tenant rents fluctuate based on the tenants' ability to pay. Most of this increase was in the state and local subsidized housing business line. Grants from other government agencies decreased by 21.7% or \$.3 million.

Total operating expense increased by 12.7% or \$.9 million compared to FY 2021 due to a full year of expenses from the absorption of Raspberry Ridge Apartments. The primary cause is an increase in administrative, general and depreciation expense offset by a decrease in Housing Choice Voucher program expenses of \$.3 million.

As of October 21, 2021, the Authority sold the limited partner interest of Mount Vernon which resulted on a gain on the disposal.

Overall, total revenues decreased by 3.4% and total expenses increased by 22.3% between FY2021 and FY2022 for the reasons explained above.

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

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

	<u>2022</u>	<u>2021</u>
Revenues		
Operating Revenue:		
Net Tenant Rental Revenue	\$ 2,485,259	\$ 2,160,377
HUD Operating Grants	4,701,513	5,014,820
Other Government Grants	1,132,951	1,446,582
Other Revenue	97,980	75,633
Total Operating Revenue	<u>8,417,703</u>	<u>8,697,412</u>
Nonoperating Revenues:		
Other Nonoperating Revenue	<u>27,407</u>	<u>48,829</u>
Total Nonoperating Revenue	<u>27,407</u>	<u>48,829</u>
Total Revenue	8,445,110	8,746,241
Expenses		
Operating Expenses	7,999,473	7,097,400
Nonoperating Expenses:		
Gain on Disposal of Capital Assets	(979,030)	-
Transfer of Raspberry Ridge II		(1,386,195)
Interest Expense	181,251	175,241
Total Expenses	<u>7,201,694</u>	<u>5,886,446</u>
Change in Net Position	1,243,416	2,859,795
Net Position - Beginning	<u>11,720,943</u>	<u>8,861,148</u>
Net Position - Ending	<u><u>\$ 12,964,359</u></u>	<u><u>\$ 11,720,943</u></u>

**HOUSING AUTHORITY OF SKAGIT COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Authority's investment in capital assets as of September 30, 2022 amounts to \$19.8 million (net of accumulated depreciation). The changes between 2021 and 2022 represent capital asset additions less depreciation. The decrease in construction in progress represents disposals related to the new Mount Vernon project. This investment in capital assets includes land, buildings and equipment and improvements other than buildings reduced by the related accumulated depreciation.

	2022	2021
Land	\$ 3,094,975	\$ 3,094,975
Construction in Progress	-	817,031
Total Nondepreciable Capital Assets	3,094,975	3,912,006
Buildings	21,912,962	21,912,962
Equipment	1,951,558	1,927,853
Land Improvements	562,043	555,169
Total Depreciable Capital Assets	24,426,563	24,395,984
Accumulated Depreciation	(7,758,336)	(7,074,766)
Total Depreciable Capital Assets, Net	16,668,227	17,321,218
Total Capital Assets, Net	<u>\$ 19,763,202</u>	<u>\$ 21,233,224</u>

**Long-Term Debt**

At September 30, 2022, the Authority had total capital debt outstanding of \$12.2 million compared to \$13.9 million at September 30, 2021. This decrease represents scheduled debt payments of \$1.6 million. The Authority is in good standing with all debt obligations and foresees no imminent difficulties with meeting its scheduled debt obligations.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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

**REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2022**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>Business-Type Activities</b>	<b>Discretely Presented Component Unit</b>
<b>CURRENT ASSETS</b>		
Cash - Unrestricted	\$ 2,790,954	\$ 100
Accounts Receivable (Net)	219,314	-
Prepaid Expenses	136,573	48
Inventory (Net)	7,607	-
Cash - Restricted	2,393,347	-
Tenant Security Deposits	128,500	-
Total Current Assets	<u>5,676,295</u>	<u>148</u>
<b>NONCURRENT ASSETS</b>		
Capital Assets:		
Nondepreciable	3,094,975	2,476,821
Depreciable, Net	16,668,227	-
Total Capital Assets, Net	<u>19,763,202</u>	<u>2,476,821</u>
Pension Asset	341,282	-
Other Assets	360,000	960,000
Total Noncurrent Assets	<u>20,464,484</u>	<u>3,436,821</u>
Total Assets	26,140,779	3,436,969
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Amounts Related to Pension	331,328	-
Total Deferred Outflows of Resources	<u>331,328</u>	<u>-</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Other Accrued Liabilities	341,878	53,190
Interest Payable	11,362	-
Unearned Revenues	56,000	-
Current Portion, Long-Term Debt	346,303	271,036
Other Current Liabilities	4,781	-
Tenant Security Deposits	128,500	-
Total Current Liabilities	<u>888,824</u>	<u>324,226</u>
<b>NONCURRENT LIABILITIES</b>		
Long-Term Debt, Net of Current Portion	11,892,416	1,934,627
Compensated Absences	55,193	-
Net Pension Liability	196,799	-
Other Noncurrent Liabilities	90,831	-
Total Long-Term Liabilities	<u>12,235,239</u>	<u>1,934,627</u>
Total Liabilities	13,124,063	2,258,853
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Amounts Related to Pension	383,685	-
Total Deferred Inflows of Resources	<u>383,685</u>	<u>-</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	7,524,483	271,158
Restricted Net Position	2,582,606	-
Unrestricted Net Position	2,857,270	906,958
Total Net Position	<u>\$ 12,964,359</u>	<u>\$ 1,178,116</u>

See accompanying Notes to Financial Statements.

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED SEPTEMBER 30, 2022**

	Business-Type Activities	Discretely Presented Component Unit
<b>OPERATING REVENUE</b>		
Net Rental Revenue	\$ 2,485,259	\$ -
HUD PHA Operating Grants	4,701,513	-
Other Government Grants	1,132,951	-
Other Income	97,980	-
Total Operating Revenue	<u>8,417,703</u>	<u>-</u>
<b>OPERATING EXPENSES</b>		
Administrative	1,163,233	13,517
Tenant Services	185,182	-
Utilities	444,458	-
Maintenance	710,764	-
Protective Services	5,379	-
Other General Expenses	686,806	176
Housing Assistance Payments	4,120,079	-
Depreciation and Amortization	683,572	-
Total Operating Expenses	<u>7,999,473</u>	<u>13,693</u>
<b>OPERATING INCOME(LOSS)</b>	418,230	(13,693)
<b>NONOPERATING INCOME (EXPENSES)</b>		
Investment Income	27,407	-
Gain on Disposal of Capital Assets	979,030	-
Capital Contributions	-	1,238,355
Interest Expense	(181,251)	(46,546)
Total Nonoperating Revenue	<u>825,186</u>	<u>1,191,809</u>
<b>CHANGE IN NET POSITION</b>	1,243,416	1,178,116
Net Position - Beginning of Year	<u>11,720,943</u>	<u>-</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 12,964,359</u>	<u>\$ 1,178,116</u>

See accompanying Notes to Financial Statements.



**HOUSING AUTHORITY OF SKAGIT COUNTY  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2022**

	Business-Type Activities
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Tenants	\$ 2,667,418
Cash Received from Other Activities	1,134,721
Cash Received from HUD Operating Grants	4,730,791
Cash Paid to Suppliers	(1,152,378)
Cash Paid to Employees	(2,087,136)
Cash Paid to Landlords	(4,120,079)
Net Cash Provided by Operating Activities	<u>1,173,337</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Capital Assets	(30,579)
Principal Paid on Long-Term Debt	(1,020,801)
Gain on Disposal of Capital Assets	817,031
Interest Paid	(181,251)
Net Cash Used by Capital and Related Financing Activities	<u>(415,600)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	27,407
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	785,144
Cash and Cash Equivalents - Beginning of Year	<u>4,527,659</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 5,312,803</u></u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>	
Cash and Cash Equivalents, Unrestricted	\$ 2,790,954
Cash and Cash Equivalents, Restricted - Current	2,393,347
Tenant Security Deposits	128,500
Cash and Cash Equivalents, Total	<u><u>\$ 5,312,801</u></u>

See accompanying Notes to Financial Statements.

**HOUSING AUTHORITY OF SKAGIT COUNTY  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2022**

	<u>Business-Type Activities</u>
<b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Net Income	\$ 418,230
Adjustments to Reconcile Net Income to Net Cash	
Provided by Operating Activities:	
Depreciation and Amortization	683,572
Increase (Decrease) in Cash Due to Changes in Assets and Liabilities:	
Accounts Receivable - Tenants	84,857
Accounts Receivable - Other	29,278
Prepaid Expenses	3,692
Pension Asset	421,180
Accounts Payable and Other Accrued Liabilities	22,090
Tenant Security Deposits	1,092
Compensated Absences	6,810
Other Liabilities	44,933
Pension Liability	124,148
Deferred Outflows	(236,061)
Deferred Inflows	(430,484)
Net Adjustments	<u>755,107</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,173,337</u></u>

See accompanying Notes to Financial Statements.

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Reporting Entity**

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

Discretely Presented Component Unit

Based on the criteria above, the Housing Authority of Skagit County Mount Vernon LLLP (the Company) is presented as a discrete component unit. The Company was organized to develop, construct, own, maintain and operate thereon 51 multi-family residential units for rental to low-income tenants. The Authority is the managing member of the LLLP. The apartment building was substantially completed December 31, 2022. The Company has a December 31 fiscal year-end; therefore, the information shown in the component unit column is for the fiscal year ended December 31, 2021.

**B. Basis of Accounting and Presentation**

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

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

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

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

**B. Basis of Accounting and Presentation (Continued)**

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

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

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

Housing Choice Vouchers Program

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

Weatherization Program

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

Family Housing Program

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

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

**B. Basis of Accounting and Presentation (Continued)**

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

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

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

The Authority owns the Raspberry Ridge apartment complex of 51 units located in Skagit County, Washington. This project will be subject to Washington State Department of Commerce Housing Finance debt service provisions, under negotiations at this time.

The Authority owns the Raspberry Ridge II apartment complex of 30 units located in Skagit County, Washington.

**C. Cash, Cash Equivalents and Investments**

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

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

**D. Capital Assets**

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

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

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

Substantially all property and equipment serve as underlying assets for operating leases.

**E. Restricted Assets**

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

**F. Receivables**

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

The Authority writes off receivables that management has specifically identified as uncollectible. In addition, management estimates an allowance for doubtful receivables using the aging method based on receivables outstanding at year-end. As of September 30, 2022, allowance for uncollectible tenant receivables totaled \$102,873.

The Authority has estimated an uncollectible account allowance for fraud recovery receivable from participants in the Housing Choice Voucher Program and such receivables are shown net of an allowance for uncollectible fraud recovery receivable of \$2,607 at September 30, 2022.

**G. Interfund Account**

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

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

**H. Inventories**

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

**I. Net Pension Liability**

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

**J. Deferred Outflows/Inflows of Resources**

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

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

**K. Operating Revenues and Expenses**

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

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

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

**L. Compensated Absences**

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

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

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

**M. Net Position Classifications**

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

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

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

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

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

**N. Use of Estimates**

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



**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

**O. Leases**

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

**P. New Accounting Pronouncement**

During the year ended June 30, 2022, the Authority adopted Statement No. 87, *Leases*, which was effective for the Authority beginning in fiscal year 2022. This statement requires recognition of certain lease assets and lease liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Authority adopted the requirements of the guidance effective for fiscal year ending June 30, 2022 and has applied the provisions of this standard to the beginning of the period of adoption.

**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash, cash equivalents and investments held by the Authority as of September 30, 2022 were as follows:

Cash	\$ 2,781,629
Washington State Local Government Investment Pool	<u>2,531,172</u>
Total Restricted Assets	<u><u>\$ 5,312,801</u></u>

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

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

**Investments**

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

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

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

As of September 30, 2022, the Authority had \$2,531,172 invested in the Washington State Local Government Investment Pool measured at amortized cost.

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

**Interest Rate Risk**

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

**Credit Risk**

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

**Custodial Credit Risk**

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

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

**Custodial Credit Risk (Continued)**

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

**Concentration of Credit Risk**

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

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

	Fair Value	Less than 1 Year Maturity	Credit Rating
Washington State Local Government Investment Pool	\$ 2,531,172	\$ 2,531,172	n/a

**Fair Value Measurements**

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

**NOTE 3 RESTRICTED ASSETS**

**Restricted Deposits and Reserves**

Total restricted assets are summarized as follows:

	9/30/2022 Authority
Reserve for Replacements	\$ 1,829,156
Debt Service	202,934
Housing Choice Voucher Program	99,648
Emergency Housing Vouchers	163,898
Family Self-Sufficiency Escrow	95,612
Family Self-Sufficiency Escrow Forfeiture	2,099
Tenant Security Deposits	128,500
Total Restricted Assets	<u><u>\$ 2,521,847</u></u>

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 3 RESTRICTED ASSETS (CONTINUED)**

**Restricted Deposits and Reserves (Continued)**

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

	Capital Replacement Account	Debt Service Funds	Grant Restricted	Security Deposits	Total
Burlington Terrace	\$ 1,217,506	\$ 62,450	\$ -	\$ 52,295	\$ 1,332,251
President Apartments	-	140,484	-	24,400	164,884
Mount Baker Meadows	-	-	-	6,300	6,300
La Paloma - USDA	353,674	-	-	7,500	361,174
Farmworker Housing	77,133	-	-	-	77,133
Raspberry Ridge 1	-	-	-	22,623	22,623
Raspberry Ridge 2	180,843	-	-	15,382	196,225
Housing Choice Voucher	-	-	99,648	-	99,648
Emergency Housing Voucher	-	-	163,898	-	163,898
Forfeiture Account	-	-	2,099	-	2,099
Family Self Sufficiency	-	-	95,612	-	95,612
Total by Restriction Type	<u>\$ 1,829,156</u>	<u>\$ 202,934</u>	<u>\$ 361,257</u>	<u>\$ 128,500</u>	<u>\$ 2,521,847</u>

**NOTE 4 ACCOUNTS RECEIVABLE**

Accounts receivable at September 30, 2022 reported on the statement of net position consisted of the following components:

Tenants	\$ 129,235
Fraud Recovery	8,247
HUD	10,142
Other Governments	<u>177,170</u>
Total Accounts Receivable	324,794
Less: Allowance for Doubtful Accounts	<u>(105,480)</u>
Total Accounts Receivable, Net	<u>\$ 219,314</u>

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 5 CAPITAL ASSETS**

**Primary Government**

The following is a summary of capital asset activity for the year ended September 30, 2022:

	Beginning Balance 9/30/2021	Increase	Transfer	Decrease	Ending Balance 9/30/2022
Capital Assets not being Depreciated:					
Land	\$ 3,094,975	\$ -	\$ -	\$ -	\$ 3,094,975
Construction in Progress	817,031	-	-	(817,031)	-
Capital Assets Not Being Depreciated	3,912,006	-	-	(817,031)	3,094,975
Capital Assets Being Depreciated:					
Buildings	21,912,962	-	-	-	21,912,962
Equipment	1,927,853	23,705	-	-	1,951,558
Land Improvements	555,169	6,874	-	-	562,043
Capital Assets Being Depreciated	24,395,984	30,579	-	-	24,426,563
Less: Accumulated Depreciation	(7,074,766)	(683,572)	-	2	(7,758,336)
Capital Assets Being Depreciated, Net	17,321,218	(652,993)	-	2	16,668,227
Total Capital Assets, Net	<u>\$ 21,233,224</u>	<u>\$ (652,993)</u>	<u>\$ -</u>	<u>\$ (817,029)</u>	<u>\$ 19,763,202</u>

**Discrete Component Unit**

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

	Beginning Balance 10/21/2021	Increase	Transfer	Decrease	Ending Balance 12/31/2022
Construction in Progress	\$ -	\$ 2,476,821	\$ -	\$ -	\$ 2,476,821
Total Capital Assets, Net	<u>\$ -</u>	<u>\$ 2,476,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,476,821</u>

**NOTE 6 CHANGES IN LONG-TERM LIABILITIES**

	Beginning Balance 9/30/21	Additions	Reductions	Ending Balance 9/30/2022	Estimated Date Within One Year
Direct Borrowings					
Bonds Payable	\$ 7,034,973	\$ -	\$ (237,377)	\$ 6,797,596	\$ 65,000
Notes and Mortgages Payable	6,824,547	-	(1,383,424)	5,441,123	281,303
Total Direct Borrowings	13,859,520	-	(1,620,801)	12,238,719	346,303
Net Pension Liability	72,651	124,147	-	196,798	-
FSS Escrow	68,365	27,247	-	95,612	4,781
Compensated Absences	54,516	6,811	-	61,327	6,133
Total Authority	<u>\$ 14,055,052</u>	<u>\$ 158,205</u>	<u>\$ (1,620,801)</u>	<u>\$ 12,592,456</u>	<u>\$ 357,217</u>

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 7 LONG-TERM DEBT**

Long-term debt of the Authority consisted of the following at September 30, 2022:

	Beginning Balance 9/30/21	Additions	Reductions	Ending Balance 9/30/2022	Estimated Date Within One Year
<u>Direct Borrowings</u>					
Banner Bank Bonds	\$ 2,503,136	\$ -	\$ (133,760)	\$ 2,369,376	\$ 139,110
President Apt Bonds	350,000	-	(60,000)	290,000	65,000
Administrative Bldg Bonds	525,202	-	(43,617)	481,585	45,272
Raspberry Ridge 2 - Loan 1	1,675,000	-	-	1,675,000	-
Raspberry Ridge 2 - Loan 2	296,788	-	(4,003)	292,785	4,259
Land Acquisition Loan	578,500	-	(578,500)	-	-
La Paloma Apt - USDA 1	388,410	-	(44,473)	343,937	44,919
La Paloma Apt - USDA 2	71,926	-	(8,236)	63,690	8,318
Raspberry Ridge 1 - OCD Loan 1	1,801,375	-	-	1,801,375	2,917
Raspberry Ridge 1 - OCD Loan 2	350,000	-	-	350,000	-
President Apt - HTF	225,000	-	-	225,000	-
Seasonal Farm - HTF	3,000,000	-	-	3,000,000	-
Seasonal Farm - USDA 1	399,999	-	(10,437)	389,562	10,542
Seasonal Farm - USDA 2	1,000,000	-	(43,591)	956,409	25,966
Impact Capital Loan	694,184	-	(694,184)	-	-
Total Authority	<u>\$ 13,859,520</u>	<u>\$ -</u>	<u>\$ (1,620,801)</u>	<u>\$ 12,238,719</u>	<u>\$ 346,303</u>

**Bonds Payable**

**Burlington Terrace Bonds**

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

**President Apartment Bonds**

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

**Administrative Building Bonds**

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

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 7 LONG-TERM DEBT (CONTINUED)**

**Bonds Payable (Continued)**

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

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 249,382	\$ 123,878
2024	261,427	112,615
2025	274,227	100,285
2026	287,096	87,571
2027	215,276	76,891
2028-2032	1,153,763	251,122
2033-2037	699,790	46,738
Total	<u>\$ 3,140,961</u>	<u>\$ 799,100</u>

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

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

**Mortgages Payable**

**La Paloma Apartments USDA Loan # 1**

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

**La Paloma Apartments USDA Loan # 2**

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

**Raspberry Ridge Apartments 1 – OCD Loans**

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

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 7 LONG-TERM DEBT (CONTINUED)**

**Mortgages Payable (Continued)**

**President Apartments - HTF**

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

**Seasonal Farmworker - HTF**

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

**Seasonal Farmworker – USDA # 1**

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

**Seasonal Farmworker – USDA # 2**

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

**Raspberry Ridge 2**

A mortgage loan is payable to the Washington State Department of Commerce and had a balance of \$1,675,000 at September 30, 2022. The loan bears 0% interest, is deferred for 40 years, and is secured by a deed of trust on the property. The full principal amount is due and payable on or before July 31, 2048.

A loan payable to the Washington Community Reinvestment Corporation in the initial amount of \$330,000 bears interest at 6.75% per annum. Payments of principal and interest in the amount of \$1,991 are due on the first day of each month through maturity on October 1, 2048. As of September 30, 2022, the principal balance was \$292,785.



**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 7 LONG-TERM DEBT (CONTINUED)**

**Mortgages Payable (Continued)**

Impact Capital Loan

The initial amount of this loan from Impact Capital was \$700,000. Interest is stated at 6.00% per annum and no payments are due until six months after completion of construction. The loan is secured by a deed of trust. In the event of a default, all costs of collection will be payable by the Authority. The loan was paid in full on October 21, 2021.

Land Acquisition Loan

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

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 96,922	\$ 36,939
2024	98,120	35,740
2025	99,348	34,513
2026	107,041	35,504
2027	108,397	34,147
2028 - 2032	414,155	150,955
2033 - 2037	303,570	123,798
2038 - 2042	335,108	92,260
2043 - 2047	374,959	52,410
2048 - 2052	4,058,285	14,339
2053 - 2057	3,101,853	1,420
Total	<u>\$ 9,097,758</u>	<u>\$ 612,025</u>

**Conduit Debt - Skagit Council Housing**

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

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

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 8    DISCRETELY PRESENTED COMPONENT UNIT LONG-TERM DEBT**

Federal Home Loan Bank

The initial amount of this loan from the Federal Home Loan Bank was \$850,000. The loan has a stated interest of 4% annually on the unpaid principal balance. Payments are to be made solely from distributions of cash flow or capital proceeds and shall be paid in full, including any unpaid interest on 11/30/2072. As of September 30, 2022 the balance was \$850,000.

Banner Bank Construction

The initial amount of this loan from Banner Bank Construction was \$9,885,000. The loan will be paid off when construction is complete which is estimated at 11/1/2023 but there is one 6 month extension available if needed. Interest only payments will be made monthly based on the amount of funds that are drawn at that point at a variable rate based on the LIBOR rate plus 1.95%, not less than 2.45%. As of September 30, 2022, the balance was \$271,036.

Housing Trust Fund

The initial amount of this loan from the Housing Trust Fund was \$2,850,000. The covenants on the property end on 11/30/2072 and the rate is 1%. As of September 30, 2022, the balance was \$474,627.

Skagit County

The initial amount of this loan from Skagit County was \$250,000. The loan has a stated interest of 3%. As of September 30, 2022, the balance was \$250,000.

Note Payable to HASC

The initial amount of this note payable to the Housing Authority of Skagit county was \$360,000. The note has a stated interest of 3% annually on the unpaid principal balance. Payments shall be paid in full, including unpaid interest on 11/30/2072. As of September 30, 2022, the balance was \$360,000.

Long-term debt of the discretely presented component unit consisted of the following at September 30, 2022:

	Beginning Balance 10/21/21	Additions	Reductions	Ending Balance 12/31/2022	Estimated Date Within One Year
<u>Direct Borrowings</u>					
FHLB Loan	\$ -	\$ 850,000	\$ -	\$ 850,000	\$ -
Banner Bank Construction Loan	-	271,036	-	271,036	271,036
HTF Forgivable Loan	-	474,627	-	474,627	-
Skagit County Loan	-	250,000	-	250,000	-
Note Payable to HASC	-	360,000	-	360,000	-
	<u>-</u>	<u>360,000</u>	<u>-</u>	<u>360,000</u>	<u>-</u>
 Total Authority	 \$ -	 \$ 2,205,663	 \$ -	 \$ 2,205,663	 \$ 271,036

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 8 DISCRETELY PRESENTED COMPONENT UNIT LONG-TERM DEBT (CONTINUED)**

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 271,036	\$ -
2024	-	-
2025	-	-
2026	-	-
2027	-	-
2028 - 2032	-	-
2033 - 2037	-	-
2038 - 2042	-	-
2043 - 2047	-	-
2048 - 2052	-	-
2053 - 2057	1,934,627	2,852,314
Total	<u>\$ 2,205,663</u>	<u>\$ 2,852,314</u>

**NOTE 9 RISK MANAGEMENT**

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

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

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

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 9 RISK MANAGEMENT (CONTINUED)**

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

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

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

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

**NOTE 10 CONTINGENT LIABILITIES AND LITIGATION**

As of September 30, 2022, there are no known contingent liabilities, litigation, or pending litigation.

**NOTE 11 PENSION PLAN**

**Plan Descriptions**

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

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

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 11 PENSION PLAN (CONTINUED)**

**Plan Descriptions (Continued)**

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

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

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

**PERS Plan 1**

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

**Contributions**

The PERS Plan 1 member contribution rate is established by state statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 11 PENSION PLAN (CONTINUED)**

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

**Contributions (Continued)**

PERS Plan 1 Actual Contribution Rates		Employer	Employee
October 2021 - August 2022			
PERS Plan 1		6.36 %	6.00 %
PERS Plan 1 UAAL		3.71	-
Administrative Fee		0.18	-
Total		<u>10.25 %</u>	<u>6.00 %</u>
September 2022			
PERS Plan 1		6.36 %	6.00 %
PERS Plan 1 UAAL		3.85	-
Administrative Fee		0.18	-
Total		<u>10.39 %</u>	<u>6.00 %</u>

**PERS Plan 2/3**

This plan provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

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

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 11 PENSION PLAN (CONTINUED)**

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

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

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

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

PERS Plan 2/3 Actual Contribution Rates		Employer 2/3	Employee 2/3*
October 2021 - August 2022			
PERS Plan 2/3		6.36 %	6.36 %
PERS Plan 1 UAAL		3.71	-
Administrative Fee		0.18	-
Employee PERS Plan 3		-	Varies
Total		<u>10.25 %</u>	<u>6.36 %</u>
September 2022			
PERS Plan 2/3		6.36 %	6.36 %
PERS Plan 1 UAAL		3.85	-
Administrative Fee		0.18	-
Employee PERS Plan 3		-	Varies
Total		<u>10.39 %</u>	<u>6.36 %</u>

The Authority's actual PERS plan contributions were \$41,828 to PERS Plan 1 and \$71,454 to PERS Plan 2/3 for the year ended September 30, 2022.

**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 *2019 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report.

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 11 PENSION PLAN (CONTINUED)**

**Actuarial Assumptions (Continued)**

The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 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: 7.0%

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.

**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. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times.

**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 the WSIB's most recent long-term estimate of broad economic inflation.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Percent Long-Term Expected Real Rate of Return Arithmetic</u>
Fixed Income	20.00 %	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



**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 11 PENSION PLAN (CONTINUED)**

**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.

**Sensitivity of NPL**

The table below presents the net pension liability (asset) of the System and the Authority, calculated using the discount rate of 7.00%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate.

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
PERS 1 (Authority)	\$ 262,921	\$ 196,799	\$ 139,090
PERS 1 (System)	3,719,876,000	2,784,367,000	1,967,887,000
PERS 2/3 (Authority)	401,904	(341,282)	(951,857)
PERS 2/3 (System)	4,367,575,000	(3,708,781,000)	(10,344,018,000)

**Pension Plan Fiduciary Net Position**

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

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 11 PENSION PLAN (CONTINUED)**

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

At June 30, 2022, the Authority reported a total pension liability of \$196,799 for its proportionate share of the net pension liability of the PERS 1 System, and a total pension asset of \$341,282 for its proportionate share of the net pension asset of the PERS 2/3 System as follows:

<u>Plan</u>	<u>Liability</u>	<u>(Asset)</u>
PERS 1	\$ 196,799	\$ -
PERS 2/3	-	(341,282)
Total	<u>\$ 196,799</u>	<u>\$ (341,282)</u>

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

	<u>Proportionate Share 6/30/21</u>	<u>Proportionate Share 6/30/22</u>	<u>Change in Proportion</u>
PERS 1	0.00595 %	0.00707 %	(0.00112)%
PERS 2/3	0.00765	0.00920	(0.00155)

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

**Pension Expense**

For the year ended September 30, 2022, the Authority recognized pension expense as follows:

	<u>Pension Expense</u>
PERS 1	\$ 115,629
PERS 2/3	(123,562)
Total	<u>\$ (7,933)</u>

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 11 PENSION PLAN (CONTINUED)**

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

At September 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>PERS 1</u>		
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	\$ -	\$ (32,615)
Contributions Subsequent to the Measurement Date	11,635	-
Total	\$ 11,635	\$ (32,615)
 <u>PERS 2/3</u>		
Differences between Expected and Actual Experience	\$ 84,562	\$ (7,726)
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	-	(252,312)
Changes of Assumptions	190,218	(49,806)
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	25,218	(41,226)
Contributions Subsequent to the Measurement Date	19,695	-
Total	\$ 319,693	\$ (351,070)
 <u>Total All Plans</u>		
Differences between Expected and Actual Experience	\$ 84,562	\$ (7,726)
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	-	(284,927)
Changes of Assumptions	190,218	(49,806)
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	25,218	(41,226)
Contributions Subsequent to the Measurement Date	31,330	-
Total	\$ 331,328	\$ (383,685)

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>PERS 1</u>	<u>PERS 2/3</u>
2023	\$ (13,802)	\$ (82,847)
2024	(12,536)	(74,353)
2025	(15,726)	(85,972)
2026	9,449	116,047
2027	-	38,995
Thereafter	-	37,058

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

<u>Year Ending June 30,</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
2022	0.007068 %	\$ 196,799	\$ 1,064,243	18.49%	75.56 %
2021	0.005949	72,651	922,880	7.87%	88.74
2020	0.005580	197,004	844,426	23.33%	68.64
2019	0.005206	200,189	800,532	25.01%	67.12
2018	0.005923	264,523	787,026	33.61%	63.22
2017	0.005452	258,702	701,082	36.90%	61.24
2016	0.006115	328,404	696,990	47.12%	57.03
2015	0.007340	383,950	761,986	50.39%	59.10
2014	0.007496	377,615	778,726	48.49%	89.20
2013	0.006670	389,745	822,736	47.37%	N/A

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

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

<u>Year Ending June 30,</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
2022	0.009202 %	\$ (341,282)	\$ 1,064,243	-32.07%	106.73 %
2021	0.007654	(762,462)	922,880	-82.62%	120.29
2020	0.007215	92,278	844,426	10.93%	97.22
2019	0.000672	65,264	800,532	8.15%	97.77
2018	0.000764	130,446	787,026	16.57%	96.77
2017	0.007012	243,633	701,082	34.75%	90.97
2016	0.007843	394,889	696,990	56.66%	85.82
2015	0.009062	183,176	761,986	24.04%	89.20
2014	0.008586	173,554	734,797	23.62%	93.29
2013	0.008883	379,305	782,048	48.50%	N/A

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

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

<u>Year Ending June 30.</u>	<u>Statutorily or Contractually Required Contributions</u>	<u>Contributions in Relation to the Statutorily or Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2022	\$ 43,318	\$ (43,318)	\$ -	\$ 1,123,489	3.86%
2021	43,475	(43,475)	-	952,364	4.56%
2020	40,863	(40,863)	-	857,347	4.77%
2019	40,021	(40,021)	-	794,387	5.04%
2018	41,069	(41,069)	-	814,994	5.04%
2017	34,094	(34,094)	-	704,611	4.84%
2016	30,825	(30,825)	-	696,990	4.42%
2015	33,736	(33,736)	-	761,986	4.43%
2014	33,180	(33,180)	-	778,726	4.26%
2013	19,905	(19,905)	-	822,736	2.42%

See accompanying Notes to Required Supplemental Information – Pension.

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

<u>Year Ending June 30.</u>	<u>Statutorily or Contractually Required Contributions</u>	<u>Contributions in Relation to the Statutorily or Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2022	\$ (73,922)	\$ (73,922)	\$ -	\$ 1,123,489	-6.58%
2021	71,521	(71,521)	-	952,364	7.51%
2020	67,902	(67,902)	-	857,347	7.92%
2019	60,527	(60,527)	-	794,387	7.62%
2018	61,065	(61,065)	-	814,994	7.49%
2017	46,243	(46,243)	-	704,611	6.56%
2016	40,244	(40,244)	-	696,990	5.77%
2015	40,366	(40,366)	-	761,986	5.30%
2014	36,269	(36,269)	-	734,797	4.94%
2013	34,471	(34,471)	-	782,048	4.41%

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



**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2022**

**NOTE 1    SIGNIFICANT FACTORS**

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

**NOTE 2    COVERED PAYROLL**

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

**NOTE 3    CONTRIBUTION RATES**

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

**PERS 1**

From this Date	Through this Date	Rate	
9/1/2013	6/30/2015	9.21 %	
7/1/2015	6/30/2017	11.18	
7/1/2017	8/31/2018	12.70	
9/1/2018	6/30/2019	12.83	
7/1/2019	8/31/2020	12.86	*
9/1/2020	6/30/2021	12.97	*
7/1/2021	8/30/2022	10.25	*
9/1/2022	Current	10.39	*

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

**PERS 2/3**

From this Date	Through this Date	Rate	
9/1/2013	6/30/2015	9.21 %	
7/1/2015	6/30/2017	11.18	
7/1/2017	8/31/2018	12.70	
9/1/2018	6/30/2019	12.83	
7/1/2019	8/31/2020	12.86	*
9/1/2020	6/30/2021	12.97	*
7/1/2021	8/30/2022	10.25	*
9/1/2022	Current	10.39	*

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

## **SUPPLEMENTARY INFORMATION**

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**FINANCIAL DATA SCHEDULE**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2022**

Line Item No.	Account Description	Family Self-Sufficiency Program Escrow	Housing Choice Vouchers	Emergency Housing Voucher	State/Local	Rural Rental Assistance Payments	Weatherization Assistance for Low-Income Person	PIH Family Self-Sufficiency Program	Farm Labor Housing Loans and Grants	Low-Income Home Energy Assistance	Elimination	Total Primary Government	Discretely Presented Component Unit
<b>CURRENT ASSETS</b>													
111	Cash - Unrestricted	\$ -	\$ 297,385	\$ 25,304	\$ 2,383,938	\$ 84,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,790,954	\$ 100
113	Cash - Other Restricted	2,099	195,260	163,898	1,601,283	430,807	-	-	-	-	-	2,393,347	-
114	Cash - Tenant Security Deposit	-	-	-	121,000	7,500	-	-	-	-	-	128,500	-
115	Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
100	Total Cash	2,099	492,645	189,202	4,106,221	522,634	-	-	-	-	-	5,312,801	100
122	Accounts Receivable - HUD Other Projects	-	-	-	-	-	-	10,142	-	-	-	10,142	-
124	Accounts Receivable - Other Government	-	-	-	13,778	-	-	-	-	163,392	-	177,170	-
125	Accounts Receivable - Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
126	Accounts Receivable - Tenants	-	-	-	126,174	3,061	-	-	-	-	-	129,235	-
126.1	Allowance for Doubtful Accounts - Tenants	-	-	-	(102,873)	-	-	-	-	-	-	(102,873)	-
128	Fraud Recovery	-	8,247	-	-	-	-	-	-	-	-	8,247	-
128.1	Allowance for Doubtful Accounts - Fraud	-	(2,607)	-	-	-	-	-	-	-	-	(2,607)	-
129	Accrued Interest Receivable	-	-	-	-	-	-	-	-	-	-	-	-
120	Total Receivables, Net of Allowances	-	5,640	-	37,079	3,061	-	10,142	-	163,392	-	219,314	-
142	Prepaid and Other Assets	-	5,149	-	112,126	16,943	-	-	-	2,355	-	136,573	48
143	Inventories	-	-	-	-	-	-	-	-	7,607	-	7,607	-
144	Inter Program - Due From	-	5,566	-	738,776	-	-	-	-	-	(744,342)	-	-
150	Total Current Assets	2,099	509,000	189,202	4,994,202	542,638	-	10,142	-	173,354	(744,342)	5,676,295	148
<b>NONCURRENT ASSETS</b>													
161	Land	-	-	-	2,315,008	779,967	-	-	-	-	-	3,094,975	-
162	Buildings	-	-	-	13,566,057	8,346,905	-	-	-	-	-	21,912,962	-
163	Furniture, Equipment & Machinery - Dwellings	-	98,546	-	1,443,256	312,766	-	-	-	96,990	-	1,951,558	-
164	Furniture, Equipment & Machinery - Administration	-	-	-	-	-	-	-	-	-	-	-	-
166	Accumulated Depreciation	-	(98,546)	-	(6,397,364)	(1,208,059)	-	-	-	(54,367)	-	(7,758,336)	-
167	Construction in Progress	-	-	-	-	-	-	-	-	-	-	-	2,476,821
168	Infrastructure	-	-	-	323,937	238,106	-	-	-	-	-	562,043	-
160	Total Fixed Assets, Net of Accumulated Depreciation	-	-	-	11,250,894	8,469,685	-	-	-	42,623	-	19,763,202	2,476,821
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	360,000	-	-	-	-	-	-	360,000	-
174	Other Assets	-	107,300	-	95,660	59,110	-	-	-	79,212	-	341,282	960,000
176	Investment in Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-
180	Total Noncurrent Assets	2,099	107,300	-	11,706,554	8,528,795	-	-	-	121,835	-	20,464,484	3,436,821
200	Deferred Outflows of Resources	-	104,170	-	92,871	57,386	-	-	-	76,901	-	331,328	-
190	Total Assets and Deferred Outflows of Resources	\$ 2,099	\$ 720,470	\$ 189,202	\$ 16,793,627	\$ 9,128,819	\$ -	\$ 10,142	\$ -	\$ 372,090	\$ (744,342)	\$ 26,472,107	\$ 3,436,969

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**FINANCIAL DATA SCHEDULE**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**SEPTEMBER 30, 2022**

Line Item No.	Account Description	Family Self-Sufficiency Program Escrow	Housing Choice Vouchers	Emergency Housing Voucher	State/Local	Rural Rental Assistance Payments	Weatherization Assistance for Low-Income Person	PIH Family Self-Sufficiency Program	10.405 Farm Labor Housing Loans and Grants	93.568 Low-Income Home Energy Assistance	Elimination	Total	Discretely Presented Component Unit
<b>CURRENT LIABILITIES</b>													
312	Accounts Payable <= 90 Days	\$ -	\$ 2,460	\$ -	\$ 116,562	\$ 6,284	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,306	\$ -
321	Accrued Wages and Payroll Taxes Payable	-	10,685	-	15,747	6,780	-	-	-	8,270	-	41,482	-
322	Accrued Compensated Absences - Current Portion	-	935	-	4,849	-	-	-	-	349	-	6,133	-
325	Accrued Interest Payable	-	-	-	11,362	-	-	-	-	-	-	11,362	-
341	Tenant Security Deposit	-	-	-	121,000	7,500	-	-	-	-	-	128,500	-
342	Unearned Revenue	-	-	56,000	-	-	-	-	-	-	-	56,000	-
343	Current Portion of Long-Term Debt - Capital	-	-	-	256,558	-	-	-	89,745	-	-	346,303	271,036
345	Other Current Liabilities	-	4,781	-	-	-	-	-	-	-	-	4,781	-
346	Accrued Liabilities - Other	-	-	-	168,957	-	-	-	-	-	-	168,957	53,190
347	Inter Program- Due to	-	-	-	-	167,813	-	10,142	-	566,387	(744,342)	-	-
310	Total Current Liabilities	-	18,861	56,000	695,035	188,377	-	10,142	89,745	575,006	(744,342)	888,824	324,226
<b>NONCURRENT LIABILITIES</b>													
351	Long-Term Debt, Net of Current - Capital	-	-	-	7,228,562	3,000,000	-	-	1,663,854	-	-	11,892,416	1,934,627
353	Non-current Liabilities - Other	-	90,831	-	-	-	-	-	-	-	-	90,831	-
354	Accrued Compensated Absences - Noncurrent	-	8,410	-	43,638	-	-	-	-	3,145	-	55,193	-
357	Accrued Pension and OPEB Liabilities	-	61,874	-	55,162	34,086	-	-	-	45,677	-	196,799	-
350	Total Noncurrent Liabilities	-	161,115	-	7,327,362	3,034,086	-	-	1,663,854	48,822	-	12,235,239	1,934,627
300	Total Liabilities	-	179,976	56,000	8,022,397	3,222,463	-	10,142	1,753,599	623,828	(744,342)	13,124,063	2,258,853
400	Deferred Inflows of Resources	-	120,631	-	107,545	66,455	-	-	-	89,054	-	383,685	-
<b>NET POSITION</b>													
508.4	Net Investment in Capital Assets	-	-	-	3,765,774	5,469,685	-	-	(1,753,599)	42,623	-	7,524,483	271,158
511.4	Restricted Net Position	2,099	206,537	107,898	1,696,943	489,917	-	-	-	79,212	-	2,582,606	-
512.4	Unrestricted Net Position	-	213,326	25,304	3,200,968	(119,701)	-	-	-	(462,627)	-	2,857,270	906,958
513	Total Net Position	2,099	419,863	133,202	8,663,685	5,839,901	-	-	(1,753,599)	(340,792)	-	12,964,359	1,178,116
600	Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,099	\$ 720,470	\$ 189,202	\$ 16,793,627	\$ 9,128,819	\$ -	\$ 10,142	\$ -	\$ 372,090	\$ (744,342)	\$ 26,472,107	\$ 3,436,969

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**FINANCIAL DATA SCHEDULE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED SEPTEMBER 30, 2022**

Line Item No.	Account Description	Family Self-Sufficiency Program Escrow	Housing Choice Vouchers	Emergency Housing Voucher	State/Local	Rural Rental Assistance Payments	Weatherization Assistance for Low-Income Person	PIH Family Self-Sufficiency Program	Farm Labor Housing Loans and Grants	WX - 93.568 Low-Income Home Energy Assistance	Elimination	Total	Discretely Presented Component Unit
<b>REVENUES</b>													
70300	Net Tenant Revenue	\$ -	\$ -	\$ -	\$ 2,202,804	\$ 282,455	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,485,259	\$ -
70400	Tenant Revenue - Other	-	-	-	83,843	12,367	-	-	-	-	-	96,210	-
70500	Total Tenant Revenue	-	-	-	2,286,647	294,822	-	-	-	-	-	2,581,469	-
70600	HUD PHA Operating Grants	-	4,553,313	46,322	-	-	-	101,878	-	-	-	4,701,513	-
70610	Capital Grants	-	-	-	-	-	-	-	-	-	-	-	-
70800	Other Government Grants	-	-	-	43,054	285,986	106,835	-	-	697,076	-	1,132,951	-
71100	Investment Income - Unrestricted	-	1,170	-	17,695	877	-	-	-	-	-	19,742	-
71400	Fraud Recovery	-	1,770	-	-	-	-	-	-	-	-	1,770	-
71500	Other Revenue	2,099	1,058	-	113,344	36	-	-	-	49	(108,921)	7,665	-
71600	Gain or Loss on Sale of Capital Assets	-	-	-	979,030	-	-	-	-	-	-	979,030	-
70000	Total Revenues	2,099	4,557,311	46,322	3,439,770	581,721	106,835	101,878	-	697,125	(108,921)	9,424,140	-
<b>EXPENSES</b>													
Administrative:													
91100	Administrative Salaries	-	273,480	-	118,242	85,976	-	1,374	-	264,726	-	743,798	-
91200	Auditing Fees	-	10,697	-	11,519	5,741	-	-	-	9,068	-	37,025	-
91300	Management Fee	-	-	-	-	-	-	-	-	-	-	-	-
91400	Advertising Expenses	-	2,663	-	1,334	247	-	-	-	1,700	-	5,944	-
91500	Employee Benefit Contributions - Administrative	-	71,690	-	33,929	9,920	-	-	-	76,549	-	192,088	-
91600	Other Operating - Administrative	-	85,180	-	49,684	23,387	-	201	-	46,480	(79,515)	125,417	-
91700	Legal Expense	-	443	-	1	2,121	-	-	-	368	-	2,933	-
91800	Travel Expense	-	1,252	-	75	4	-	-	-	-	-	1,331	-
91900	Other	-	22,889	-	31,561	29,478	-	-	-	175	(29,406)	54,697	13,517
	Total Administrative	-	468,294	-	246,345	156,874	-	1,575	-	399,066	(108,921)	1,163,233	13,517
Tenant Services:													
92100	Tenant Services - Salaries	-	-	-	51,263	33,616	-	79,636	-	-	-	164,515	-
92300	Employee Benefit Contributions - Tenant services	-	-	-	-	-	-	20,667	-	-	-	20,667	-
92400	Tenant Services - Other	-	-	-	-	-	-	-	-	-	-	-	-
	Total Tenant Services	-	-	-	51,263	33,616	-	100,303	-	-	-	185,182	-
Utilities:													
93100	Water	-	-	-	141,233	31,305	-	-	-	-	-	172,538	-
93200	Electricity	-	-	-	30,831	16,699	-	-	-	-	-	47,530	-
93300	Gas	-	-	-	11,961	19,003	-	-	-	-	-	30,964	-
93500	Utility Labor	-	-	-	3,466	-	-	-	-	-	-	3,466	-
93600	Sewer	-	-	-	141,986	38,335	-	-	-	-	-	180,321	-
93800	Other Utilities Expense	-	-	-	4,513	5,126	-	-	-	-	-	9,639	-
	Total Utilities	-	-	-	333,990	110,468	-	-	-	-	-	444,458	-
Ordinary Maintenance & Operations:													
94100	Ordinary Maintenance and Operations - Labor	-	-	-	150,447	86,837	-	-	-	-	-	237,284	-
94200	Ordinary Maintenance and Operations - Materials and Other	-	-	-	157,336	23,373	-	-	-	-	-	180,709	-
94300	Ordinary Maintenance and Operations - Contract Costs	-	-	-	136,381	30,211	-	-	-	-	-	166,592	-
94500	Employee Benefit Contributions - Ordinary Maintenance	-	-	-	66,394	59,785	-	-	-	-	-	126,179	-
	Total Ordinary Maintenance & Operations	-	-	-	510,558	200,206	-	-	-	-	-	710,764	-

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**FINANCIAL DATA SCHEDULE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)**  
**YEAR ENDED SEPTEMBER 30, 2022**

Line Item No.	Account Description	Family Self-Sufficiency Program Escrow	Housing Choice Vouchers	Emergency Housing Voucher	State/Local	Rural Rental Assistance Payments	Weatherization Assistance for Low-Income Person	PIH Family Self-Sufficiency Program	Farm Labor Housing Loans and Grants	Low-Income Home Energy Assistance	Elimination	Total Primary Government	Discretely Presented Component Unit
	Protective Services												
95100	Protective Services - Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
95200	Protective Services - Other Contract Costs	-	-	-	190	5,189	-	-	-	-	-	5,379	-
	Total Protective Services	-	-	-	190	5,189	-	-	-	-	-	5,379	-
	Insurance Premiums:												
96110	Property Insurance	-	-	-	113,558	20,381	-	-	-	5,293	-	139,232	176
96130	Workmen's Compensation	-	7,262	-	5,189	2,487	-	-	-	6,211	-	21,149	-
96140	All Other Insurance	-	7,860	-	-	-	-	-	-	-	-	7,860	-
	Total Insurance Premiums	-	15,122	-	118,747	22,868	-	-	-	11,504	-	168,241	176
	General Expenses:												
96200	Other General Expenses	-	46	-	57	-	110,548	-	-	360,706	-	471,357	-
96210	Compensated Absences	-	1,118	-	25,593	-	-	-	-	(3,572)	-	23,139	-
96300	Payment in Lieu of Taxes	-	-	-	21,256	-	-	-	-	-	-	21,256	-
96400	Bad Debts - Tenant Rents	-	-	-	2,813	-	-	-	-	-	-	2,813	-
	Total General Expenses	-	1,164	-	49,719	-	110,548	-	-	357,134	-	518,565	-
96710	Interest on Mortgage or Bonds Payable	-	-	-	176,889	4,362	-	-	-	-	-	181,251	46,546
96730	Amortization of Bond Issue Costs	-	-	-	-	-	-	-	-	-	-	-	-
96900	Total Operating Expenses	-	484,580	-	1,487,701	533,583	110,548	101,878	-	767,704	(108,921)	3,377,073	60,239
97000	Excess Operating Revenue over Operating Expenses	2,099	4,072,731	46,322	1,952,069	48,138	(3,713)	-	-	(70,579)	-	6,047,067	(60,239)
97300	Housing Assistance Payments	-	4,106,831	92	12,672	-	-	-	-	-	-	4,119,595	-
97350	HAP Portability - In	-	484	-	-	-	-	-	-	-	-	484	-
97400	Depreciation	-	-	-	452,999	223,479	-	-	-	7,094	-	683,572	-
90000	Total Expenses	-	4,591,895	92	1,953,372	757,062	110,548	101,878	-	774,798	(108,921)	8,180,724	60,239
10010	Operating Transfers In	-	33,456	-	-	14,766	-	-	106,738	166,085	(321,045)	-	-
10020	Operating Transfers Out	-	-	-	(214,307)	(106,738)	-	-	-	-	321,045	-	-
10070	Extraordinary Items (Net Gain/Loss)	-	-	-	-	-	-	-	-	-	-	-	-
10080	Special Items (Net Gain/Loss)	-	-	-	-	-	-	-	-	-	-	-	-
10093	Transfers between Programs - In	-	-	-	-	-	-	-	-	-	-	-	1,238,355
10094	Transfers between Programs - Out	-	-	-	-	-	-	-	-	-	-	-	-
10100	Total Other Financing Sources (Uses)	-	33,456	-	(214,307)	(91,972)	-	-	106,738	166,085	-	-	1,238,355
10000	Excess (Deficiency) of Operating Revenues over (Under) Expenses	\$ 2,099	\$ (1,128)	\$ 46,230	\$ 1,272,091	\$ (267,313)	\$ (3,713)	\$ -	\$ 106,738	\$ 88,412	\$ -	\$ 1,243,416	\$ 1,178,116
	Memo Account Information												
11030	Beginning Equity	\$ -	\$ 420,991	\$ 86,972	\$ 7,391,594	\$ 6,107,214	\$ 3,713	\$ -	\$ (1,860,337)	\$ (429,204)	\$ -	\$ 11,720,943	\$ -
11040	Prior Period Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
11170	Administrative Fee Equity	-	320,626	-	-	-	-	-	-	-	-	320,626	-
11180	Housing Assistance Payments Equity	-	99,237	-	-	-	-	-	-	-	-	99,237	-
11190	Unit Months Available	-	8,208	-	2,316	592	-	-	-	-	-	11,116	-
11210	Number of Unit Months Leased	-	5,819	-	2,299	590	-	-	-	-	-	8,708	-



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

Board of Commissioners  
Housing Authority of Skagit County  
Burlington, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Housing Authority of Skagit County (the Authority), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 7, 2023.

***Report on Internal Control Over Financial Reporting***

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

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

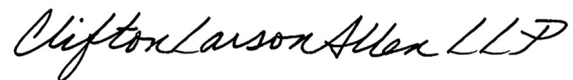
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**CliftonLarsonAllen LLP**

Bellevue, Washington  
July 7, 2023





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

Board of Commissioners  
Housing Authority of Skagit County  
Burlington, Washington

**Report on Compliance for Each Major Federal Program**

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

We have audited Housing Authority of Skagit County's (the Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2022. Housing Authority of Skagit County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Housing Authority of Skagit County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002. Our opinion on each major federal program is not modified with respect to this matter.

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

## Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002, to be significant deficiencies.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



**CliftonLarsonAllen LLP**

Bellevue, Washington  
July 7, 2023

**HOUSING AUTHORITY OF SKAGIT COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2022**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>Department of Agriculture Direct Programs</b>				
Farm Labor Housing Loans (Beginning of the Year)	10.405	N/A	-	\$ 1,860,336
Farm Labor Housing Grants	10.405	N/A	-	143,019
Total Farm Labor Housing Program				<u>2,003,355</u>
Rural Rental Assistance Payments	10.427	N/A	-	142,967
Total Department of Agriculture Direct Programs				2,146,322
<b>Department of Housing and Urban Development Direct Programs</b>				
Section 8 Housing Choice Voucher Program	14.871	N/A	-	4,553,313
Emergency Housing Vouchers	14.871	N/A	-	92
Housing Voucher Cluster Total				<u>4,553,405</u>
PIH Family Self-Sufficiency Program	14.896	N/A	-	101,878
Total Department of Housing and Urban Development Direct Programs				4,655,283
<b>U.S. Department of Treasury</b>				
COVID 19 - Emergency Rental Assistance Program	21.023	N/A	-	<u>14,218</u>
<b>Department of Energy Direct Programs</b>				
Passed Through from The Washington State Department of Commerce - Community Services and Housing Division				
Weatherization Assistance for Low-Income Persons	81.042	F19-53103-412	-	106,835
Total Department of Energy Direct Programs				<u>106,835</u>
<b>Department of Health and Human Services Direct Programs</b>				
Passed Through from The Washington State Department of Commerce - Community Services and Housing Division				
Low-Income Home Energy Assistance	93.568	F19-53101-412	-	269,167
Total Department of Health and Human Services Direct Programs				<u>269,167</u>
Total Expenditures of Federal Awards				<u>\$ 7,191,825</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**HOUSING AUTHORITY OF SKAGIT COUNTY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2022**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Housing Authority of Skagit County under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Housing Authority of Skagit County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Housing Authority of Skagit County.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 INDIRECT COSTS**

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

**NOTE 4 FEDERAL LOANS**

The Authority was approved by the U.S. Department of Agriculture to receive loans to develop, acquire or renovate low-income housing under the Farm Labor Housing Loan and Grant Program (ALN 10.405). Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The loan balances at September 30, 2022 are as follows:

<u>Project</u>	<u>Outstanding Loan Balance</u>
La Paloma #1	\$ 343,937
La Paloma #2	63,691
Seasonal Farm Worker Housing #1	389,562
Seasonal Farm Worker Housing #2	956,409
Total	<u>\$ 1,753,599</u>

**HOUSING AUTHORITY OF SKAGIT COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2022**

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**Section I – Summary of Auditors' Results**

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***Financial Statements***

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

***Federal Awards***

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

***Identification of Major Federal Programs***

<b>Assistance Listing Number</b>	<b>Name of Federal Program or Cluster</b>
14.871	Housing Voucher Cluster
10.405	Farm Labor Housing Loans and Grants

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes        x   no

**HOUSING AUTHORITY OF SKAGIT COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2022**

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**Section II – Financial Statement Findings**

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

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**Section III – Federal Award Findings and Questioned Costs**

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**2022 – 001**

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Name: Housing Voucher Cluster

Assistance Listing Number: 14.871

Federal Award Identification Number and Year: WA061VO - 2022

Award Period: October 1, 2021 – September 30, 2022

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

**Criteria or specific requirement:** The Housing Authority of Skagit County (the Authority) must inspect a unit leased to a family at least annually to determine if the unit meets HQS and the Authority must conduct quality control (QC) re-inspections (24 CFR sections 982.405(a) and 982.405(b)). For units under HAP contract that fail to meet HQS, the Authority must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days or within a specified Authority-approved extension. If the owner does not correct the cited HQS deficiencies within the specified correction period, the Authority must stop (abate) HAPs beginning no later than the first of the month following the specified correction period or must terminate the HAP contract. The owner is not responsible for a breach of HQS as a result of the family's failure to pay for utilities for which the family is responsible under the lease or for tenant damage. For family-caused defects, if the family does not correct the cited HQS deficiencies within the specified correction period, the Authority must take prompt and vigorous action to enforce the family obligations (24 CFR sections 982.158(d) and 982.404).

**Condition:** The Authority did not perform HQS and QC inspections in accordance with program compliance requirements. The Authority requested an extension of the COVID-19 waiver that waived the compliance requirement for QC inspections; however, an extension was not granted by HUD. The Authority did not abate units that failed to correct HQS deficiencies within the required timeframe.

**Questioned costs:** Known questioned costs of \$13,742 were calculated based on the HAP payment for units that should have been abated, multiplied by the number of months where HAP was incorrectly paid.

**HOUSING AUTHORITY OF SKAGIT COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2022**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

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**Context:** A sample of 40 units found that 3 units that were not inspected timely. The Authority did not perform QC inspections during the fiscal year. The Authority did not properly abate HAP for 2 out of 20 failed inspections.

The samples were statistically valid.

**Cause:** HQS inspections were not completed within the required timeframe for 3 units. Due to the COVID-19 pandemic, QC inspections were waived under PIH notice 2021-14 until December 31, 2021; however, the Authority did not perform QC inspections for the period January 1, 2022 – September 30, 2022. The Authority did not abate 2 units timely.

**Effect:** The Authority is not in compliance with HQS, HQS enforcement, and QC inspection requirements.

**Repeat Finding:** No.

**Recommendation:** We recommend the Authority implements controls to ensure that required HQS and QC inspections are completed timely. We recommend the Authority implements controls to ensure abatement is timely for units that do not correct the cited HQS deficiencies within the required timeframe.

**Views of responsible officials:** There is no disagreement with the audit finding.

**2022 – 002**

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Name: Housing Voucher Cluster

Assistance Listing Number: 14.871

Federal Award Identification Number and Year: WA061VO - 2022

Award Period: October 1, 2021 – September 30, 2022

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

**Criteria or specific requirement:** The Authority must maintain an up-to-date utility allowance schedule. The PHA must review utility rate data for each utility category each year and must adjust its utility allowance schedule if there has been a rate change of 10 percent or more for a utility category or fuel type since the last time the utility allowance schedule was revised (24 CFR section 982.517).

**Condition:** The Authority did not review the utility rate data or update the utility allowance schedule during the fiscal year in accordance with compliance requirements.



**HOUSING AUTHORITY OF SKAGIT COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2022**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

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**Questioned costs:** Unable to determine.

**Context:** The utility rate data was not reviewed and the utility allowance schedule was not updated.

**Cause:** The Authority requested an extension of the COVID-19 waiver that waived the compliance requirement; however, an extension was not granted by HUD.

**Effect:** The Authority is not in compliance with utility allowance schedule compliance requirements.

**Repeat Finding:** No.

**Recommendation:** We recommend the Authority implements controls to ensure that a utility allowance review is performed annually. If waivers are requested, we recommend the Authority ensures the requested waivers are approved to ensure compliance.

**Views of responsible officials:** There is no disagreement with the audit finding.





# HOUSING AUTHORITY OF SKAGIT COUNTY

*This institution is an equal opportunity provider and employer.*

July 11, 2023

U.S. Department of Housing and Urban Development

The Housing Authority of Skagit County respectfully submits the following corrective action plan for the year ended September 30, 2022.

Audit period: October 1, 2021 – September 30, 2022

## **FINDINGS—FEDERAL AWARD PROGRAMS AUDITS**

U.S. Department of Housing and Urban Development

2022-001      Housing Voucher Cluster – Assistance Listing No. 14.871

**Recommendation:** We recommend the Authority implements controls to ensure that required HQS and QC inspections are completed timely. We recommend the Authority implements controls to ensure abatement is timely for units that do not correct the cited HQS deficiencies within the required timeframe.

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Action taken in response to finding:**

HQS Inspections-The Housing Authority of Skagit County (HASC) experienced HQS Inspector turnover during the COVID-19 pandemic. Since the pandemic, HASC hired a new HQS Inspector who has attended and completed HQS Inspector Certification. The inspector is scheduling and completing the inspections according to regulations, including timeliness. The Section 8 Program Manager will monitor the HQS Inspector.

Quality Control (QC) Inspections-HASC applied for a waiver to not administer Quality Control Inspections during FY 2022, but HUD did not process the waiver request due to the volume of requests. HASC did not confirm the waiver was approved, which was an oversight. Please see below for corrective action regarding approval of waivers. For FY 2023, Quality Control Inspections have already been initiated.

Failed Inspections-A spreadsheet has been created that will be utilized by the HQS Inspector and monitored by the Section 8 Program Manager. Each failed inspection will be added to the spreadsheet. The spreadsheet will document when the re-inspection is due and when HAP abatement is scheduled to take place. The spreadsheet will be reviewed on a weekly basis, by the Program Manager. This spreadsheet will increase inter-department communication and assist in following through with landlord communication and abatement when abatement is required.

**Name(s) of the contact person(s) responsible for corrective action:** Cathy Kerr

**Planned completion date for corrective action plan:** July 11, 2023



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# HOUSING AUTHORITY OF SKAGIT COUNTY

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2022-002      Housing Voucher Cluster – Assistance Listing No. 14.871

Recommendation: We recommend the Authority implements controls to ensure that a utility allowance review is performed annually. If waivers are requested, we recommend the Authority ensures the requested waivers are approved to ensure compliance.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: If HUD waivers are available and applied for, the Section 8 Program Manager will confirm approval of the waiver before implementing the requested waiver. The waiver approval will be reviewed by the Section 8 Program Manager and co-signed by another manager at HASC.

Name(s) of the contact person(s) responsible for corrective action: Cathy Kerr  
Planned completion date for corrective action plan: July 11, 2023



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# HOUSING AUTHORITY OF SKAGIT COUNTY

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## HOUSING AUTHORITY OF SKAGIT COUNTY SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED SEPTEMBER 30, 2022

U.S. Department of Housing and Urban Development

The Housing Authority of Skagit County respectfully submits the following summary schedule of prior audit findings for the year ended September 30, 2022.

Audit period: October 1, 2021 – September 30, 2022

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

### **FINDINGS—FINANCIAL STATEMENT AUDIT**

#### **2021 – 001 Financial Close Process**

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

**Status:** Corrective action was taken.

### **FINDINGS— FEDERAL AWARD PROGRAMS AUDITS**

There were no federal award program audit findings in the prior year.



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