



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

**Financial Statements and Federal Single Audit
Report**

Housing Authority of the City of Kelso

Cowlitz County

For the period April 1, 2013 through March 31, 2014

Published December 8, 2014

Report No. 1013079





Washington State Auditor
Troy Kelley

December 8, 2014

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

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Housing Authority of the City of Kelso'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

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Federal Summary

Housing Authority of the City of Kelso Cowlitz County April 1, 2013 through March 31, 2014

The results of our audit of the Housing Authority of the City of Kelso 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 reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
14.871	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 did not qualify as a low-risk auditee under OMB Circular A-133.

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 of the City of Kelso
Cowlitz County
April 1, 2013 through March 31, 2014**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Kelso, Cowlitz County, Washington, as of and for the years ended March 31, 2014 and 2013, 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 November 14, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits 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.

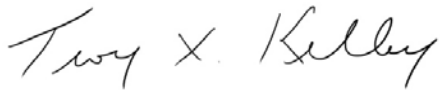
COMPLIANCE AND OTHER MATTERS

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

November 14, 2014

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 of the City of Kelso
Cowlitz County
April 1, 2013 through March 31, 2014**

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Housing Authority of the City of Kelso, Cowlitz 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 March 31, 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 March 31, 2014.

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.


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

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

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 cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

November 14, 2014

Independent Auditor's Report on Financial Statements

Housing Authority of the City of Kelso Cowlitz County April 1, 2013 through March 31, 2014

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Housing Authority of the City of Kelso, Cowlitz County, Washington, as of and for the years ended March 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 14.

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 audits. We conducted our audits 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 of the City of Kelso, as of March 31, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

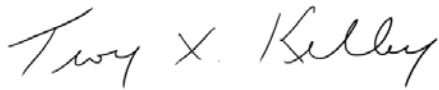
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audits were 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 is supplementary information required by HUD. These schedules are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014 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.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

November 14, 2014

Financial Section

**Housing Authority of the City of Kelso
Cowlitz County
April 1, 2013 through March 31, 2014**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014 and 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014 and 2013

Statement of Revenues, Expenses and Changes in Net Position – 2014 and 2013

Statement of Cash Flows – 2014 and 2013

Notes to Financial Statements – 2014 and 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards and Notes – 2014

Financial Data Schedule (Entity Wide Balance Sheet Summary and Entity Wide Revenue and Expense Summary) – 2014

HOUSING AUTHORITY OF THE CITY OF KELSO
Management's Discussion and Analysis
March 31, 2014 and 2013

The Housing Authority of the City of Kelso's discussion and analysis is a narrative overview of the authority's financial activities for the fiscal year ended March 31, 2014 and 2013. The information presented here should be read in conjunction with the financial statements and notes to the financial statements that follow.

FINANCIAL HIGHLIGHTS

- The assets of the Housing Authority of the City of Kelso exceeded its liabilities at the close of the most recent fiscal year by \$3,676,953.
- The majority (87%) of the authority's programs are funded by federal grants and subsidies. Four percent (4%) of the net position is subject to external restrictions on how they may be used. Those portions of the net position of federal programs that cannot be used for day to day operations are restricted.
- The unrestricted category of net position is \$813,749 and \$698,584 at March 31, 2014 and 2013, respectively. Unrestricted net position represents the amount the authority can use to meet the ongoing obligations of the citizens and creditors.
- The government's total net position increased by \$71,274 at March 31, 2014 due to an increase in buildings and structures funded by capital grants. At March 31, 2013, the total net position increased by \$66,616 due to capital asset acquisitions funded by capital grants.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an introduction and overview to the Housing Authority of the City of Kelso's (the authority's) basic financial statements. This information will assist users in interpreting the basic financial statements. We will also provide other financial discussion and analysis of certain plans, projects and trends necessary for understanding the full context of the financial condition of the authority.

Basic Financial Statements

The basic financial statements are comprised of two components: 1) enterprise fund financial statements, and 2) notes to the financial statements. The authority is a special-purpose government engaged only in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements.

Enterprise Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority of the City of Kelso, like other state and local governments, uses fund accounting for compliance with finance-related legal requirements. The single fund of the authority is reported as an enterprise fund. The financial statements consist of a statement of net position, statement of revenues, expenses and changes in fund net position and a statement of cash flows.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided and are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
Management's Discussion and Analysis
March 31, 2014 and 2013

FINANCIAL ANALYSIS

Statement of Net Position

The authority's net position is \$3,676,953 and \$3,605,679 at March 31, 2014 and March 31, 2013. Of these amounts, \$162,265 in fiscal year 2014 and \$193,468 in fiscal year 2013 is restricted for legal constraints from debt covenants, enabling legislation and federal grant requirements that limits the authority's ability to use this component of net position for day-to-day operations. The fluctuation in the restricted net position is caused by the Housing Choice Voucher subsidy coming in more or less than the current year housing assistance payments. At March 31, 2014, the unrestricted net position increased to \$813,749. The \$71,274 increase is a result of the 2014 operating revenues exceeding operating expenses. During 2013, the unrestricted component of net position represents \$698,584 which is a decrease from the prior year due to operating expenses exceeding operating revenues.

Our analysis below focuses on the net position and the change in net position of the primary government as a whole.

Condensed Statement of Net Position

	Total Activities FY2014	Total Activities FY2013	Total Activities FY2012
Current and other assets	\$ 1,110,740	\$ 1,102,670	\$ 1,127,089
Capital assets (net of depreciation)	4,111,794	4,177,200	4,046,983
TOTAL ASSETS	5,222,534	5,279,870	5,174,072
Noncurrent liabilities	1,372,969	1,456,683	1,506,119
Other liabilities	172,612	217,508	128,890
TOTAL LIABILITIES	1,545,581	1,674,191	1,635,009
Net investment in Capital Assets	2,700,939	2,713,627	2,533,099
Restricted	162,265	193,468	222,003
Unrestricted	813,749	698,584	783,961
TOTAL NET POSITION	\$ 3,676,953	\$ 3,605,679	\$ 3,539,063

The current and other asset category remained relatively constant from FY 2013 to FY 2014. An increase in cash and equivalents of \$65,771 was offset by a decrease in receivables. Capital assets decreased slightly due to depreciation.

The authority's total liabilities decreased 7.7% between 2013 and 2014 due to decreases in accounts payable, and payments on long-term debt. The 2% increase from 2012 to 2013 represents an increase in accounts payable for capital projects, and long-term payments due to family Self Sufficiency participants.

The largest portion of the authority's net position (74% at 2014) reflects its investment in capital, less any related debt used to acquire those assets that is still outstanding. The authority's capital

HOUSING AUTHORITY OF THE CITY OF KELSO
Management's Discussion and Analysis
March 31, 2014 and 2013

assets are used to provide housing to citizens. Consequently, these assets are not available for future spending. The investment in capital assets at the most current fiscal year end shows a 1% decrease due to expected depreciation activity offset by debt repayment. At March 31, 2013, the investment in capital assets reflects a 5% increase because capital grants were used to make capital improvements. This exceeded depreciation expense.

At March 31, 2014, net position representing resources that are subject to external restrictions on how they may be used are 4.4% of total net position. This continues to decrease as the Housing and Urban Development is requiring the local housing authorities to use their restrictions for housing assistance payments.

At March 31, 2014, the remaining unrestricted net position equates to 22% of total net position. This represents the amount that may be used to meet the authority's ongoing obligations. The unrestricted net position at March 31, 2013 was 19%. This 3% increase is a result of administrative expense savings.

At March 31, 2014, the Housing Authority of the City of Kelso reports positive balances in all three categories of net position. Overall, the authority's financial condition has remained fairly stable.

Statement of Changes in Net Position

The tenant revenues between fiscal year 2013 and 2014 increased 6%, due to increased share of tenants rent payments, combined with a slight rent increase. This fluctuates based on the calculations of the tenant's ability to pay. The change in tenant revenues between fiscal years 2012 and 2013 was a 2% percent increase due to an increase in the tenant portion of rent payments and a slight rent increase.

The operating subsidies present a 4% and 1% increase at March 31, 2014 and March 31, 2013, respectively. The 2014 change is from low rent subsidy increasing back to normal levels, after HUD reduced calendar year 2013 subsidies to decrease housing authority reserves. The 2013 change is from low rent subsidy turning around, after HUD reduced calendar year 2012 subsidies by 7% to decrease housing authority reserves.

The FY 2014 total operating expenses decreased by almost \$94,000 (3.7%) compared to FY 2013. The largest categories were decreased administrative cost and housing assistance payments. Administrative costs decreased with the reorganization of administrative staff and a temporarily vacant position.

The capital contributions revenue fluctuates based on projects and funds available. These projects were financed by local grants and HUD contributions. 2014 projects included roofing replacement and sewer work at Kelso housing units.

Key elements of the Statement of Changes in Net Position for the authority are as follows:

HOUSING AUTHORITY OF THE CITY OF KELSO
Management's Discussion and Analysis
March 31, 2014 and 2013

Change in the Housing Authority of the City of Kelso Net Position

	2014	2013	Revised 2012
Revenues			
Operating Revenues			
Rents	\$ 572,424	\$ 542,173	\$ 532,249
Operating Subsidies	1,818,444	1,750,419	1,749,888
Miscellaneous Operating Revenues	34,613	49,561	117,036
Nonoperating Revenues			
Interest Earned	717	1,088	958
Gain (loss) on disposal of capital assets	752	(324)	-
Total Revenues	<u>2,426,950</u>	<u>2,342,917</u>	<u>2,400,131</u>
Expenses			
Operating Expenses			
Administrative	397,019	495,799	497,685
Maintenance	240,253	179,556	197,589
Other Administrative	190,777	197,960	196,485
Housing Assistance Payments	1,414,362	1,467,542	1,544,681
Depreciation	183,641	178,821	169,835
Nonoperating Expenses			
Interest and Fiscal Charges	47,856	52,175	54,230
Total Expenses	<u>2,473,908</u>	<u>2,571,853</u>	<u>2,660,505</u>
Excess or Deficiency Before Contributions	(46,958)	(228,936)	(260,374)
Capital Contributions	118,232	249,633	143,700
Change in Net Position	71,274	20,697	(116,674)
Net Position - Beginning	3,605,679	3,539,063	3,655,737
Prior Period Adjustments	0	45,919	0
Net Position - Ending	<u>\$ 3,676,953</u>	<u>\$ 3,605,679</u>	<u>\$ 3,539,063</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Housing Authority of the City of Kelso's investment in capital assets as of March 31, 2014 and 2013 amounts to \$4,111,794 and \$4,177,200 (net of accumulated depreciation). The changes between 2013 and 2014 represent additional continued depreciation exceeding the capital asset additions. This investment in capital assets includes land, buildings and equipment and improvements other than buildings reduced by the related accumulated depreciation.

HOUSING AUTHORITY OF THE CITY OF KELSO
Management's Discussion and Analysis
March 31, 2014 and 2013

Housing Authority of the City of Kelso
Capital Assets (net of depreciation)

	<u>3/31/2014</u>	<u>3/31/2013</u>	<u>3/31/2012</u>
Land	\$ 117,477	\$ 117,477	\$ 117,477
Construction in progress	4,957	-	-
Buildings	3,423,187	3,512,314	3,355,846
Equipment	29,565	35,086	42,622
Improvements other than buildings	536,608	512,323	531,038
Total	<u><u>\$ 4,111,794</u></u>	<u><u>\$ 4,177,200</u></u>	<u><u>\$ 4,046,983</u></u>

Long-Term Debt

At March 31, 2014, the authority had total debt outstanding of \$1,410,855 compared to \$1,463,573 at March 31, 2013. The decrease represents scheduled debt payments. At March 31, 2014, this debt is made up of revenue bonds (\$773,639) and government loans (\$637,216). At March 31, 2013, this debt is made up of revenue bonds (\$807,114) and government loans (\$656,459).

Additional information on the authority's capital assets and long-term debt can be found in note II B and II D of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The authority is primarily dependent upon Housing and Urban Development (HUD) for funding of operations; therefore, the authority is affected more by the Federal budget than by local economic conditions. The prior federal sequestration had a significant effect on the authority. The authority maintained by staff reduction and office hours. For calendar year 2014, HUD has increased the Housing Choice Voucher Program administrative subsidy from 68% (2013) to 79%. Its housing assistance payment is expected to return to slightly below pre-sequestration numbers. The housing authority will continue to use its administrative reserves and operating more leanly to fund operations. To meet the affordable housing needs of the community, the housing authority will continue serving clients with its restricted housing assistance payment reserves.

Requests for Information

This financial report is designed to provide a general overview of the Housing Authority of the City of Kelso's finances for all those with an interest in the authority's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Executive Director, Housing Authority of the City of Kelso, 1415 S 10th Street, Kelso, Washington, 98626.

HOUSING AUTHORITY OF THE CITY OF KELSO

STATEMENT OF NET POSITION

March 31, 2014 and 2013

	2014	Restated 2013
Assets		
<i>Current Assets</i>		
Cash & Cash Equivalents	\$ 781,923	\$ 696,099
Cash & Cash Equivalents - Restricted	183,968	196,136
Accounts Receivables - Tenants	15,556	18,395
Allowance For Doubtful Accounts	(6,827)	(7,700)
Prepaid Expenses	2,392	2,383
Other Accounts Receivable	28,493	84,237
Total Current Assets	<u>1,005,505</u>	<u>989,550</u>
<i>Long-term Assets</i>		
Cash & Cash Equivalents- Restricted	105,235	113,120
Non Depreciable Capital Assets	122,434	117,477
Buildings, and Structures (Net Depreciation)	<u>3,989,360</u>	<u>4,059,723</u>
Total Long-term Assets	<u>4,217,029</u>	<u>4,290,320</u>
Total Assets	<u>5,222,534</u>	<u>5,279,870</u>
Liabilities		
<i>Current Liabilities</i>		
Accounts Payable	60,461	106,195
Customer Deposits	33,427	32,860
Accrued Interest Payable	3,695	3,856
Prepaid Rents/Contributions	5,953	8,763
Revenue Bond Payable - Current	38,474	33,474
Note/Loan Payable - Current	19,242	19,242
Accrued Compensated Absences	3,077	13,118
Due to Family Self Sufficiency Participants - Short Term	<u>8,283</u>	<u>0</u>
Total Current Liabilities	<u>172,612</u>	<u>217,508</u>
<i>Long-term Liabilities</i>		
Due to Family Self Sufficiency Participants - Long-term	13,487	29,793
DCTED Loan Payable	617,974	637,217
Revenue Bond Payable	735,165	773,640
Accrued Compensated Absences	<u>6,343</u>	<u>16,033</u>
Total Long-term Liabilities	<u>1,372,969</u>	<u>1,456,683</u>
Total Liabilities	<u>1,545,581</u>	<u>1,674,191</u>
Net Position		
Net Investment in Capital Assets	2,700,939	2,713,627
Restricted	162,265	193,468
Unrestricted	<u>813,749</u>	<u>698,584</u>
Total Net Position	<u>\$ 3,676,953</u>	<u>\$ 3,605,679</u>

The Notes to the Financial Statements are an integral part of this statement

HOUSING AUTHORITY OF THE CITY OF KELSO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
For Fiscal Year Ended March 31, 2014 and 2013

	2014	Restated 2013
Operating Revenues		
Rents	\$ 572,424	\$ 542,173
Operating Grants	1,818,444	1,750,419
Miscellaneous Revenues	34,613	49,561
Total Operating Revenues	<u>2,425,481</u>	<u>2,342,153</u>
Operating Expenses		
Administrative	397,019	495,799
Tenant Services	27,673	25,480
Utilities	125,130	132,686
Maintenance	240,253	179,556
Protective Services	3,863	3,186
General	34,111	36,608
Housing Assistance Payment	1,414,362	1,467,542
Depreciation	183,641	178,821
Total Operating Expenses	<u>2,426,052</u>	<u>2,519,678</u>
Operating Income	(571)	(177,525)
Non-Operating Revenues (Expenses)		
Interest Earned	717	1,088
Interest and Fiscal Charges	(47,856)	(52,175)
Gain (Loss) on Disposal of Assets	752	(324)
Total Non-Operating Revenues (Expenses)	<u>(46,387)</u>	<u>(51,411)</u>
Income (Loss) before Contributions	(46,958)	(228,936)
Capital Contributions	118,232	249,633
Change in Net Position	<u>71,274</u>	<u>20,697</u>
Total Net Position - April 1	3,605,679	3,539,063
Prior Period Adjustment	0	45,919
Total Net Position March 31	<u>\$ 3,676,953</u>	<u>\$ 3,605,679</u>

The Notes to the Financial Statements are an integral part of this statement

HOUSING AUTHORITY OF THE CITY OF KELSO
STATEMENT OF CASH FLOWS
For Fiscal Year Ended March 31, 2014 and 2013

	2014	Restated 2013
Cash flows from operating activities		
Cash received from customers	\$ 574,960	\$ 547,456
HUD and other subsidies received	1,824,790	1,742,163
Cash received from other operating activities	35,300	76,574
Cash payment for goods and services	(532,577)	(426,023)
Cash payments for housing assistance	(1,422,385)	(1,459,640)
Cash payments to employees	(382,605)	(435,186)
Net cash used by operating activities	<u>97,483</u>	<u>45,344</u>
Cash flows from noncapital financing activities		
Net cash provided (used) by noncapital financing activities	<u>0</u>	<u>0</u>
Cash flows from capital and related financing activities		
Principal payments	(54,243)	(51,837)
Receipt of capital grant	185,796	181,642
Proceeds from sale of capital asset	752	0
Purchase of capital assets	(118,235)	(198,070)
Interest and fiscal charges paid	(46,501)	(50,808)
Net cash provided (used) for capital and related financing activities	<u>(32,431)</u>	<u>(119,073)</u>
Cash flows from investing activities		
Receipts of interest and dividends	719	1,094
Net cash provided from investing activities	<u>719</u>	<u>1,094</u>
Net increase (decrease) in cash	65,771	(72,635)
Cash and cash equivalents - April 1	1,005,355	1,077,990
Cash and cash equivalents - March 31	<u>\$ 1,071,126</u>	<u>\$ 1,005,355</u>
Reconciliation to balance sheet		
Cash & cash equivalents - unrestricted	781,923	696,099
Cash & cash equivalents - restricted (current)	183,968	196,136
Cash & cash equivalents - restricted (long-term)	105,235	113,120
Cash and cash equivalents - March 31	<u>\$ 1,071,126</u>	<u>\$ 1,005,355</u>

The Notes to the Financial Statements are an integral part of this statement

HOUSING AUTHORITY OF THE CITY OF KELSO
STATEMENT OF CASH FLOWS
For Fiscal Year Ended March 31, 2014 and 2013

	<u>2014</u>	<u>Restated 2013</u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Net operating income (loss)	\$ (571)	(177,525)
Adjustments to reconcile net operating income to net cash provided by operating activities		
Depreciation	183,641	178,821
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(2,723)	(441)
Decrease (increase) in other operating receivables	(7,132)	14,041
Increase (decrease) in accounts payable	(45,734)	17,739
Increase in customer deposits	566	(1,589)
Increase in prepaid items	(259)	2,868
Increase (decrease) in other payables	(10,574)	7,902
Increase in unearned revenue	0	0
Increase in compensated absences	(19,731)	3,528
Total adjustments	<u>98,054</u>	<u>222,869</u>
Net cash provided by operating activities	<u>\$ 97,483</u>	<u>\$ 45,344</u>

The Notes to the Financial Statements are an integral part of this statement

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2014 and 2013

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Housing Authority of the City of Kelso is a municipal corporation which was established in November 1952 and operates under the laws of the state of Washington applicable to housing authorities. The governing body of the authority is its Board of Commissioners, which is comprised of five members who are appointed by the City of Kelso. The Board appoints an Executive Director to manage the affairs of the authority.

The Housing Authority of the City of Kelso was established under Washington State Law RCW 35.82. It was created to provide safe, decent, sanitary and affordable housing to low-income families in the City of Kelso, Washington. Housing authorities do not have taxing authority. Programs of the authority are funded by federal, state and local grants and subsidies or are self-sustaining.

The authority is not considered a component unit of the City of Kelso, as the Board of Commissioners independently oversees the authority's operations.

The authority's financial statements include the financial position and results of operation of a single enterprise that manages and has custodial responsibility over the assets and liabilities therein.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

The authority has elected to report as a single enterprise proprietary fund and uses the accrual basis of accounting. The measurement focus is on the flow of economic resources. The proprietary fund is composed of a number of programs. The programs are designed to provide low income individuals with housing.

The authority provides decent and sanitary housing to citizens and is funded through the low rent program, housing choice vouchers and rental charges.

Proprietary funds are used to account for activities that are operated in a manner similar to private enterprise business. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position.

Debt may at various times be used to fund capital construction costs and the financing costs are secured through these same charges. The authority uses the enterprise fund to capture the cost of providing its services or its capital maintenance costs using the economic resources measurement focus. This means that the authority's assets and liabilities are segregated between current and long-term with its equity reported as net position. The operating statement of the authority presents the revenues, expenses and the change in fund net position.

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2014 and 2013

For the most part, interprogram activity, such as due to (from) other programs, is eliminated from the financial statements. Exception to this rule is housing assistance payments used for payment of authority-owned rents. Elimination of these charges would distort the costs and revenues reported for the Housing Choice Voucher grant and locally owned apartments.

For the most part, the authority reports operating revenues as defined in GASB 9. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include fees and charges from providing services in connection with the ongoing operations of providing low income housing. Operating revenues also include operating subsidies and grants provided by the U.S. Department of Housing and Urban Development (HUD). The use of this classification is based on guidance from HUD, the primary user of the financial statements and is a departure from GAAP. Operating expenses are those expenses that are directly incurred while in the operation of providing low income housing. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

C. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the authority considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents.

2. Receivables

Accounts receivable consists of amounts owed from private individuals or organizations for rent or services including amounts owed for which billings have not been prepared. It also includes fraud recovery due from customers. The allowance for doubtful accounts is estimated based upon knowledge of the tenant and percentage of prior uncollectible receivables.

Other receivables consist of grant subsidies from other local governments.

3. Restricted Assets and Liabilities

In accordance with bond resolutions, separate restricted accounts are required to be established. In addition to resources for debt service, restricted accounts contain unearned grant receipts, customer deposits and family self-sufficiency reserves.

4. Capital Assets and Depreciation

Capital assets include buildings, equipment and infrastructure assets. Capital assets are defined by the authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2014 and 2013

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Depreciation expense is charged to operations to allocate the cost of fixed assets over their estimated useful lives, using the straight-line method with useful lives of 5 to 40 years, as follows: equipment – 5 to 10 years, buildings – 40 years, and improvements 20 to 40 years.

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

5. Customer Deposits

These accounts reflect the liability for net monetary assets being held by the authority in its trustee or agency capacity.

6. Compensated Absences

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

Vacation pay, which may be accumulated up to 30 days, is payable upon resignation, retirement or death. Sick leave may accumulate up to 90 days. For all employees, sick leave is paid out at 33% upon retirement.

7. Long-term Debt

Long-term debt and other noncurrent obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds on a straight line basis. Bonds payable are reported net of the applicable bond premium or discount.

Due to Family Self Sufficiency Participants consists of escrow accounts of tenants participating in a HUD self-sufficiency program. These accounts are held on behalf of the tenants until completion or termination of the program.

8. Prepaid Rents/Contributions

This account includes amounts recognized as receivables (assets) but not revenues because the revenue recognition criteria have not been met.

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2014 and 2013

NOTE II. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

DEPOSITS

The authority's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or fully collateralized with specific and identifiable U.S. Government or Agency securities as prescribed by HUD.

The authority has no policy related to custodial credit risk; however, all deposits and investments are insured or collateralized with securities held by the entity or by the agent in the authority's name.

The Washington State Treasurer's Office Local Government Investment Pool is classified as a 2(a) 7 investment pool, and therefore the authority states the fair value of its investment in the pool based upon the share price of the pool. The authority considers the amount invested in the Washington State Local Government Investment Pool to be liquid investments, and as such a cash equivalent.

The book value of deposits does not materially differ from the bank balance of deposits. As of March 31, 2014 and 2013, the carrying amount of the authority's cash and cash equivalents are as follows:

	<u>3/31/2014</u>		<u>3/31/2013</u>
Cash on hand	\$ 200	\$	200
Cash deposits in bank accounts	474,837		410,106
Cash with fiscal agent	8,531		8,096
Cash restricted for debt service	83,217		83,327
Washington State Local Government Investment Pool	<u>504,341</u>		<u>503,626</u>
Total cash and cash equivalents	\$ <u>1,071,126</u>	\$	<u>1,005,355</u>

INVESTMENTS

As required by state law, all investments of the authority's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the state of Washington, general obligations of Washington State municipalities, or certificates of deposit with Washington State banks and savings and loan institutions. All temporary investments are stated at fair value. The only investment made by the housing authority is with the Washington State Treasurer's Office Local Government Investment Pool (LGIP), which is classified as a cash equivalent. The LGIP is an unrated external investment pool.

Further, the authority is not subject to foreign currency risk or interest rate risk.

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2014 and 2013

B. CAPITAL ASSETS

A summary of capital asset activity for the year ended March 31, 2014 and 2013 is as follows:

	Beginning Balance 4/1/13	Increases	Decreases	Ending Balance 3/31/14
Capital assets, not being depreciated				
Land	\$ 117,477	\$ 0	\$ 0	\$ 117,477
Construction in progress	0	4,957	0	4,957
Total capital assets, not being depreciated	117,477	4,957	0	122,434
Capital assets, being depreciated/depleted:				
Buildings	6,271,031	70,278	0	6,341,309
Equipment	161,746	0	8,152	153,594
Improvements other than buildings	930,123	43,000	0	973,123
Total capital assets being depreciated	7,362,900	113,278	8,152	7,468,026
Less accumulated depreciation for:				
Buildings	2,758,717	159,405	0	2,918,122
Equipment	126,660	5,521	8,152	124,029
Improvements other than buildings	417,800	18,715	0	436,515
Total accumulated depreciation	3,303,177	183,641	8,152	3,478,666
Total capital assets, being depreciated, net	4,059,723	(70,363)	0	3,989,360
Total capital assets	\$ 4,177,200	\$ (65,406)	\$ 0	\$ 4,111,794

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2014 and 2013

	Beginning Balance 4/1/12	Increases	Decreases	Ending Balance 3/31/13
Capital assets, not being depreciated				
Land	\$ 117,477	\$ 0	\$ 0	\$ 117,477
Total capital assets, not being depreciated	<u>117,477</u>	<u>0</u>	<u>0</u>	<u>117,477</u>
Capital assets, being depreciated/depleted:				
Buildings	6,009,744	263,445	2,158	6,271,031
Equipment	164,491	0	2,745	161,746
Improvements other than buildings	<u>930,123</u>	<u>0</u>	<u>0</u>	<u>930,123</u>
Total capital assets being depreciated	<u>7,104,358</u>	<u>263,445</u>	<u>4,903</u>	<u>7,362,900</u>
Less accumulated depreciation for:				
Buildings	2,607,979	152,568	1,830	2,758,717
Equipment	121,869	7,538	2,747	126,660
Improvements other than buildings	<u>399,085</u>	<u>18,715</u>	<u>0</u>	<u>417,800</u>
Total accumulated depreciation	<u>3,128,933</u>	<u>178,821</u>	<u>4,577</u>	<u>3,303,177</u>
Total capital assets, being depreciated, net	<u>3,975,425</u>	<u>84,624</u>	<u>326</u>	<u>4,059,723</u>
Total capital assets	<u><u>\$ 4,092,902</u></u>	<u><u>\$ 84,624</u></u>	<u><u>\$ 326</u></u>	<u><u>\$ 4,177,200</u></u>

C. RESTRICTED ASSETS

The balance of the restricted asset account is as follows:

	3/31/2014	3/31/2013
Customer Deposits	\$ 33,427	\$ 32,860
Restricted for Replacement Reserves	70,045	55,453
Homeowner Self-Sufficiency	21,770	29,793
Restricted for Principal & Interest Payments	8,532	8,095
Restricted for Bond Reserves	83,217	83,327
Restricted for Housing Assistance Payments	<u>72,212</u>	<u>99,728</u>
	<u><u>\$ 289,203</u></u>	<u><u>\$ 309,256</u></u>

D. LONG-TERM DEBT

GENERAL OBLIGATION DEBT

The authority issued revenue bonds, government loans and private notes to finance the purchase and remodel of the Chinook and Columbia Apartments. Current debt outstanding is as follows:

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2014 and 2013

Name & Amount of Issuance	Installments	Issuance Date	Maturity Date	Interest Rate	3/31/14 Debt Outstanding	3/31/13 Debt Outstanding
<i>Revenue Bonds</i>						
	\$20,000 to			5.8% to		
Chinook/Columbia Rehab \$1,210,000	\$80,000	3/1/1998	3/1/2028	6.9%	\$ 795,000	\$ 830,000
<i>Government Loans</i>						
Community Trade & Econ Development Building Purchase \$865,900	\$19,242	9/30/1998	1/1/2047	0%	637,216	656,459
<i>Total Long-Term Debt</i>					<u>\$ 1,432,216</u>	<u>\$ 1,486,459</u>

Revenue bonds are issued where the government pledges income derived from the acquired or constructed assets to pay debt service.

Revenue bond debt service requirements to maturity are as follows:

Revenue Bonds			
	Principal	Interest	Total Requirements
2015	40,000	44,350	84,350
2016	40,000	42,150	82,150
2017	45,000	39,950	84,950
2018	45,000	37,476	82,476
2019	50,000	35,000	85,000
2020-2024	285,000	166,040	451,040
2025-2028	290,000	42,000	332,000
\$	<u>795,000</u>	<u>\$ 406,966</u>	<u>\$ 1,201,966</u>

The annual requirements to maturity for government loans are as follows:

	Principal	Interest	Total Requirements
2015	19,242	0	19,242
2016	19,242	0	19,242
2017	19,242	0	19,242
2018	19,242	0	19,242
2019	19,242	0	19,242
2020-2024	96,211	0	96,211
2025-2029	96,211	0	96,211
2030-2034	96,212	0	96,212
2035-2039	96,211	0	96,211
2040-2044	96,211	0	96,211
2045-2047	59,950	0	59,950
\$	<u>637,216</u>	<u>\$ 0</u>	<u>\$ 637,216</u>

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2014 and 2013

Unamortized debt issue costs are recorded net of premium or discount. Annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

At March 31, 2014 and 2013, the authority has \$83,217 and \$83,327, respectively, available in reserves as required by bond indentures. Further, the bond covenants require the debt service coverage ratio to exceed 1:15. At March 31, 2014, the authority meets this requirement.

CHANGES IN LONG-TERM LIABILITIES

The following is a summary of long-term debt changes of the authority for the years ended March 31, 2014 and 2013:

	Beginning Balance 4/1/13	Additions	Reductions	Ending Balance 3/31/14	Due Within One Year
Bonds payable					
Revenue bonds	\$ 830,000	\$ 0	\$ 35,000	\$ 795,000	\$ 40,000
Plus (minus)					
For issuance premiums (discounts)	(22,886)	0	(1,525)	(21,361)	(1,526)
Total bonds payable	807,114	0	33,475	773,639	38,474
Government loans	656,459	0	19,243	637,216	19,242
Compensated absences	29,151	0	19,731	9,420	3,077
Family Self-Sufficiency Escrow	29,793	0	8,023	21,770	8,283
Long-term liabilities	<u>\$ 1,522,517</u>	<u>\$ 0</u>	<u>\$ 80,472</u>	<u>\$ 1,442,045</u>	<u>\$ 69,076</u>

	Beginning Balance 4/1/12	Additions	Reductions	Ending Balance 3/31/13	Due Within One Year
Bonds payable					
Revenue bonds	\$ 865,000	\$ 0	\$ 35,000	\$ 830,000	\$ 35,000
Plus (minus)					
For issuance premiums (discounts)	(24,412)	0	(1,526)	(22,886)	(1,526)
Total bonds payable	840,588	0	33,474	807,114	33,474
Government loans	673,296	0	16,837	656,459	19,242
Compensated absences	25,623	3,528	0	29,151	13,118
Family Self-Sufficiency Escrow	21,891	7,902	0	29,793	0
Long-term liabilities	<u>\$ 1,561,398</u>	<u>\$ 11,430</u>	<u>\$ 50,311</u>	<u>\$ 1,522,517</u>	<u>\$ 65,834</u>

There are a number of limitations and restrictions contained in the various bond indentures. The authority is in compliance with all significant limitations and restrictions. These loans are proprietary in nature and will be repaid through rents collected by Columbia Apartments and Chinook Hotel.

NOTE III. OTHER DISCLOSURES

A. RISK MANAGEMENT

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

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2014 and 2013

HARRP currently has a total of 87 members in the states of Washington, Oregon, Nevada and California. 36 of the 87 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 day notice prior to the renewal date. Termination does not relieve a former member from its unresolved losses incurred during membership.

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

The coverage limits are \$2,000,000 per occurrence and in the aggregate for auto liability and \$2,000,000 per occurrence and in the aggregate for general liability, errors and omissions liability and employment practices liability.

HARRP self insures the full layer of coverage for liability lines (\$2,000,000 per occurrence and \$2,000,000 annual aggregate). There is no purchased reinsurance above this limit. For property, HARRP retains \$2,000,000 and purchases \$45,000,000 of reinsurance for a combined total of \$47,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

HARRP provides loss control 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 expenses, reinsurance and other administrative expenses. HARRP does not have the right to assess the membership for any shortfall in its funding. Such shortfalls are made up through future rate adjustments.

The Authority self-insures for unemployment compensation as an alternative to the State program. During the period ending March 31, 2014, the Authority paid out a total of one claims totaling \$953 under this program. Any future costs to the Authority, including expected annual level of claims relating to this self-insurance program, are not readily estimable and are not expected to be material. The Authority has not set aside any reserves for potential losses related to this program.

The Authority participates in workers' compensation insurance through the Washington State Department of Labor and Industries, Industrial Insurance State Fund.

In the past three years, no settlements exceeded insurance coverage.

B. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Substantially all district 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,

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2014 and 2013

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.

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2014 and 2013

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 years. 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

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2014 and 2013

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.

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2014 and 2013

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, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Nonvested	44,273
Total	263,347

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.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2014 and 2013

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** Plan 3 defined benefit portion only.

***Minimum rate.

Both the Authority and the employees made the required contributions. The Authority's required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	\$0	\$18,787	\$2,812
2012	\$0	\$18,584	\$2,275
2011	\$0	\$21,792	\$2,071

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2014 and 2013

C. OPERATING LEASE RECEIVABLES

The following schedule provides an analysis of the authority's investment in property on operating leases and property held for lease by major classes as of March 31, 2014:

	2014
Land	\$ 27,500
Building	849,796
Accumulated Depreciation	(315,194)
Book Value of Assets	\$ <u>562,102</u>

The following is a schedule by years of the minimum future rentals on noncancelable operating leases as of March 31, 2014. The operating lease expires July 2017.

Year ending March 31

2015	11,400
2016	11,400
2017	3,800
Total Minimum Lease Payments	\$ <u>26,600</u>

D. RESTATEMENTS

The 2013 column of the cash flow statement was restated to correct the classification of capital and related financing activities. The purchase of capital assets contained the interest and fiscal charges paid.

Additionally, the 2013 column of the statement of net position was changed to correct the accumulated depreciation. Likewise, the 2013 column of the statement of activities was increased to show additional depreciation expense in the amount of \$3,017

E. PRIOR PERIOD ADJUSTMENTS

The 2013 column of the statement of activities shows a \$45,919 prior period adjustment that resulted from an accumulated depreciation calculation error.

HOUSING AUTHORITY OF THE CITY OF KELSO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended March 31, 2014

Grantor/ Pass-Through Grantor Program Title	CFDA Number	Other Identification Number	Direct Federal Expenditures	Indirect Federal Expenditures	Total Federal Expenditures
Department of Housing and Urban Development:					
Community Development Block Grant/Passed thru Cowlitz County	14.218		0	29,712	29,712
Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	WA0073L0T011205	75,718	0	75,718
Public and Indian Housing	14.850a	SF-198	221,574	0	221,574
Section 8 Housing Choice Vouchers	14.871	WA020VO	1,448,603	0	1,448,603
Section 8 Housing Choice Vouchers	14.871	WA020FSF004	18,687	0	18,687
		Subtotal CFDA 14.871	<u>1,467,290</u>	<u>0</u>	<u>1,467,290</u>
Public Housing Capital Fund Program	14.872	WA19P020501-11/12	142,382	0	142,382
TOTAL FEDERAL AWARDS EXPENDED \$			<u>1,906,964</u>	<u>\$ 29,712</u>	<u>\$ 1,936,676</u>

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Financial Assistance is prepared on the same basis of accounting as the authority's financial statements. The authority uses the accrual basis of accounting.

NOTE 2 - PROGRAM COSTS

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

HA City of Kelso (WA020)
KELSO, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	1 Business Activities	14.218 Community Development Block Grants/Entitlement Grants	Subtotal	ELI M	Total
111 Cash - Unrestricted	\$614,813	\$104,563	\$6,982	\$55,565		\$781,923		\$781,923
112 Cash - Restricted - Modernization and Development								
113 Cash - Other Restricted		\$93,982		\$8,531		\$102,513		\$102,513
114 Cash - Tenant Security Deposits	\$21,455			\$82,018		\$103,473		\$103,473
115 Cash - Restricted for Payment of Current Liabilities								
100 Total Cash	\$636,268	\$198,545	\$6,982	\$146,114	\$0	\$987,909		\$987,909
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects								
124 Accounts Receivable - Other Government	\$425	\$4,689	\$448		\$22,931	\$28,493		\$28,493
125 Accounts Receivable - Miscellaneous								
126 Accounts Receivable - Tenants	\$5,577	\$2,558		\$6,667		\$14,802		\$14,802
126.1 Allowance for Doubtful Accounts - Tenants	-\$3,818	\$0		-\$2,934		-\$6,752		-\$6,752
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current								
128 Fraud Recovery		\$753				\$753		\$753
128.1 Allowance for Doubtful Accounts - Fraud		-\$75				-\$75		-\$75
129 Accrued Interest Receivable								
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$2,184	\$7,925	\$448	\$3,733	\$22,931	\$37,221		\$37,221
131 Investments - Unrestricted								
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets				\$2,392		\$2,392		\$2,392
143 Inventories								
143.1 Allowance for Obsolete Inventories								
144 Inter Program Due From								
145 Assets Held for Sale								
150 Total Current Assets	\$638,452	\$206,470	\$7,430	\$152,239	\$22,931	\$1,027,522		\$1,027,522
161 Land								
162 Buildings	\$57,877	\$2,100		\$57,500		\$117,477		\$117,477
163 Furniture, Equipment & Machinery - Dwellings	\$3,724,671			\$2,623,496		\$6,348,167		\$6,348,167
164 Furniture, Equipment & Machinery - Administration	\$48,361	\$7,137	\$417	\$3,211		\$59,126		\$59,126
165 Leasehold Improvements	\$86,085			\$1,525		\$87,610		\$87,610
166 Accumulated Depreciation	\$973,122					\$973,122		\$973,122
	(\$2,471,665)	(\$5,564)	(\$311)	(\$1,001,125)		(\$3,478,665)		(\$3,478,665)

	Project Total	14,871 Housing Choice Vouchers	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	1 Business Activities	14,218 Community Development Block Grants/Entitlement Grants	Subtotal	ELI M	Total
167 Construction in Progress	\$4,957					\$4,957		\$4,957
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,423,408	\$3,673	\$106	\$1,684,607	\$0	\$4,111,794		\$4,111,794
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		\$0		\$83,217		\$83,217		\$83,217
176 Investments in Joint Ventures								
180 Total Non-Current Assets	\$2,423,408	\$3,673	\$106	\$1,767,824	\$0	\$4,195,011		\$4,195,011
190 Total Assets	\$3,061,860	\$210,143	\$7,536	\$1,920,063	\$22,931	\$5,222,533		\$5,222,533
200 Deferred Outflow of Resources								
290 Total Assets and Deferred Outflow of Resources	\$3,061,860	\$210,143	\$7,536	\$1,920,063	\$22,931	\$5,222,533		\$5,222,533
311 Bank Overdraft								
312 Accounts Payable <= 90 Days	\$18,429	\$10,519	\$153	\$4,268	\$22,931	\$56,300		\$56,300
313 Accounts Payable >90 Days Past Due								
321 Accrued Wage/Payroll Taxes Payable	\$3,143					\$3,143		\$3,143
322 Accrued Compensated Absences - Current Portion	\$1,905	\$496	\$132	\$544		\$3,077		\$3,077
324 Accrued Contingency Liability								
325 Accrued Interest Payable								
331 Accounts Payable - HUD PHA Programs				\$3,695		\$3,695		\$3,695
332 Account Payable - PHA Projects								
333 Accounts Payable - Other Government								
341 Tenant Security Deposits	\$21,455			\$11,972		\$33,427		\$33,427
342 Unearned Revenue	\$1,461			\$4,492		\$5,953		\$5,953
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				\$57,716		\$57,716		\$57,716
344 Current Portion of Long-term Debt - Operating Borrowings								
345 Other Current Liabilities	\$1,017					\$1,017		\$1,017
346 Accrued Liabilities - Other								
347 Inter Program - Due To								
348 Loan Liability - Current				\$0		\$0		\$0
310 Total Current Liabilities	\$47,410	\$11,015	\$285	\$82,687	\$22,931	\$164,328		\$164,328
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				\$1,353,139		\$1,353,139		\$1,353,139
352 Long-term Debt, Net of Current - Operating Borrowings								
353 Non-current Liabilities - Other		\$21,770				\$21,770		\$21,770
354 Accrued Compensated Absences - Non Current	\$4,446	\$1,158	\$309	\$430		\$6,343		\$6,343

	Project Total	14,871 Housing Choice Vouchers	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	1 Business Activities	14,218 Community Development Block Grants/Entitlement Grants	Subtotal	ELI M	Total
355 Loan Liability - Non Current								
356 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities								
350 Total Non-Current Liabilities	\$4,446	\$22,928	\$309	\$1,353,569	\$0	\$1,381,252		\$1,381,252
300 Total Liabilities	\$51,856	\$33,943	\$594	\$1,436,256	\$22,931	\$1,545,580		\$1,545,580
400 Deferred Inflow of Resources								
508.4 Net Investment in Capital Assets	\$2,423,408	\$3,673	\$106	\$273,752		\$2,700,939		\$2,700,939
511.4 Restricted Net Position	\$0	\$72,212	\$6,836	\$83,217	0	\$162,265		\$240,842
512.4 Unrestricted Net Position	\$586,596	\$100,315	\$0	\$126,838	\$0	\$813,749		\$735,172
513 Total Equity - Net Assets / Position	\$3,010,004	\$176,200	\$6,942	\$483,807	\$0	\$3,676,953		\$3,676,953
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	\$3,061,860	\$210,143	\$7,536	\$1,920,063	\$22,931	\$5,222,533		\$5,222,533

HA City of Kelso (WA020)
KELSO, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14,871 Housing Choice Vouchers	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	1 Business Activities	14,218 Community Development Block Grants/Entitlement Grants	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$244,290			\$328,134		\$572,424		\$572,424
70400 Tenant Revenue - Other								
70500 Total Tenant Revenue	\$244,290	\$0	\$0	\$328,134	\$0	\$572,424	\$0	\$572,424
70600 HUD PHA Operating Grants	\$245,724	\$1,467,290	\$75,718			\$1,788,732		\$1,788,732
70610 Capital Grants	\$118,232					\$118,232		\$118,232
70710 Management Fee								
70720 Asset Management Fee								
70730 Book Keeping Fee								
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue						\$0	\$0	\$0
70800 Other Government Grants								
71100 Investment Income - Unrestricted		\$0		\$6,781	\$22,931	\$29,712		\$29,712
71200 Mortgage Interest Income	\$629			\$21		\$21		\$21
71300 Proceeds from Disposition of Assets Held for Sale						\$629		\$629
71310 Cost of Sale of Assets								
71400 Fraud Recovery		\$3,162				\$3,162		\$3,162
71500 Other Revenue	\$16,477	\$4,046		\$10,928		\$31,451		\$31,451
71600 Gain or Loss on Sale of Capital Assets		\$752				\$752		\$752
72000 Investment Income - Restricted		\$68				\$68		\$68
70000 Total Revenue	\$625,352	\$1,475,318	\$75,718	\$345,864	\$22,931	\$2,545,183	\$0	\$2,545,183
91100 Administrative Salaries	\$88,192	\$54,068	\$3,458	\$23,387		\$169,105		\$169,105
91200 Auditing Fees	\$3,444	\$5,277	\$70	\$1,066		\$9,857		\$9,857
91300 Management Fee								
91310 Book-keeping Fee								
91400 Advertising and Marketing				\$549		\$549		\$549
91500 Employee Benefit contributions - Administrative	\$32,232	\$21,570	\$1,880	\$7,176		\$62,858		\$62,858
91600 Office Expenses	\$54,513	\$66,036	\$1,042	\$18,953		\$140,544		\$140,544
91700 Legal Expense	\$719	\$75		\$2,013		\$2,807		\$2,807
91800 Travel		\$18	\$2	\$733		\$753		\$753
91810 Allocated Overhead								
91900 Other	\$967	\$9,475	\$2	\$102		\$10,546		\$10,546
91000 Total Operating - Administrative	\$180,067	\$156,519	\$6,454	\$53,979	\$0	\$397,019	\$0	\$397,019
92000 Asset Management Fee								
92100 Tenant Services - Salaries								
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services								
92400 Tenant Services - Other	\$168			\$27,515		\$27,673		\$27,673
92500 Total Tenant Services	\$168	\$0	\$0	\$27,515	\$0	\$27,673	\$0	\$27,673
93100 Water	\$20,795			\$19,736		\$40,531		\$40,531

	Project Total	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	1 Business Activities	14.218 Community Development Block Grants/Entitlement Grants	Subtotal	ELIM	Total
93200 Electricity	\$9,051			\$11,009		\$20,060		\$20,060
93300 Gas								
93400 Fuel								
93500 Labor								
93600 Sewer	\$32,237					\$32,237		\$32,237
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense	\$8,259			\$24,043		\$32,302		\$32,302
93900 Total Utilities	\$70,342	\$0	\$0	\$54,788	\$0	\$125,130	\$0	\$125,130
94100 Ordinary Maintenance and Operations - Labor	\$65,437			\$21,526		\$86,963		\$86,963
94200 Ordinary Maintenance and Operations - Materials and Other	\$39,942			\$35,225		\$75,167		\$75,167
94300 Ordinary Maintenance and Operations Contracts	\$28,746			\$20,082		\$48,828		\$48,828
94500 Employee Benefit Contributions - Ordinary Maintenance	\$21,412			\$7,883		\$29,295		\$29,295
94900 Total Maintenance	\$155,537	\$0	\$0	\$84,716	\$0	\$240,253	\$0	\$240,253
95100 Protective Services - Labor								
95200 Protective Services - Other Contract Costs	\$319			\$3,544		\$3,863		\$3,863
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95900 Total Protective Services	\$319	\$0	\$0	\$3,544	\$0	\$3,863	\$0	\$3,863
96110 Property Insurance	\$9,856			\$6,091		\$15,947		\$15,947
96120 Liability Insurance		\$2,542				\$2,542		\$2,542
96130 Workmen's Compensation	\$1,882	\$1,400	\$42	\$471		\$3,795		\$3,795
96140 All Other Insurance	\$953		\$168			\$1,121		\$1,121
96190 Total Insurance Premiums	\$12,691	\$3,942	\$210	\$6,562	\$0	\$23,405	\$0	\$23,405
96200 Other General Expenses								
96210 Compensated Absences	\$1,068	\$946	\$27	-\$1,917		\$124		\$124
96300 Payments in Lieu of Taxes								
96400 Bad debt - Tenant Rents	\$7,738			\$1,597		\$9,335		\$9,335
96500 Bad debt - Mortgages								
96600 Bad debt - Other		\$1,248				\$1,248		\$1,248
96800 Severance Expense								
96900 Total Other General Expenses	\$8,806	\$2,194	\$27	-\$320	\$0	\$10,707	\$0	\$10,707
96710 Interest of Mortgage (or Bonds) Payable				\$47,639		\$47,639		\$47,639
96720 Interest on Notes Payable (Short and Long Term)								
96730 Amortization of Bond Issue Costs				\$217		\$217		\$217
96790 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$47,856	\$0	\$47,856	\$0	\$47,856
96900 Total Operating Expenses	\$427,920	\$162,655	\$6,691	\$278,640	\$0	\$875,906	\$0	\$875,906
97000 Excess of Operating Revenue over Operating Expenses	\$197,432	\$1,312,663	\$69,027	\$67,224	\$22,931	\$1,669,277	\$0	\$1,669,277
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments		\$1,341,758	\$72,604			\$1,414,362		\$1,414,362
97350 HAP Portability-In								
97400 Depreciation Expense	\$112,027	\$1,196	\$83	\$70,335		\$183,641		\$183,641

	Project Total	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	1 Business Activities	14.218 Community Development Block Grants/Entitlement Grants	Subtotal	ELIM	Total
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	\$539,947	\$1,505,609	\$79,378	\$348,975	\$0	\$2,473,909	\$0	\$2,473,909
10010 Operating Transfer In								
10020 Operating transfer Out								
10030 Operating Transfers from/to Primary Government								
10040 Operating Transfers from/to Component Unit								
10050 Proceeds from Notes, Loans and Bonds								
10060 Proceeds from Property Sales								
10070 Extraordinary Items Net Gain/Loss								
10080 Special Items (Net Gain/Loss)								
10091 Inter Project Excess Cash Transfer In								
10092 Inter Project Excess Cash Transfer Out								
10093 Transfers between Program and Project - In	\$142,382			\$22,931		\$165,313	-\$163,158	\$2,155
10094 Transfers between Project and Program - Out	-\$142,382				-\$22,931	-\$165,313	\$163,158	-\$2,155
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$22,931	-\$22,931	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$85,405	-\$30,291	-\$3,660	\$19,820	\$0	\$71,274	\$0	\$71,274
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$54,242	\$0	\$54,242		\$54,242
11030 Beginning Equity	\$2,878,680			\$467,002	\$0	\$3,562,775		\$3,562,775
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$45,919	\$206,491	\$10,602	-\$3,015		\$42,904		\$42,904
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		\$103,988				\$103,988		\$103,988
11180 Housing Assistance Payments Equity		\$72,212				\$72,212		\$72,212
11190 Unit Months Available	1200	3372	252	600		5424		5424
11210 Number of Unit Months Leased	1189	3221	245	576		5231		5231
11270 Excess Cash	\$555,382					\$555,382		\$555,382
11610 Land Purchases	\$0					\$0		\$0
11620 Building Purchases	\$0					\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0					\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0					\$0		\$0
11650 Leasehold Improvements Purchases	\$0					\$0		\$0
11660 Infrastructure Purchases	\$0					\$0		\$0
13510 CFFP Debt Service Payments	\$0					\$0		\$0
13901 Replacement Housing Factor Funds	\$0					\$0		\$0

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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