



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

**Financial Statements and Federal Single Audit
Report**

Housing Authority City of Kennewick

Benton County

For the period July 1, 2013 through June 30, 2014

Published March 30, 2015

Report No. 1013883





Washington State Auditor
Troy Kelley

March 30, 2015

Board of Commissioners
Housing Authority City of Kennewick
Kennewick, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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FEDERAL SUMMARY

Housing Authority City of Kennewick Benton County July 1, 2013 through June 30, 2014

The results of our audit of the Housing Authority City of Kennewick are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the basic financial statements.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

- *Significant Deficiencies:* We identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Housing Authority's compliance with requirements applicable to each of its major federal programs.

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
14.850	Public and Indian Housing
14.871	Housing Voucher Cluster - Section 8 Housing Choice Vouchers

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The Housing Authority qualified as a low-risk auditee under OMB Circular A-133.

SCHEDULE OF FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

Housing Authority City of Kennewick Benton County July 1, 2013 through June 30, 2014

2014 – 001 The Authority did not have adequate internal controls to comply with requirements of its Public and Indian Housing federal grant program.

CFDA Number and Title:	14.850 Public and Indian Housing
Federal Grantor Name:	U.S. Department of Housing and Urban Development (HUD)
Federal Award/Contract Number:	WA01200113D and WA01200114D
Pass-through Entity Name:	NA
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$0

Background

The Kennewick Housing Authority manages low income housing opportunities in Benton County. The Housing Authority received \$388,259 for the Public and Indian Housing Program in fiscal year 2014. The program is designed to provide and operate cost effective, decent, safe and affordable dwellings for lower income families through an authorized local Public Housing Agency (PHA).

The assistance is made available from the operating fund through the annual contributions contract, which is a contract between HUD and the Housing Authority, whereby HUD agrees to provide assistance in the form of a subsidy and the Housing Authority agrees to comply with HUD requirements. The operating fund is to be used for the operation and management of public housing. Transfers out of the operating funds to provide temporary loans to other programs, which are not for public housing projects, within the Housing Authority are not allowable.

Description of Condition

The Housing Authority is responsible for designing and following internal controls that provide reasonable assurance regarding the compliance with all federal requirements. Our audit found the Housing Authority temporarily loaned

money from its operating fund to its business activities fund, which is not an allowable use of the operating funds.

We consider the control deficiency that led to the transfer of restricted funds to be a significant deficiency in internal controls.

Cause of Condition

Housing Authority staff did not know the transfer of operating funds was not an allowable use of public housing funds.

Effect of Condition and Questioned Costs

The Authority provided a temporary loan of \$107,557, transferring the funds from its public housing operating fund to its business activities fund for a land purchase related to its tax credit partnership. When the Authority was awarded a loan three months later, the Authority transferred the money back to Public housing. The Authority did not charge interest on the temporary loan.

Recommendation

We recommend the Housing Authority:

- Establish adequate internal controls to ensure compliance with all federal requirements for its Public and Indian Housing Program.
- Consult with HUD about repayment of interest on the temporary loan.

Housing Authority's Response

The Housing Authority will establish further internal controls to ensure compliance with all federal requirements for its Public and Indian Housing Program. The Housing Authority will consult HUD about repayment of interest on the temporary loan that was repaid this past year. The Housing Authority estimates the interest will be under \$20.00.

Auditor's Remarks

We appreciate the steps the Housing Authority is taking to resolve the issues. We will review the condition during our next audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 300, states in part:

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, Section 4, 14.850, Uses of Operating Funds, states:

The Operating Fund was established for the purpose of making assistance available to PHAs for the operation and management of public housing. Transfers out of the Operating Fund can only occur in very limited circumstances, such as when PHAs participate in the Moving to Work Demonstration Program (CFDA 14.881) authorized by 204(c)(1) of Title II of the Omnibus Consolidated Rescissions and Appropriations Act of 1996, Pub. L. No. 104-134, 110 Stat. 1321-282. This would preclude PHAs from using operating subsidy funds to provide temporary loans to other programs within the PHA. Timing differences in a pooled cash environment would not be considered as temporary loans. Inter-fund transactions indicate the existence of temporary loans. Inter-fund receivables are recorded on FDS line 144 (Inter program – due from). In particular, inter-fund receivables should be reviewed to determine whether they are satisfied on a timely basis. In addition, FDS lines 10020 (Operating Transfers Out) and 10094 (Transfers Between Programs and Projects – Out) could indicate whether transfers out of the Operating Fund have been made. If PHAs have transferred funding out of the operating fund, proper authorization from HUD

Government Auditing Standards, December 2011 Revision, paragraph 4.23, states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with

governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows:

Material weakness in internal control over compliance.

A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Remote. The chance of the future event or events occurring is slight.

Probable. The future event or events are likely to occur.

Significant deficiency in internal control over compliance. A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

**Housing Authority City of Kennewick
Benton County
July 1, 2013 through June 30, 2014**

Board of Commissioners
Housing Authority City of Kennewick
Kennewick, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Housing Authority City of Kennewick, Benton County, Washington, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated March 26, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described 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.

We also noted certain matters that we have reported to the management of the Housing Authority in a separate letter dated March 26, 2015.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

March 26, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**Housing Authority City of Kennewick
Benton County
July 1, 2013 through June 30, 2014**

Board of Commissioners
Housing Authority City of Kennewick
Kennewick, Washington

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

We have audited the compliance of the Housing Authority City of Kennewick, Benton County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The Housing Authority's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

Housing Authority's Response to Findings

The Housing Authority's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001 to be a material weakness.

Housing Authority's Response to Findings

The Housing Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized 'T' and 'K'.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

March 26, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Housing Authority City of Kennewick Benton County July 1, 2013 through June 30, 2014

Board of Commissioners
Housing Authority City of Kennewick
Kennewick, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Housing Authority City of Kennewick, Benton County, Washington, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 19.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the Housing Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority City of Kennewick, as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis information that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economics, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Financial Data Schedule and Actual Modernization Cost Certificates are supplementary information required by HUD. These schedules are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2015 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

March 26, 2015

FINANCIAL SECTION

Housing Authority City of Kennewick Benton County July 1, 2013 through June 30, 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014
Statement of Revenues, Expenses and Changes in Net Position – 2014
Statement of Cash Flows – 2014
Notes to the Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2014
Notes to the Schedule of Expenditures of Federal Awards – 2014
Financial Data Schedule- Entity Wide Balance Sheet Summary – 2014
Financial Data Schedule- Entity Wide Revenue and Expense Summary – 2014
Actual Modernization Cost Certificate – WA19P01250109
Actual Modernization Cost Certificate – WA19P01250110

HOUSING AUTHORITY CITY OF KENNEWICK
STATEMENT OF NET POSITION
June 30, 2014

	TOTAL
<u>ASSETS</u>	
Current Assets	
Cash & Cash Equivalents	\$673,219
Cash & Cash Equivalents - Restricted	\$462,724
Cash & Cash Equivalents - Restricted FSS Escrow	\$26,263
Cash & Cash Equivalents - Restricted Security Deposit	\$36,136
Accounts Receivable, net	\$13,267
Accounts Receivable, Other	\$208,044
Accounts Receivable, HUD	\$26,850
Prepays	\$128,832
TOTAL CURRENT ASSETS	\$1,575,335
Non-Current Assets:	
Land	\$488,062
Building and Improvements	\$14,384,700
Furniture, Equipment & Machinery - Dwellings	\$182,860
Furniture, Equipment & Machinery - Admin.	\$455,687
Accumulated Depreciation	(\$7,457,421)
Construction in Progress	\$139,641
Total Capital Assets	\$8,193,529
TOTAL NONCURRENT ASSETS	\$8,193,529
TOTAL ASSETS	\$9,768,864
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Accumulated Decrease in Fair Value of Hedging Derivatives	\$0
Deferred Loss on Refunding	\$0
Grants Paid in Advance	\$0
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$0
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$11,455
Accounts Payable, Other	\$887
Compensated Absences - Short Term	\$22,097
Tenant Security Deposits	\$36,620
Current portion of LT Debt-Mortgage Revenue	\$7,373
Other current Liabilities	\$76,776
TOTAL CURRENT LIABILITIES	\$155,208
NonCurrent Liabilities:	
LT Debt, Net of Current-Capital Projects/Mortgage	\$542,851
LT Debt - Housing Trust Fund Recoverable Grant	\$268,183
LT Debt - Home Loan Forgivable Loan	\$48,825
Compensated Absences NonCurrent	\$33,145
Noncurrent Liabilities-Other	\$34,422
TOTAL NONCURRENT LIABILITIES	\$927,426
TOTAL LIABILITIES	\$1,082,634
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Accumulated Increase in Fair Value of Hedging Derivatives	\$0
Deferred Service Concession Arrangement Receipts	\$0
Deferred Property Tax	\$0
Advance Payments of Property Tax	\$0
Advance Payments of Special Assessments	\$0
Deferred Gain on Refunding	\$0
Grants Received in Advance	\$0
TOTAL DEFERRED INFLOWS OF RESOURCES	\$0
<u>NET POSITION</u>	
Invested in Capital Assets	\$7,382,497
Restricted Net Position	
Public Housing Restricted	\$60,068
FSS Program Restricted	\$7,095
Mitchell Manor Operating Reserve	\$8,152
Mitchell Manor Replacement Reserve	\$48,521
HCV Program Restricted Cash	\$345,684
Unrestricted Net Position	\$834,213
TOTAL NET POSITION	\$8,686,230

The notes to the financial statements are an integral part of this statement

HOUSING AUTHORITY CITY OF KENNEWICK
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUES:	
Tenant Rent Revenue	\$463,024
Other Operating Revenue	<u>\$84,129</u>
Total Operating Revenues	<u>\$547,153</u>
OPERATING EXPENSES:	
Administrative Salaries	\$527,210
Compensated Absences	\$6,271
Auditing Fees	\$15,973
Employee Benefits Contribution	\$191,188
Other Operating - Administrative	\$292,876
Tenant Services - Other	\$9,314
Water	\$67,531
Electricity	\$32,574
Gas	\$3,153
Other Utilities Expense	\$42,174
Ordinary Maint & Oper - Labor	\$226,962
Ordinary Maint & Oper - Material/other	\$104,158
Ordinary Maint & Oper - Contract Costs	\$108,626
Ordinary Maint & Oper - Employee Benefits	\$95,094
Insurance Premiums	\$33,923
Protective Services Contracts	\$9,056
Other General Expense	\$16,008
Interest Expense	\$21,850
Depreciation	\$391,301
Housing Assistance Payments Housing Choice Vouchers	\$5,343,222
Total operating expenses	<u>\$7,538,464</u>
OPERATING INCOME (LOSS)	<u>(\$6,991,311)</u>
NONOPERATING REVENUES (EXPENSES):	
HUD Operating Subsidies	\$6,651,226
Other Government Grants	\$84,500
Interest and Dividend Income Non-restricted	\$682
Fraud Recovery	\$6,900
Gains (Losses) on Capital Asset Disposition	\$0
Other Nonoperating Revenue	\$52,887
Interest and Dividend Income Restricted	\$219
Total Nonoperating Revenues (Expenses)	<u>\$6,796,414</u>
Income Before Contributions, Transfers, Extraordinary and Special Items	(\$194,897) \$0
Capital Contributions	\$314,408
HUD Capital Grant	\$61,429
Extraordinary/Special Items	\$0
	<u>\$0</u>
CHANGE IN NET POSITION	<u>\$180,940</u>
Prior Period Adjustments	(\$112,967)
BEGINNING TOTAL NET POSITION, 6/30/13	<u>\$8,618,257</u>
ENDING TOTAL NET POSITION, 6/30/14	<u>\$8,686,230</u>

The notes to the financial statements are an integral part of this statement

Housing Authority City of Kennewick
Statement of Cash Flows
For the Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants	\$558,502
Payments to suppliers	(\$848,957)
Payments to employees	(\$1,140,451)
Payments for Housing Assistance	(\$5,343,222)
Net cash provided/(used) by operating activities	(\$6,774,128)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating subsidies and grants	\$6,717,747
Other government grants	\$397,420
Other	\$0
Net cash provided/(used) from noncapital finance activities	\$7,115,167

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants received	\$61,603
Purchases of capital assets	-\$143,852
Principal/Interest paid on capital debt	-\$21,850
Net cash provided /(used) from capital financing activities	-\$104,099

CASH FLOWS FROM INVESTING ACTIVITIES

Tenant Security Deposit	\$450
Interest on deposits	\$901
Other	\$103
Net cash provided (used) from investing activities	\$1,454

Net increase (decrease) in cash and cash equivalents	\$238,394
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Cash & cash equivalents at beginning of year	\$959,948
Cash & cash equivalents at end of year	\$1,198,342

Reconciliation of operating income to net cash provided by operating activities:

Adjustment to reconcile operating income to net cash provided by operating activities:

Operating income/(loss)	-\$6,991,311
Cash Provided (used) by operating activities:	
Depreciation expense	\$391,301
Changes in assets and liabilities:	
Accounts receivable Net of Allowance Doubtful Acct	\$1,385
Accounts Payable	-\$52,492
Prepays/Deferred Revenue	-\$128,832
Compensated Absences	\$5,821
Net cash provided by operating activities:	-\$6,774,128

The notes to the financial statements are an integral part of this statement

Housing Authority City of Kennewick
Statement of Cash Flow-Addendum
For the Year Ended June 30, 2014

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVIIES

Home Loan reduction of Long Term Liability Forgivable Loan	\$4,837
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Housing Authority City of Kennewick
Notes to the Financial Statements
For the year ended 6-30-14

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

Note 1. – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Housing Authority City of Kennewick conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The following is a summary of the most significant policies (including identification of those policies which result in departures from generally accepted accounting principles):

a. Reporting Entity

The Housing Authority City of Kennewick (KHA) is a municipal corporation governed by a City of Kennewick appointed six-member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. These financial statements present the Authority, the Primary Government, and its' Component Units. The Component Unit discussed below is included in the Authority's reporting entity because of the significance of their operational or financial relationships with the Authority

Basis of Accounting and Presentation

The accounting records of the KHA are maintained and reported in accordance with methods prescribed by the WA State Auditor under the authority of Chapter 43.09 RCW and the Federal Department of Housing and Urban Development. KHA must report using GAAP; however, it has the option to use either the single enterprise proprietary fund or special purpose governmental fund model. One exception to GAAP reporting is the Schedule of Expenditures of Federal Awards (SEFA). Housing authorities must report U S Department of Housing and Urban Development (HUD) ACC budget authority received during the fiscal year instead of expenditures on all programs as prescribed in the HUD Accounting Issue # 10.

KHA 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. The proprietary fund is comprised of a number of programs. These programs are designed to provide low income individuals with affordable housing.

KHA has elected to not present a Management's Discussions & Analysis (MD&A) report.

Programs

KHA reports the following major enterprise programs:

Low-Income housing program is comprised of 190 HUD subsidized Public Housing Units.

Capital Fund program is an annual fund for capital and other operating needs of selected Public Housing.

Business Activities is comprised of the 6-unit Mitchell Manor project, Delafield DVS duplex, and other business activities of KHA.

Section 8 Housing Choice Voucher (HCV) program has an ACC contract with the Federal Dept of Housing & Urban Development for a maximum of 975 vouchers.

Moderate Rehabilitation program is comprised of Columbia Park Apts, a 138-unit property owned by Intercoastal Group.

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

KHA applies GASB pronouncements and has not elected to apply Financial Accounting Standard Board (FASB) statements and Accounting Principles Board (APB) pronouncements after November 30, 1989.

b. Cash and Cash Equivalents

It is KHA's policy to invest all temporary cash surpluses. At June 30, 2014, KHA was holding \$733,287 in temporary unrestricted cash surplus. This amount is classified on the statement of net assets as cash and cash equivalents. At June 30, 2014, KHA was holding \$525,123 in temporary restricted surplus cash surplus. This amount is classified on the statement of net assets as cash and cash equivalents – restricted.

For purposes of the statement of cash flows, KHA considers all highly liquid investments (including restricted assets) with a maturity date of three months or less when purchased to be cash equivalents.

c. Capital Assets and Depreciation – See Note 4

d. Restricted Assets

In accordance with bond resolutions (and certain related agreements) separate restricted accounts are required to be established. The assets held in these accounts are restricted for specific uses, included construction, debt service and other reserve requirements. Restricted resources currently include the following:

Cash and Investments - Public Housing	\$60,068
Cash and Investments - Section 8 HCV	\$345,983
Cash and Investments - Section 8 HCV-FSS Escrow	\$26,263
Cash and Investments - Tenant Security Deposits	\$36,136
Mitchell Manor Operating Reserve	\$8,152
Mitchell Manor Replacement Reserve	\$48,521
Total	\$525,123

e. Receivables

Accounts receivable, net consist of amount owed from tenants for housing services including repayment agreements, move out charges, rent and miscellaneous charges. When all efforts to collect directly from the tenant fail, the account is turned over to a collection agency and the account is charged to collection loss.

Accounts Receivable, Other include a note in the amount of \$198,362 for payments the Housing Authority expended previously for the Nueva Vista project (currently under construction) and will receive reimbursement for in the next fiscal year.

f. Inventories

Inventories are valued by the FIFO method which approximates the market value.

g. Investments – See Note 3

h. Operating Revenues/Expenses

KHA reports operating revenues as defined in GASB 9. Operating revenues result from fees and charges in providing services in connection with the ongoing operations of providing low-income housing. Operating subsidies and grants are reported as non-operating revenues and are presented as cash flows from non-capital financing activities in the statement of cash flows. Operating expenses are those expenses that are directly incurred in the operation of providing low-income housing.

i. Compensated Absences

Compensated Absences are absences which employees may be paid vacation/and or sick leave. The Housing Authority records unpaid leave for compensated absences as an expense when incurred and a liability at year end for accrued compensated absences due.

Paid leave accumulates according to the following schedule:

Exempt and Non-Exempt employees' annual vacation leave per years of service:

1 – 5 years	10 hours/month (to maximum of 160 hours)
6 – 10 years	12 hours/month (to maximum of 240 hours)
11 – 15 years	14 hours/month (to maximum of 240 hours)
16 + years	16 hours/month (to maximum of 240 hours)

Exempt and Non-Exempt Employees annual sick leave:

8 hours/month (to maximum of 560 hours)

Part-time employees accrue leave on a pro-rated basis.

Vacation leave is 100% payable and sick leave is payable at 25% on termination of employment unless terminated for gross misconduct or without giving at least two (2) weeks notice prior to terminating employment.

Note 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There were no violations of finance-related, legal or contractual provisions.

Note 3 – DEPOSITS AND INVESTMENTS

A. Deposits

The Housing Authority's deposits and certificates of deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institutions collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

B. Investments

The Housing Authority's investments are recorded at market value, which approximates historical cost.

The Housing Authority's savings and certificates of deposits are covered by the federal depository insurance (FDIC) or by collateral held in a multiple financial institutions collateral pool administered by the WA Public Deposit Protection Commission (PDPC).

As of the year ended June 30, 2014, the Housing Authority had no funds considered investments.

Note 4 – CAPITAL ASSETS AND DEPRECIATION

- A. Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Board Resolution #865 (10/26/2004) established a capitalization policy threshold amount of \$3,000. Maintenance repairs and minor renewals are accounted for as expenses when incurred. Obligations under capital leases are disclosed in Note 7. All capital leases are valued at historical cost or estimated historical cost, where historical cost is not known assets are recorded at estimated historical cost. Donations are recorded at fair market value at the recorded fair market value at the time of donation or the appraised value.

The Housing Authority has acquired certain assets with funding provided by the federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the Housing Authority has sufficient legal

interest to accomplish the purposes for which the assets were acquired and has included such assets within the applicable account.

Depreciation is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method with useful lives of 3 to 40 years.

B. Capital asset activity for the year ended June 30, 2014 was as follows:

Description	Beg Bal 7-01-13	Increases	Decreases	End Bal 6-30-14
Capital assets not depreciated:				
Land	\$65,218	\$422,844		\$488,062
Construction in Progress	\$781,688		-\$642,047	\$139,641
Total Capital assets not depreciated	\$846,906			\$627,703
Capital assets being depreciated:				
Buildings and Improvements	\$14,539,489		-\$154,789	\$14,384,700
Furn, Equip & Machinery-Dwellings	\$301,974		-\$119,114	\$182,860
Furn, Equip & Machinery-Administration	\$440,348	\$15,339		\$455,687
Total Assets being depreciated	\$15,281,811			\$15,023,247
Less accumulated depreciation	-\$7,966,416		\$508,995	-\$7,457,421
Total capital assets being depreciated, net	\$7,315,395			\$7,565,826
TOTAL CAPITAL ASSETS, NET	\$8,162,301			\$8,193,529

Note 5 – CONSTRUCTION IN PROGRESS

Construction in progress represents expenses to date on Capital Housing projects whose authorizations total \$139,641. Of the committed balance of \$139,641, the authority will raise \$0 in future financing.

Note 6 –SHORT TERM DEBT

During the year ended 6-30-14, the following changes occurred in short term liabilities:

Description	Beg Bal 7/1/2013	Additions 2013-2014	Reductions 2013-2014	End Bal 6/30/2014
Accounts Payable	\$29,898		-\$17,556	\$12,342
Compensated Absences	\$19,589	\$2,508		\$22,097
Tenant Security Deposits	\$36,170	\$450		\$36,620
Current Portion LT Debt	\$7,205	\$168		\$7,373
Performance Bid Contract	\$0	\$60,068		\$60,068
Other Current Liabilities	\$6,029	\$10,679		\$16,708

Note 7 – LEASE COMMITMENTS

The Housing Authority is committed under various leases for 2014. These leases are considered operating leases for accounting purposes. Lease expense for the year ended 6-30-14 was \$23,171. Future rental commitments for these leases are as follows:

2015	\$23,171
2016	\$26,272
2017	\$26,272
2018	\$26,647
2019	\$26,272

Note 8 – LONG TERM DEBT AND LIABILITIES

A. Long-Term Debt

- a) \$268,183 – WA Housing Trust Fund recoverable grant
WA Housing Trust Fund recoverable grant is conditional on Mitchell Manor project providing low-income households with physically disabled individuals who at the time of initial occupancy have gross annual incomes at or below 50% of the median income for the Tri Cities MSA, as adjusted annually by HUD. Rents charged to tenants may not exceed 30% of the monthly income of the target population. The length of commitment to serve the target population will be 40 (forty) years ending February 28, 2045.

- b) The Housing Authority has the following other Non-Current Liabilities:

- \$33,145 Long Term Compensated Absences
 - \$26,263 S8 FSS Escrow Deposits
 - \$ 7,798 MM Operating Reserve

A capital contribution in the form of a recoverable grant was received from Federal Home Loan bank of Cincinnati, in the amount of \$84,000 contingent on Mitchell Manor providing low-income households with a disabled person in the household, who at initial occupancy have gross annual income at or below the Tri Cities, WA MSA adjusted for family size, as estimated by HUD, for a commitment period of 15 (fifteen) years ending May 5, 2020.

- c) Real Estate Mortgages

The Housing Authority has long and short term loans secured by capital assets. These loans were used to acquire capital assets that provide low-come housing. They are being re-paid from revenues generated by the Authority.

Description	Original	Issue Date	Interest Rate	Amount Outstanding
120 S Benton St	\$122,586	7/1/2004	5.495	\$117,851
Home Forgivable Loan	\$58,051	1/21/2004	0	\$48,825
Impact Capital	\$425,000	11/8/2013	6.5	\$425,000
Total	\$605,637			\$591,676

The 120 S Benton St loan is the balance of the mortgage for the Mitchell Manor project.

The \$96,750 Home Loan was for construction of Mitchell Manor project and is forgivable at a rate of 5% (4,837) per year, contingent on the Housing Authority will provide housing to low-income household who has a disabled person in the household, who at initial occupancy have gross annual incomes at or below 50% of The local area median income for the Tri Cities MSA adjusted for family size as estimated from time to time by HUD for a commitment period of 20 (twenty) years ending April 1, 2025.

The \$425,000 Impact Capital loan is a term loan for acquisition costs for the Housing Authority's Nueva Vista project currently under construction. This loan was repaid by the Housing Authority at closing of the property in late 2014.

d) Service requirements to maturity for mortgages are as follows:

Year Ending June 30, 2014	Principal	Interest
2015	\$431,923	\$12,373
2016	\$7,081	\$7,826
2017	\$7,295	\$7,620
2018	\$7,470	\$7,485
2019-2024	\$39,638	\$34,350
2025-2030	\$34,605	\$18,153
2031-2036	\$13,688	\$5,120

e) During the year ended June 30, 2014 the following changes occurred in Long-term liabilities:

Description	Bal @ 7-01-13	Additions	Reductions	Bal @ 6-30-14
Home Forgivable Loan	\$53,213		\$4,388	\$48,825
Mitchell Manor Mortgage	\$120,219		\$2,368	\$117,851
Compensated Absences	\$29,382	\$3,763		\$33,145
Impact Capital Loan	\$0	\$425,000		\$425,000
Other Liabilities	\$40,651		\$6,229	\$34,422

Note 9 – Pension Plans

Substantially all Housing Authority full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements 27, *Accounting for Pensions by State and Local Government Employers* and 50, *Pension Disclosures, an Amendment of GASB Statements 25 and 27*.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five

and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 percent for each year before age 65; or

- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Terminated Plan Members Nonvested	101,191
Total	368,272

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

Both the Housing Authority City of Kennewick and the employees made the required contributions. The Housing Authority's required contributions for the years indicated were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
6/30/2014	\$0.00	\$52,881.55	\$11,320.63
6/30/2013	\$0.00	\$40,530.07	\$7,838.63
6/30/2012	\$0.00	\$41,924.28	\$7,788.90

Note 10 – Major Component Unit Information

There were no major component units.

Note 11 – Material Related Party Transactions

There were no related party transactions for the year.

Note 12 – Accounting Changes

There were no significant changes.

Note 13 – Prior Period Adjustments and Correction of Errors

There were prior period adjustments and/or corrections for overstated assets this year in the amount of \$112,967.

Note 14 – Contingencies and Litigation

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

Note 15 – Subsequent Events

Kennewick Affordable Housing LLLP

The partnership was formed as a limited liability limited partnership under the laws of the state of Washington on January 6, 2014. The partnership was formed to acquire, develop, construct, improve, maintain, own, operate, lease and dispose of a Thirty Two (32) unit apartment complex known as Nueva Vista Apartments located at 386 N Union Street in the City of Kennewick, WA, to provide residential housing for persons or families at or below 50% of AMI with a 50% homeless set aside and a 20% set aside for persons with disabilities.

Twenty (20) units will have project based assistance. The project is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code of 1986. As amended. The land is leased by Housing Authority City of Kennewick to the partnership. When formed, the sole general partner was the Housing Authority City of Kennewick. In December, 2014 the Kennewick Affordable Housing LLLP partnership agreement was revised to add PNC Bank as a limited partner with 99.09% interest in the partnership with Housing Authority City of Kennewick as the general partner with a .01% interest. All profits and losses are allocated 0.01 percent to the general partner and 99.99 percent to the limited partner. Year 15 for Kennewick Affordable Housing Limited Liability Limited Partnership is 2030.

On April 24, 2014, the Housing Authority was awarded \$4,822,446 allocation of tax credits from the WA State Housing Finance Commission's Low Income Housing Tax Credit (LIHTC) program and the WA State Housing Trust Fund awarded funds in the amount of \$1,107,720 for the Nueva Vista Project, currently under construction. Nueva Vista is a 32 unit project that began construction in January 2015 to provide residential housing for persons or families at or below 50% of AMI with a 50% homeless set aside and a 20% set aside for persons with disabilities. Twenty (20) units will have project based assistance An LLLP partnership was formed in 2014 with the Housing Authority as sole partner. In December 2014 PNC Bank was added to the partnership with the Housing Authority as the general partner. The Housing Authority has Allocated 20 (twenty) vouchers from the Housing Authority HCV program voucher allocation to be Project based at Nueva Vista beginning in January 2016.

Note 16 – Joint Ventures

There were no joint ventures during this fiscal year.

Note 17 – Risk Management

HARRP (Housing Authorities Risk Retention Pool)

The Housing Authority of the City Kennewick is a member of the Housing Authorities Risk Retention Pool (HARRP).

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

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

General liability (including tenant discrimination) and Errors & Omissions coverage (which includes Employment Practices Liability) is written on a claims made basis, and the members are responsible for are none, or \$2,500 or 10% of the incurred costs of the claims. (Due to special underwriting circumstances, some members may be subject to a greater E&O co-payment.) The Property coverage offered by HARRP is on a replacement cost basis with deductibles ranging from \$1,000 to \$25,000. Fidelity coverage, with limits of \$100,000 (with options up to \$500,000) for employee dishonesty and forgery or alteration and \$10,000 for theft are also provided with deductibles the same as for Property.

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utomobile deductibles range from \$250 to \$500 per occurrence (varies) SIR \$2,000,000 per Occurrence; SIR Auto Physical damage is covered for the Actual Cash Value; SIR Bodily injury & property damage is \$2,000,000 per occurrence and reinsurance is \$1,000,000 per occurrence.

Coverage limits for General Liability, Errors & Omissions and Property are \$1,000,000 per occurrence and \$1,000,000 of reinsurance is secured to provide higher limit coverage on both property and general liability lines. Additionally, HARRP secures \$45,000,000 in excess of the underlying \$2,000,000 for property losses through an additional excess insurance policy. The HARRP Board of Directors determines the limits and coverage terms at its sole discretion.

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

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

	<u>2013</u>	<u>2012</u>
Losses and loss adjustment expense reserves, at Beginning of Year	<u>\$5,506,045</u>	<u>\$3,183,856</u>
Incurred losses and loss Adjustment Expenses:		
Provision for covered Events of the Current Year	7,359,264	5,386,896
Increase (Decrease) in Provision for Covered Events of Prior Years	<u>776,488</u>	<u>806,423</u>
Total Incurred losses and loss Adjustment Expenses	<u>\$8,135,752</u>	<u>\$6,193,319</u>
Payments:		
losses and loss Adjustment Expenses Attributable to covered Events of the Current Year	3,759,633	1,380,908
Losses and loss adjustment Expenses Attributable to covered Events of Prior Years	<u>4,234,068</u>	<u>2,490,222</u>
Total Payments	<u>7,993,701</u>	<u>3,871,130</u>
Loss and loss adjustment expense reserves, end of year	<u>\$5,648,096</u>	<u>\$5,506,045</u>

Detail of Losses and loss adjustment expense reserves	3,953,667	3,854,232
Current Portion	<u>1,694,429</u>	<u>1,651,813</u>
Long Term Portion	<u>\$5,648,096</u>	<u>\$5,506,045</u>

* From HAARP (Housing Authority Risk Retention Pool and Subsidiary) 2013 Annual Report

HOUSING AUTHORITY CITY OF KENNEWICK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

1	2	3	4	5	
Federal Agency Name/Pass- through Agency Name	Federal Program Name	CFDA Number	Other Identification Number	From Pass- Through Awards	From Direct Awards
City of Kennewick	Community & Development Block Grant	14.218		\$84,500	
	US Dept of HUD Direct Awards:				
	Public & Indian Housing	14.850	WA01200113D		\$178,791
	Public & Indian Housing	14.850	WA01200114D		\$209,468
	Section 8 HCV	14.871	WA012VO		\$4,969,326
	Section 8 HCV - Moderate Rehabilitation	14.856	WA012MR0001		\$1,075,248
	Public Housing Capital Fund Program	14.872	WA19P012501-11		\$96,729
	Public Housing Capital Fund Program	14.872	WA19P012501-12		\$110,740
	Public Housing Capital Fund Program	14.872	WA19P012501-13		\$44,810
	Total Public Housing Capital Fund Program				\$252,279
	Total US Dept of HUD Awards:				\$6,685,112
	Total Expenditures of Federal Awards			\$84,500	\$6,685,112

MCAG # 1497

Housing Authority City of Kennewick

Notes to the Schedule of Expenditures of Federal Awards

July 1, 2013 through June 30, 2014

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Housing Authority's financial statements.

In accordance with generally accepted accounting principles the Housing Authority uses the full-accrual basis of accounting: revenues are recognized when earned; and expenses are recognized when incurred.

NOTE 2 – PROGRAM COSTS

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

NOTE 3 - GAAP REPORTING EXCEPTION - Schedule of Expenditures of Federal Awards (SEFA).
On the Schedule of Expenditures of Federal Awards (SEFA) a departure from GAAP reporting: Housing Authorities must report US Dept of Housing & Urban Development (HUD) ACC budget authority received during the Fiscal Year instead of expenditures on all HUD programs-Per HUD Accounting Brief # 10

	Project Total	14,871 Housing Choice Vouchers	9 Other Federal Program 2	1 Business Activities	Subtotal	Total
111 Cash - Unrestricted	\$339,585	\$95,687	\$69,790	\$168,157	\$673,219	\$673,219
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted	\$34,779	\$372,246		\$56,673	\$428,919	\$428,919
114 Cash - Tenant Security Deposits	\$60,068			\$1,357	\$36,136	\$36,136
115 Cash - Restricted for Payment of Current Liabilities	\$434,432	\$467,933	\$69,790	\$226,187	\$1,198,342	\$60,068
100 Total Cash						\$1,198,342
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects	\$26,850				\$26,850	\$26,850
124 Accounts Receivable - Other Government	\$9,682				\$9,682	\$9,682
125 Accounts Receivable - Miscellaneous	\$12,168			\$198,362	\$198,362	\$198,362
126 Accounts Receivable - Tenants	-\$292			\$1,391	\$13,559	\$13,559
126.1 Allowance for Doubtful Accounts - Tenants	\$0			\$0	-\$292	-\$292
126.2 Allowance for Doubtful Accounts - Other				\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery						
128.1 Allowance for Doubtful Accounts - Fraud						
129 Accrued Interest Receivable	\$48,408	\$0	\$0	\$199,753	\$248,161	\$248,161
120 Total Receivables, Net of Allowances for Doubtful Accounts						
131 Investments - Unrestricted						
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability	\$10,358			\$118,474	\$128,832	\$128,832
142 Prepaid Expenses and Other Assets						
143 Inventories						
143.1 Allowance for Obsolete Inventories						
144 Inter Program Due From						
145 Assets Held for Sale	\$493,198	\$467,933	\$69,790	\$544,414	\$1,575,335	\$1,575,335
150 Total Current Assets	\$50,247			\$437,815	\$488,062	\$488,062
161 Land	\$13,619,267			\$765,433	\$14,384,700	\$14,384,700
162 Buildings	\$182,860				\$182,860	\$182,860
163 Furniture, Equipment & Machinery - Dwellings						

	Project Total	14.871 Housing Choice Vouchers	9 Other Federal Program 2	1 Business Activities	Subtotal	Total
164 Furniture, Equipment & Machinery - Administration	\$455,168			\$519	\$455,687	\$455,687
165 Leasehold Improvements						
166 Accumulated Depreciation	-\$7,214,339			-\$243,082	-\$7,457,421	-\$7,457,421
167 Construction in Progress	\$139,641				\$139,641	\$139,641
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$7,232,844	\$0	\$0	\$960,685	\$8,193,529	\$8,193,529
171 Notes, Loans and Mortgages Receivable - Non-Current						
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due						
173 Grants Receivable - Non Current						
174 Other Assets						
176 Investments in Joint Ventures						
180 Total Non-Current Assets	\$7,232,844	\$0	\$0	\$960,685	\$8,193,529	\$8,193,529
200 Deferred Outflow of Resources						
290 Total Assets and Deferred Outflow of Resources	\$7,726,042	\$467,933	\$69,790	\$1,505,099	\$9,768,864	\$9,768,864
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$1,199			\$10,256	\$11,455	\$11,455
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$7,336	\$8,691	\$582	\$305	\$16,914	\$16,914
322 Accrued Compensated Absences - Current Portion	\$13,986	\$6,882	\$853	\$376	\$22,097	\$22,097
324 Accrued Contingency Liability						
325 Accrued Interest Payable				\$681	\$681	\$681
331 Accounts Payable - HUD PHA Programs						
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government				\$2,200	\$36,620	\$36,620
341 Tenant Security Deposits	\$34,420					
342 Unearned Revenue						
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				\$7,373	\$7,373	\$7,373
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities						

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14.871 Housing Choice Vouchers	9 Other Federal Program 2	1 Business Activities	Subtotal	Total
346 Accrued Liabilities - Other	\$60,068				\$60,068	\$60,068
347 Inter Program - Due To						
348 Loan Liability - Current						
310 Total Current Liabilities	\$117,009	\$15,573	\$1,435	\$21,191	\$155,208	\$155,208
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				\$811,034	\$811,034	\$811,034
352 Long-term Debt, Net of Current - Operating Borrowings						
353 Non-current Liabilities - Other	\$361	\$26,263		\$56,623	\$83,247	\$83,247
354 Accrued Compensated Absences - Non Current	\$20,979	\$10,323	\$1,279	\$564	\$33,145	\$33,145
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities						
350 Total Non-Current Liabilities	\$21,340	\$36,586	\$1,279	\$868,221	\$927,426	\$927,426
300 Total Liabilities	\$138,349	\$52,159	\$2,714	\$889,412	\$1,082,634	\$1,082,634
400 Deferred Inflow of Resources						
508.4 Net Investment in Capital Assets	\$7,232,844			\$149,651	\$7,382,495	\$7,382,495
511.4 Restricted Net Position	\$60,068	\$345,684		\$63,768	\$469,520	\$469,520
512.4 Unrestricted Net Position	\$294,781	\$70,090	\$67,076	\$402,268	\$834,215	\$834,215
513 Total Equity - Net Assets / Position	\$7,587,693	\$415,774	\$67,076	\$615,687	\$8,686,230	\$8,686,230
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$7,726,042	\$467,933	\$69,790	\$1,505,099	\$9,768,864	\$9,768,864

HA City of Kennewick (WA012)
KENNEWICK, WA

Entity Wide Revenue and Expense Summary

Submission Type:	Audited/A-133	Fiscal Year End: 06/30/2014					Total
		Project Total	Housing Choice Vouchers	9 Other Federal Program 2	1 Business Activities	Subtotal	Total
70300 Net Tenant Rental Revenue	14,871	\$440,433			\$22,591	\$463,024	\$463,024
70400 Tenant Revenue - Other		\$64,225			\$12,928	\$77,153	\$77,153
70500 Total Tenant Revenue		\$504,658	\$0	\$0	\$35,519	\$540,177	\$540,177
70600 HUD PHA Operating Grants		\$579,109	\$4,969,326	\$1,075,248		\$6,623,683	\$6,623,683
70610 Capital Grants		\$61,429				\$61,429	\$61,429
70710 Management Fee							
70720 Asset Management Fee							
70730 Book Keeping Fee							
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue							
70800 Other Government Grants		\$84,500			\$314,408	\$398,908	\$398,908
71100 Investment Income - Unrestricted		\$575	\$14		\$93	\$682	\$682
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets		\$130				\$6,900	\$6,900
71400 Fraud Recovery		\$26,468	\$5,467	\$1,303		\$87,406	\$87,406
71500 Other Revenue			\$26,006	\$3,001	\$31,931		
71600 Gain or Loss on Sale of Capital Assets							
72000 Investment Income - Restricted		\$1,256,869	\$219			\$219	\$219
70000 Total Revenue		\$1,924,366	\$5,001,032	\$1,079,552	\$381,951	\$7,719,404	\$7,719,404
91100 Administrative Salaries		\$8,306	\$252,190	\$80,503	\$2,081	\$527,210	\$527,210
91200 Auditing Fees			\$6,549	\$958	\$160	\$15,973	\$15,973
91300 Management Fee							
91310 Book-keeping Fee							
91400 Advertising and Marketing							
91500 Employee Benefit contributions - Administrative		\$54,806	\$115,095	\$19,685	\$1,602	\$191,188	\$191,188
91600 Office Expenses			\$99,799	\$15,518	\$7,263	\$122,580	\$122,580

HA City of Kennewick (WA012)
KENNEWICK, WA

Entity Wide Revenue and Expense Summary

Submission Type:	Audited/A-133	Fiscal Year End: 06/30/2014	1 Business Activities	9 Other Federal Program 2	Housing Choice Vouchers	Project Total	14,871	Subtotal	Total
91700 Legal Expense	\$9			\$6,707	\$54,766	\$9		\$61,482	\$61,482
91800 Travel	\$16,695			\$801	\$6,219	\$16,695		\$23,715	\$23,715
91810 Allocated Overhead									
91900 Other	\$66,503			\$670		\$66,503		\$67,173	\$67,173
91000 Total Operating - Administrative	\$338,755			\$124,842	\$534,618	\$338,755		\$1,009,321	\$1,009,321
92000 Asset Management Fee									
92100 Tenant Services - Salaries	\$4,350					\$4,350		\$4,350	\$4,350
92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services									
92400 Tenant Services - Other	\$1,355			\$3,609		\$1,355		\$4,964	\$4,964
92500 Total Tenant Services	\$5,705			\$3,609		\$5,705		\$9,314	\$9,314
93100 Water	\$62,892					\$62,892		\$67,531	\$67,531
93200 Electricity	\$31,032					\$31,032		\$32,574	\$32,574
93300 Gas	\$2,973					\$2,973		\$3,153	\$3,153
93400 Fuel									
93500 Labor									
93600 Sewer									
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense	\$1,708					\$1,708		\$1,708	\$1,708
93000 Total Utilities	\$98,605			\$0	\$0	\$98,605		\$104,966	\$104,966
94100 Ordinary Maintenance and Operations - Labor	\$221,482					\$221,482		\$226,962	\$226,962
94200 Ordinary Maintenance and Operations - Materials and Other	\$94,652					\$94,652		\$104,159	\$104,159
94300 Ordinary Maintenance and Operations Contracts	\$164,467					\$164,467		\$167,686	\$167,686
94500 Employee Benefit Contributions - Ordinary Maintenance	\$91,887					\$91,887		\$95,094	\$95,094
94000 Total Maintenance	\$572,488			\$0	\$0	\$572,488		\$593,901	\$593,901

HA City of Kennewick (WA012)
KENNEWICK, WA

Entity Wide Revenue and Expense Summary

Submission Audited/A-133
n Type:

Fiscal Year End: 06/30/2014

	Project Total	Housing Choice Vouchers	9 Other Federal Program 2	1 Business Activities	Subtotal	Total
95100 Protective Services - Labor	\$0	14,871			\$0	\$0
95200 Protective Services - Other Contract Costs	\$8,634				\$8,634	\$8,634
95300 Protective Services - Other	\$422				\$422	\$422
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$9,056	\$0	\$0	\$0	\$9,056	\$9,056
96110 Property Insurance	\$22,027				\$22,027	\$22,027
96120 Liability Insurance		\$2,895	\$1,134	\$1,312	\$5,341	\$5,341
96130 Workmen's Compensation						
96140 All Other Insurance	\$3,475	\$2,569	\$386	\$126	\$6,556	\$6,556
96100 Total Insurance Premiums	\$25,502	\$5,464	\$1,520	\$1,438	\$33,924	\$33,924
96200 Other General Expenses		\$276		\$456	\$732	\$732
96210 Compensated Absences	\$3,756	\$2,067	\$251	\$197	\$6,271	\$6,271
96300 Payments in Lieu of Taxes						
96400 Bad debt - Tenant Rents	\$14,606				\$14,606	\$14,606
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$18,362	\$2,343	\$251	\$653	\$21,609	\$21,609
96710 Interest of Mortgage (or Bonds) Payable				\$21,850	\$21,850	\$21,850
96720 Interest on Notes Payable (Short and Long Term)						
96730 Amortization of Bond Issue Costs						
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$21,850	\$21,850	\$21,850
96900 Total Operating Expenses	\$1,068,473	\$546,034	\$126,613	\$62,821	\$1,803,941	\$1,803,941

HA City of Kennewick (WA012)
KENNEWICK, WA

Entity Wide Revenue and Expense Summary

Submission Type:	Audited/A-133	Fiscal Year End: 06/30/2014	1 Business Activities	9 Other Federal Program 2	Housing Choice Vouchers	Project Total	Subtotal	Total
97000 Excess of Operating Revenue over Operating Expenses			\$319,130	\$952,939	\$4,454,998	\$188,396	\$5,915,463	\$5,915,463
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments				\$1,075,401	\$4,267,821		\$5,343,222	\$5,343,222
97350 HAP Portability-In								
97400 Depreciation Expense						\$362,407	\$391,301	\$391,301
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses			\$91,715	\$1,202,014	\$4,813,855	\$1,430,880	\$7,538,464	\$7,538,464
10010 Operating Transfer In								
10020 Operating transfer Out								
10030 Operating Transfers from/to Primary Government			\$0				\$0	\$0
10040 Operating Transfers from/to Component Unit								
10050 Proceeds from Notes, Loans and Bonds								
10060 Proceeds from Property Sales								
10070 Extraordinary Items, Net Gain/Loss								
10080 Special Items (Net Gain/Loss)								
10091 Inter Project Excess Cash Transfer In								
10092 Inter Project Excess Cash Transfer Out								
10093 Transfers between Program and Project - In								
10094 Transfers between Project and Program - Out								
10100 Total Other financing Sources (Uses)			\$0	\$0	\$0	\$0	\$0	\$0

HA City of Kennewick (WA012)
KENNEWICK, WA

Entity Wide Revenue and Expense Summary

Submission Audited/A-133

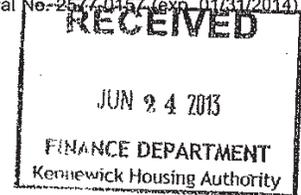
Fiscal Year End: 06/30/2014

Submission Type:	Project Total	Housing Choice Vouchers	9 Other Federal Program 2	1 Business Activities	Subtotal	Total
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$174,011	\$187,177	-\$122,462	\$290,236	\$180,940	\$180,940
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$7,205	\$7,205	\$7,205
11030 Beginning Equity	\$7,874,671	\$228,597	\$189,538	\$325,451	\$8,618,257	\$8,618,257
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$112,967				-\$112,967	-\$112,967
11050 Changes in Compensated Absence Balance						
11060 Changes in Contingent Liability Balance						
11070 Changes in Unrecognized Pension Transition Liability						
11080 Changes in Special Term/Severance Benefits Liability						
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents						
11100 Changes in Allowance for Doubtful Accounts - Other						
11170 Administrative Fee Equity		\$71,932			\$71,932	\$71,932
11180 Housing Assistance Payments Equity		\$343,842			\$343,842	\$343,842
11190 Unit Months Available	2280	11700	1656	20	15656	15656
11210 Number of Unit Months Leased	2250	10499	1656	20	14425	14425
11270 Excess Cash	\$292,696				\$292,696	\$292,696
11610 Land Purchases	\$0				\$0	\$0
11620 Building Purchases	\$0				\$0	\$0
11630 Furniture & Equipment - Dwelling Purchases	\$61,429				\$61,429	\$61,429
11640 Furniture & Equipment - Administrative Purchases	\$90,653				\$90,653	\$90,653
11650 Leasehold Improvements Purchases	\$0				\$0	\$0
11660 Infrastructure Purchases	\$0				\$0	\$0
13510 CFFP Debt Service Payments	\$0				\$0	\$0
13901 Replacement Housing Factor Funds	\$0				\$0	\$0

**Actual Modernization
Cost Certificate**

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0157 (exp. 01/31/2014)



Comprehensive Improvement Assistance Program (CIAP)
Comprehensive Grant Program (CGP)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

This collection of information requires that each Housing Authority (HA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

HA Name: Housing Authority City of Kennewick	Modernization Project Number: WA19P01250109
---	--

The HA hereby certifies to the Department of Housing and Urban Development as follows:

- That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Modernization Grant, is as shown below:

A. Original Funds Approved	\$ 298,135
B. Funds Disbursed	\$ 298,135
C. Funds Expended (Actual Modernization Cost)	\$ 298,135
D. Amount to be Recaptured (A-C)	\$ 0
E. Excess of Funds Disbursed (B-C)	\$ 0
- That all modernization work in connection with the Modernization Grant has been completed;
- That the entire Actual Modernization Cost or liabilities therefor incurred by the HA have been fully paid;
- That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work; and
- That the time in which such liens could be filed has expired.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Signature of Executive Director & Date:

X *Terrie Greiner*

Interim Executive Director- Terrie Greiner 6-11-13

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator)

X *[Signature]*

Date:

06-19-2013

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)

X

Date:

Approved: (Director, Office of Public Housing / ONAP Administrator)

Date:

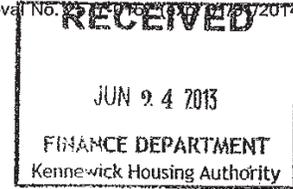
X

form HUD-53001 (10/96)
ref Handbooks 7485.1 &.3

**Actual Modernization
Cost Certificate**

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2530-0047 (03/2011)



Comprehensive Improvement Assistance Program (CIAP)
Comprehensive Grant Program (CGP)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

This collection of information requires that each Housing Authority (HA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

HA Name: Housing Authority City of Kennewick	Modernization Project Number: WA19P01250110
---	--

The HA hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Modernization Grant, is as shown below:

A. Original Funds Approved	\$ 291,843
B. Funds Disbursed	\$ 291,843
C. Funds Expended (Actual Modernization Cost)	\$ 291,843
D. Amount to be Recaptured (A-C)	\$ 0
E. Excess of Funds Disbursed (B-C)	\$ 0

2. That all modernization work in connection with the Modernization Grant has been completed;
3. That the entire Actual Modernization Cost or liabilities therefor incurred by the HA have been fully paid;
4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work; and
5. That the time in which such liens could be filed has expired.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Signature of Executive Director & Date:

X *Terrie Greiner*

Interim Executive Director- Terrie Greiner 6-11-13

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator)

X *[Signature]*

Date:

06/19/2013

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)

X

Approved: (Director, Office of Public Housing / ONAP Administrator)

X

Date:

Date:

form HUD-53001 (10/96)
ref Handbooks 7485.1 & 3

**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED
UNDER OMB CIRCULAR A-133**

**Housing Authority City of Kennewick
Benton County
July 1, 2013 through June 30, 2014**

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the Housing Authority City of Kennewick.

Finding ref number: 2014-001	Finding caption: The Authority did not have adequate internal controls to comply with requirements of its Public Housing federal grant program.
Name, address, and telephone of auditee contact person: Terrie Griener, Finance Officer 509-586-8576	
Corrective action the auditee plans to take in response to the finding: <i>The Housing Authority will revise internal controls and the Authority's Accounting Manual in order to be in compliance with requirements of the Public Housing Federal Grant Program. The Housing Authority will explore contracting with a third party contractor knowledgeable about the Authority's programs and the requirements of the OMB Circular A-133 in order to strengthen existing internal controls. The Finance Director will attend additional training in the next fiscal year including Casterline, a CPA firm specializing in Housing Authority Accounting and WSCPA/AGA training. The Housing Authority will discuss with HUD the request and approval process prior to any future inter-fund loans.</i>	
Anticipated date to complete the corrective action: December 2015	

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