



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

July 23, 2020

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

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of the Housing Authority of the City of Kelso for the fiscal year ended March 31, 2019. The Housing Authority contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

Americans with Disabilities

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

HOUSING AUTHORITY OF THE CITY OF KELSO

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019



Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

	<u>PAGE</u>
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	1 - 2
SCHEDULE OF PRIOR FEDERAL FINDINGS AND QUESTIONED COSTS.....	3
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	4 - 5
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.....	6 - 8
INDEPENDENT AUDITOR'S REPORT OF FINANCIAL STATEMENTS	9 - 11
FINANCIAL SECTION:	
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	12 - 17
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	18
Statement of Revenues, Expenses and Changes in Net Position	19
Statement of Cash Flows	20 - 21
Notes to Financial Statements	22 - 38
REQUIRED SUPPLEMENTARY INFORMATION	39 - 40
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	41
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	42
SUPPLEMENTAL INFORMATION:	
Financial Data Schedule	43 - 49

Housing Authority of the City of Kelso
Schedule of Findings and Questioned Costs

Year Ended March 31, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that
are not considered to be material weaknesses _____ Yes X No

Noncompliance material to financial statements _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that
are not considered to be material weaknesses _____ Yes X No

Type of auditor's report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with the Uniform Guidance _____ Yes X No

Identification of major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers

Housing Authority of the City of Kelso

Schedule of Findings and Questioned Costs - (Continued)

Year Ended March 31, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS - (Continued)

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

\$ 750,000

Auditee qualified as low-risk auditee:

_____ Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings were noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings were noted.



Executive Director
Joleen Reece

Housing Authority of the City of Kelso
Schedule of Prior Federal Findings and Questioned Costs

For the Year Ended March 31, 2019

The following presents the status of the federal finding reported in the March 31, 2018 audit. The status listed below is the representation of the Housing Authority. Loveridge Hunt & Co., PLLC has reviewed the status.

Finding 2018-001: The Authority improperly calculated a tenants' income in determining eligibility.

CFDA Number/Federal Program/Granting Agency: 14.871

Criteria: Per 24 CFR section 982.516, the public housing authority ("PHA") must determine eligibility based on annual income.

Status: Fully corrected

Corrective Action Taken: The Housing Authority provided additional training to the Housing Specialist and the error identified was corrected by the Housing Authority.





Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of Kelso (the Authority) as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 5, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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 - (CONTINUED)

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 significant deficiencies or material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Lovridge Hunt & Co., PLLC

Bellevue, Washington
December 5, 2019



Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Kelso's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended March 31, 2019. The Authority's major federal program are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE - (CONTINUED)

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2019.

Report on Internal Control Over Compliance

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

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

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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE - (CONTINUED)

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

Loveland Hunt & Co. PLLC

Bellevue, Washington
December 5, 2019



Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Kelso (the Authority), as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS - (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of March 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12 to 18 and pension schedules on pages 39 to 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operation, economic or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS - (CONTINUED)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended March 31, 2019. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Loveridge Hunt & Co., PLLC

Bellevue, Washington
December 5, 2019

FINANCIAL SECTION

HOUSING AUTHORITY OF THE CITY OF KELSO
Management's Discussion and Analysis
March 31, 2019

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, 2019. 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 \$3,487,703.
- The majority (74%) of the Authority's programs are funded by federal grants and subsidies. One percent (1%) 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 \$641,652 at March 31, 2019. Unrestricted net position represents the amount the Authority can use to meet the ongoing obligations of the citizens and creditors.
- The Authority's total net position remained stable between March 31, 2018 and March 31, 2019, with a \$13,672 increase.

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.

FINANCIAL ANALYSIS

Statement of Net Position

The Authority's net position is \$3,487,703 at March 31, 2019. Of this amount, \$17,605, or 1% of total net position, 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. Restricted net position decreased by approximately \$137,000. The

HOUSING AUTHORITY OF THE CITY OF KELSO
Management's Discussion and Analysis
March 31, 2019

fluctuation in the restricted net position is caused by the recognizing the debt proceeds used to create the restricted bond reserve in the restricted net position calculation, coupled with using \$65,000 of Housing Choice Voucher reserves for payments to landlords for housing assistance payments. At March 31, 2019, the unrestricted net position increased \$40,774 to \$641,652, or 7% of net position. This represents the amount that may be used to meet the Authority's ongoing obligations. The increase is due to increased operating grants.

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

Housing Authority of the City of Kelso
Condensed Statement of Net Position

	Total Activities FY2018	Total Activities FY2018
Current and other assets	\$ 1,121,233	\$ 1,246,044
Capital assets (net of depreciation)	4,071,797	3,888,782
TOTAL ASSETS	<u>5,193,030</u>	<u>5,134,826</u>
Deferred Outflows	63,582	70,528
Noncurrent liabilities	1,483,855	1,434,801
Other liabilities	198,293	248,937
TOTAL LIABILITIES	<u>1,682,148</u>	<u>1,683,738</u>
Deferred Inflows	86,761	47,585
Net investment in Capital Assets	2,828,446	2,718,793
Restricted	17,605	154,360
Unrestricted	641,652	600,878
TOTAL NET POSITION	<u>\$ 3,487,703</u>	<u>\$ 3,474,031</u>

The current and other asset category decreased \$125,000 from FY 2018 to FY 2019, caused by use of cash and cash equivalent to fund a land purchase and using restricted cash to pay landlords. Capital assets increased for the purchase of land for future development, offset by reoccurring depreciation.

The Authority's total liabilities remained stable between 2018 and 2019. The Authority typically sees this category decreasing, but debt was used to partially fund the land purchase. Deferred inflows and outflows represent amounts related to pensions that will be amortized as pension expense in the future; the fluctuation in these accounts is based on the State Pension system actuarial studies.

The largest portion of the Authority's net position (81% at 2019) reflects its investment in capital, less any related debt used to acquire those assets that is still outstanding. The Authority's capital assets are used to provide housing to citizens. Consequently, these assets are not available for future spending. The investment in capital assets at fiscal year-end shows a 4% increase due to continued debt payment and addition of land.

HOUSING AUTHORITY OF THE CITY OF KELSO
Management's Discussion and Analysis
March 31, 2019

At March 31, 2019, 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 2018 and 2019 had a \$123,000 or 19% increase. \$53,000 of this resulted from the Low Rent Public Housing wherein, rent for Public Housing tenants is calculated based on tenant's ability to pay. Additionally, it was caused by the Business Type Activities increasing \$70,000, due to loss of a grant that subsidized the rents in prior years. The State had reduced funding and did not renew the grant.

The operating subsidies presents a \$201,000 or 8% decrease at March 31, 2019 mostly due to the loss of the SRO grant (\$105,000), a reduction of local government grant (\$20,000) and a decrease in HAP subsidy.

Total operating expenses decreased by approximately \$42,000 (1%) compared to FY 2018.

The capital contributions revenue fluctuates based on projects and funds available and in 2019 increased compared to 2018. Cowlitz Villa Community Room improvements were funded with HUD contributions during the year.

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, 2019

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

	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>
Revenues		
Operating Revenues		
Rents	\$ 773,933	\$ 650,840
Operating Subsidies	2,202,008	2,403,335
Miscellaneous Operating Revenues	82,739	85,624
Nonoperating Revenues		
Interest Earned	13,270	6,700
Gain (loss) on disposal of capital assets	(2,560)	-
Total Revenues	<u>3,069,390</u>	<u>3,146,499</u>
Expenses		
Operating Expenses		
Administrative	551,322	556,655
Maintenance	380,784	436,398
Other Administrative	252,635	235,076
Housing Assistance Payments	1,720,137	1,715,934
Depreciation	209,722	212,276
Nonoperating Expenses		
Interest and Fiscal Charges	36,294	38,796
Total Expenses	<u>3,150,894</u>	<u>3,195,135</u>
Excess or (Deficiency) Before Contributions	(81,504)	(48,636)
Capital Contributions	95,176	49,186
Change in Net Position	13,672	550
Net Position - Beginning	3,474,031	3,473,481
Net Position - Ending	<u>\$ 3,487,703</u>	<u>\$ 3,474,031</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, 2019 amounts to \$4,071,797 (net of accumulated depreciation). The changes between 2018 and 2019 represent capital asset additions less depreciation. 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, 2019

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

	<u>3/31/2019</u>	<u>3/31/2018</u>
Land	\$ 423,859	\$ 123,738
Buildings	3,206,385	3,302,179
Equipment	2,379	3,961
Improvements other than buildings	439,174	458,904
Total	<u><u>\$ 4,071,797</u></u>	<u><u>\$ 3,888,782</u></u>

Long-Term Debt

At March 31, 2019, the Authority had total capital debt outstanding of \$1,328,523 compared to \$1,169,989 at March 31, 2018. This debt is made up of revenue bonds of \$561,268 (\$575,000 net discount of \$13,732) and government loans of \$767,255. During March 2019, the Authority issued a government loan thru Washington State's Land Acquisition Program of \$226,250. Overall, debt increased as a result of the new loan and decreased by scheduled debt payments.

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. For calendar year 2019, HUD has increased the Housing Choice Voucher Program administrative subsidy from 77% (2018) to 79% (2019).

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, 2019

	3/31/2019
Assets	
<i>Current Assets</i>	
Cash & Cash Equivalents	\$ 763,132
Cash & Cash Equivalents - Restricted	200,463
Accounts Receivables - Tenants	35,682
Allowance For Doubtful Accounts	(18,079)
Due from Other Governments	34,066
Prepaid Expenses	0
Other Accounts Receivable	20,797
Total Current Assets	<u>1,036,061</u>
<i>Long-term Assets</i>	
Cash & Cash Equivalents- Restricted	85,172
Non Depreciable Capital Assets	423,859
Buildings, and Structures (Net Depreciation)	3,647,938
Total Long-term Assets	<u>4,156,969</u>
Total Assets	<u>5,193,030</u>
 Deferred Outflows of Resources	
Amounts Related to Pensions	63,582
Total Deferred Outflows of Resources	<u>63,582</u>
 Liabilities	
<i>Current Liabilities</i>	
Accounts Payable	53,380
Customer Deposits	39,376
Accrued Interest Payable	2,683
Prepaid Rents/Contributions	4,302
Revenue Bond Payable - Current	48,474
Note/Loan Payable - Current	19,242
Accrued Compensated Absences	11,502
Due to Family Self Sufficiency Participants - Short Term	19,334
Total Current Liabilities	<u>198,293</u>
<i>Long-term Liabilities</i>	
Due to Family Self Sufficiency Participants - Long-term	10,890
DCTED Loan Payable	521,763
Note Payable	226,250
Revenue Bond Payable	512,794
Accrued Compensated Absences	26,836
Net Pension Liability	185,322
Total Long-term Liabilities	<u>1,483,855</u>
Total Liabilities	<u>1,682,148</u>
 Deferred Inflows of Resources	
Amounts Related to Pensions	86,761
Total Deferred Inflows of Resources	<u>86,761</u>
 Net Position	
Net Investment in Capital Assets	2,828,446
Restricted	17,605
Unrestricted	641,652
Total Net Position	<u>\$ 3,487,703</u>

HOUSING AUTHORITY OF THE CITY OF KELSO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
For Fiscal Year Ended March 31, 2019

	<u>3/31/2019</u>
Operating Revenues	
Rents	\$ 773,933
Operating Grants	2,202,008
Miscellaneous Revenues	82,739
Total Operating Revenues	<u>3,058,680</u>
Operating Expenses	
Administrative	551,322
Tenant Services	44,141
Utilities	140,367
Maintenance	380,784
Protective Services	10,498
General	57,629
Housing Assistance Payment	1,720,137
Depreciation	209,722
Total Operating Expenses	<u>3,114,600</u>
Operating Income	(55,920)
Non-Operating Revenues (Expenses)	
Interest Earned	13,270
Interest and Fiscal Charges	(36,294)
Gain (Loss) on Disposal of Assets	(2,560)
Total Non-Operating Revenues (Expenses)	<u>(25,584)</u>
Income (Loss) before Contributions	(81,504)
Capital Contributions	95,176
Change in Net Position	<u>13,672</u>
Total Net Position - April 1	<u>3,474,031</u>
Total Net Position - March 31	<u><u>\$ 3,487,703</u></u>

HOUSING AUTHORITY OF THE CITY OF KELSO

STATEMENT OF CASH FLOWS

Page 1 of 2
For Fiscal Year Ended March 31, 2019

	<u>3/31/2019</u>
Cash flows from operating activities	
Cash received from customers	\$ 781,993
HUD and other subsidies received	2,172,314
Cash received from other operating activities	54,619
Cash payment for goods and services	(628,797)
Cash payments for housing assistance	(1,720,489)
Cash payments to employees	(581,039)
Net cash provided (used) by operating activities	<u>78,601</u>
Cash flows from capital and related financing activities	
Principal payments	(69,242)
Receipt of capital grant	144,100
Purchase of capital assets	(218,230)
Interest and fiscal charges paid	(35,002)
Net cash provided (used) for capital and related financing activities	<u>(178,374)</u>
Cash flows from investing activities	
Receipts of interest and dividends	<u>13,267</u>
Net cash provided from investing activities	<u>13,267</u>
Net increase (decrease) in cash	(86,506)
Cash and cash equivalents - April 1	<u>1,135,273</u>
Cash and cash equivalents - March 31	<u><u>\$ 1,048,767</u></u>
Reconciliation to balance sheet	
Cash & cash equivalents - unrestricted	763,132
Cash & cash equivalents - restricted (current)	200,463
Cash & cash equivalents - restricted (long-term)	85,172
Cash and cash equivalents - March 31	<u><u>\$ 1,048,767</u></u>

HOUSING AUTHORITY OF THE CITY OF KELSO

STATEMENT OF CASH FLOWS

Page 2 of 2
For Fiscal Year Ended March 31, 2019

Reconciliation of operating income to net cash provided (used) by operating activities

Net operating income (loss)	\$ (55,920)
Adjustments to reconcile net operating income to net cash provided by operating activities	
Depreciation	209,722
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(8,228)
Decrease (increase) in other operating receivables	(21,112)
Increase (decrease) in accounts payable	(19,183)
Increase in customer deposits	213
Increase in prepaid items	26,225
Increase (decrease) in other payables	11,486
Increase (decrease) in pensions	(61,009)
Increase in compensated absences	(3,593)
Total adjustments	<u>134,521</u>
Net cash provided by operating activities	\$ <u>78,601</u>
Non Cash Transactions	
Accounts payable financing capital purchases	\$ 49,186
Capital assets purchased with debt issuance	226,250

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2019

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 composed 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 proprietary fund is composed of a number of programs. The Authority's programs are designed to provide decent and sanitary housing to low income individuals and are 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. Measurement is on the economic resources focus. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. 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 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

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2019

of providing its services or its capital maintenance costs using the economic resources measurement focus.

Generally, 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 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 or the federal government.

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.

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2019

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. Donated capital assets are recorded at acquisition 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.

Major outlays for capital assets and improvements are capitalized as projects are 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.

Paid time off, which may be accumulated up to 30 days, is payable upon resignation, retirement or death.

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, 2019

9. Pensions

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

10. Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to future periods. Deferred inflows of resources are acquisitions of net position in one period that are applicable to future periods. These are distinguished from assets and liabilities in the statement of net position. The Authority recognizes deferred outflows and deferred inflows related to pension liability.

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 formal investment policy nor a 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 book value of deposits does not materially differ from the bank balance of deposits. As of March 31, 2019, the carrying amount of the Authority's cash and cash equivalents are as follows:

	<u>3/31/2019</u>
Cash on hand	\$ 200
Cash deposits in bank accounts	423,073
Cash with fiscal agent	14,436
Cash restricted for debt service	85,172
Washington State Local Government Investment Pool	525,886
Total cash and cash equivalents	<u>\$ 1,048,767</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. The only investment made by the housing Authority is with the Washington State Treasurer's Office Local Government Investment

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2019

Pool (LGIP), which is classified as a cash equivalent. The LGIP operates in accordance with appropriate state laws and regulations. The LGIP transacts with its participants at a stable net asset value per share and meets the portfolio maturity, quality, diversification, liquidity and shadow pricing requirements that allows it to report at amortized cost. Further, the LGIP is classified as an unrated 2a-7 investment pool per the Securities and Exchange Commission.

The weighted average maturity of the LGIP is less than three (3) months with cash available to the Authority on demand. The on demand availability of these funds defines them as cash equivalent liquid investments. Cash investments are not subject to interest rate risk or any market value reporting requirements. All LGIP investments are either obligations of the United States government, government-sponsored enterprises, or insured demand deposit accounts and certificates of deposits, meaning credit risk is very limited. The investments are either fully insured or fully held by a third party custody provider in the name of the LGIP. The LGIP is audited by the Washington State Auditor's Office and regulated by Washington RCWs and the LGIP Advisory Committee.

Investments Measured at Amortized Cost

As of March 31, 2019, the Authority had \$525,886 invested in the Washington State Local Government Investment Pool measured at amortized cost. These are reported at amortized cost because the State Pool has elected to measure in this manner. The only restriction on withdrawals from the State Investment Pool is when a deposit is received by ACH. In this case, a five day waiting period exists.

B. CAPITAL ASSETS

A summary of capital asset activity for the year ended March 31, 2019 is as follows:

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2019

	Beginning Balance 4/1/18	Increases	Decreases	Ending Balance 3/31/19
Capital assets, not being depreciated				
Land	\$ 123,738	\$ 300,121	\$ -	\$ 423,859
Total capital assets, not being depreciated	123,738	300,121	-	423,859
Capital assets, being depreciated/depleted:				
Buildings	6,933,364	95,176	32,995	6,995,545
Equipment	131,230	-	2,991	128,239
Improvements other than buildings	973,123	-	-	973,123
Total capital assets being depreciated	8,037,717	95,176	35,986	8,096,907
Less accumulated depreciation for:				
Buildings	3,631,185	188,410	30,435	3,789,160
Equipment	127,269	1,582	2,991	125,860
Improvements other than buildings	514,219	19,730	-	533,949
Total accumulated depreciation	4,272,673	209,722	33,426	4,448,969
Total capital assets, being depreciated, net	3,765,044	(114,546)	2,560	3,647,938
Total capital assets	\$ 3,888,782	\$ 185,575	\$ 2,560	\$ 4,071,797

C. RESTRICTED ASSETS

The balance of the restricted asset account is as follows:

	3/31/2019
Customer Deposits	\$ 39,376
Restricted for Replacement Reserves	110,576
Homeowner Self-Sufficiency	30,224
Restricted for Principal & Interest Payments	14,436
Restricted for Bond Reserves	85,172
Restricted for Housing Assistance Payments	5,851
	<u>\$ 285,635</u>

D. LONG-TERM DEBT

GENERAL OBLIGATION DEBT

The Authority issued revenue bonds and government loans 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, 2019

Name & Amount of Issuance	Installments	Issuance Date	Maturity Date	Interest Rate	3/31/2019 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%	\$ 575,000
<i>Government Loans</i>					
Department of Commerce Building Purchase					
\$865,900	\$19,242	9/30/1998	1/1/2047	0%	541,005
State Land Acquisition Loan *	-	3/21/2019	3/31/2027	1%	226,250
<i>Total Long-Term Debt</i>					<u>\$ 1,342,255</u>

*Interest is compounding, and principal and interest payments are deferred until maturity.

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
2020 \$	50,000 \$	32,200 \$	82,200
2021	55,000	29,400	84,400
2022	55,000	26,320	81,320
2023	60,000	23,240	83,240
2024	65,000	19,880	84,880
2025-2028	290,000	42,000	332,000
\$	<u>575,000</u>	<u>173,040</u>	<u>748,040</u>

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

Government Loans			
	Principal	Interest	Total Requirements
2020 \$	19,242 \$	0 \$	19,242
2021	19,242	0	19,242
2022	19,242	0	19,242
2023	19,242	0	19,242
2024	19,242	0	19,242
2025-2029	322,460	21,893	344,353
2030-2034	96,210	0	96,210
2035-2039	96,210	0	96,210
2040-2044	96,210	0	96,210
2045-2047	59,955	0	59,955
\$	<u>767,255</u>	<u>21,893</u>	<u>789,148</u>

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2019

Unamortized premiums or discounts are classified on the financial statements net of debt. Annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt discount.

At March 31, 2019, the Authority has \$85,172 available in reserves as required by bond indentures. Further, the bond covenants require the debt service coverage ratio to exceed 1:1.15. At March 31, 2019, the Authority had met 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, 2019:

	Beginning Balance 4/1/18	Additions	Reductions	Ending Balance 3/31/19	Due Within One Year
Bonds payable					
Revenue bonds	\$ 625,000	\$ -	\$ 50,000	\$ 575,000	\$ 50,000
Plus (minus)					
For issuance premiums (discounts)	(15,258)	-	(1,526)	(13,732)	(1,526)
Total bonds payable	609,742	-	48,474	561,268	48,474
Government loans	560,247	226,250	19,242	767,255	19,242
Compensated absences	45,932	-	7,594	38,338	11,502
Net pension liability	289,331	-	104,009	185,322	-
Family Self-Sufficiency Escrow	11,660	18,564	-	30,224	19,334
Long-term liabilities	<u>\$ 1,516,912</u>	<u>\$ 244,814</u>	<u>\$ 179,319</u>	<u>\$ 1,582,407</u>	<u>\$ 98,552</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 (Interlocal Cooperation Act), fifty-five public housing authorities in the states of Washington, Oregon and California originally formed HARRP in March 1987. HARRP was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. HARRP is a U.S. Department of Housing and Urban Development (HUD) approved self-insurance entity for utilization by public housing authorities. HARRP has a total of eighty two member/owner housing authorities in the states of Washington, Oregon, California and Nevada. Thirty-five of the eighty two members are Washington State public housing entities.

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

General and Automobile Liability Coverage is written on an occurrence basis, without member deductibles. Errors and Omissions coverage (which includes Employment Practices Liability) is written on claims made basis, and the members are responsible for 10% of the incurred costs of

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2019

the claims. The Property coverage offered by HARRP is on a replacement cost basis, with deductibles ranging from \$1,000 to \$25,000. (Due to special underwriting circumstances, some members may be subject to greater deductibles and E & O co-payments). Fidelity coverage is also offered, with limits of \$100,000 (with options up to \$500,000) for employee dishonesty, forgery or alteration and \$10,000 for theft with deductibles similar to the retention of Property

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

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

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

The Authority self-insures for unemployment compensation as an alternative to the State program. During the period ending March 31, 2019, the Authority paid no claims 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

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year ending March 31, 2019:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ 185,322
Deferred outflows of resources	63,582
Deferred inflows of resources	86,761
Pension expense/expenditures	(3,794)

State Sponsored Pension Plans

Substantially all Authority full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2019

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

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

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2019

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
January - August 2018:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	6.00%
September–March 2019:		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three 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 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2019

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2
January - August 2018:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.70%	7.38%
September–March 2019:		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	12.83%	7.41%

The Authority's actual PERS plan contributions were \$21,851 to PERS Plan 1 and \$32,243 to PERS Plan 2/3 for the year ended March 31, 2019.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were based on the RP-2000 report's "Combined Healthy Table" and "Combined Disabled Table". The Society of Actuaries publishes this document. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2019

member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Actuarial results reflect the following changes in assumptions and methods since the last valuation.

- Updated valuation interest rate, general salary growth, and inflation assumptions to be consistent with the assumptions adopted by the Pension Funding Council and LEOFF 2 Board.
 - Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.
 - Lowered assumed general salary growth from 3.75% to 3.50% for all systems.
 - Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Improved how minimum benefits paid to TRS 1 annuitants were modeled in the case where the member had elected a reduced annuity upon retirement.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members.

Consistent with current law, the asset sufficiency test included an assumed 7.50% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.50% except LEOFF Plan 2, which has assumed 7.40%.)

Consistent with the long-term expected rate of return, a 7.40% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS Plans 2 and 3, PSERS Plan 2, SERS Plans 2 and 3, and TRS Plans 2 and 3 employers, whose rates include a component for the PERS Plan 1 or TRS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2019

(WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/ (Asset)

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

	1% Decrease 6.40%	Current Rate 7.40%	1% Increase 8.40%
PERS 1	152,525	124,111	99,499
PERS 2/3	279,979	61,211	(118,155)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2018, the Authority reported a total pension liability of \$185,322 for its proportionate share of the net pension liabilities as follows:

Plan	Liability or Asset
PERS 1	124,111
PERS 2/3	61,211

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

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2019

	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion
PERS 1	0.00314%	0.00278%	-0.00036%
PERS 2/3	0.00404%	0.00359%	-0.00045%

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

The collective net pension liability was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended March 31, 2019, the Authority recognized pension expense as follows:

	Pension Expense
PERS 1	(5,155)
PERS 2/3	1,361

Deferred Outflows of Resources and Deferred Inflows of Resources

At March 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (4,932)
Contributions subsequent to the measurement date	16,419	-
TOTAL	\$ 16,419	\$ (4,932)

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2019

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,503	\$ (10,717)
Net difference between projected and actual investment earnings on pension plan investments	-	(37,562)
Changes of assumptions	716	(17,419)
Changes in proportion and differences between contributions and proportionate share of contributions	14,788	(16,131)
Contributions subsequent to the measurement date	24,156	
TOTAL	\$ 47,163	\$ (81,829)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,503	\$ (10,717)
Net difference between projected and actual investment earnings on pension plan investments	-	(42,494)
Changes of assumptions	716	(17,419)
Changes in proportion and differences between contributions and proportionate share of contributions	14,788	(16,131)
Contributions subsequent to the measurement date	40,575	-
TOTAL	\$ 63,582	\$ (86,761)

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3
2019	215	(5,728)
2020	(1,078)	(12,240)
2021	(3,235)	(22,734)
2022	(834)	(8,257)
2023	-	(2,894)
Thereafter	-	(6,970)

C. OPERATING LEASE RECEIVABLES

Operating leases receivable relate to commercial units under lease. 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, 2019:

HOUSING AUTHORITY OF THE CITY OF KELSO
Notes To Financial Statements
March 31, 2019

	2019
Land	\$ 27,500
Building	861,887
Accumulated Depreciation	(420,487)
Book Value of Assets	\$ 468,900

The following is a schedule by years of the minimum future rentals on noncancelable operating leases as of March 31, 2019. The operating lease expires July 2022.

Year ended March 31

2020	\$ 11,400
2021	11,400
2022	11,400
Total minimum lease payments	\$ 34,200

D. IMPLEMENTATION OF NEW STANDARD

The Authority early implemented GASB 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. This standard removes the requirement to capitalize interest incurred during construction. The authority has one project coming up which will be financed; early implementing this standard will simplify the accounting.

Kelso Housing Authority
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Schedule of Proportionate Share of the Net Pension Liability

PERS 1

As of June 30

Last Five Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.002779%	\$ 124,111	\$ 404,698	30.67%	63.22%
2017	0.003140%	148,995	368,512	40.43%	61.24%
2016	0.002786%	149,621	336,174	44.51%	57.03%
2015	0.002744%	143,537	318,438	45.08%	59.10%
2014	0.002197%	110,675	244,124	45.34%	61.19%

Schedule of Proportionate Share of the Net Pension Liability

PERS 2/3

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.003585%	\$ 61,211	\$ 404,698	15.13%	95.77%
2017	0.004039%	140,336	368,512	38.08%	90.97%
2016	0.003566%	179,545	336,174	53.41%	85.82%
2015	0.003554%	126,985	318,438	39.88%	89.20%
2014	0.002893%	57,184	244,124	23.42%	93.29%

Schedule of Employer Contributions

PERS 1

Year Ended March 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2019	\$ 21,851	\$ (21,851)	\$ -	\$ 429,490	5.09%
2018	19,472	(19,472)	-	392,048	4.97%
2017	17,106	(17,106)	-	358,615	4.77%
2016	16,512	(16,512)	-	330,292	5.00%
2015	13,752	(13,752)	-	309,345	4.45%

Schedule of Employer Contributions

PERS 2/3

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2019	\$ 32,243	\$ (32,243)	\$ -	\$ 429,490	7.51%
2018	28,163	(28,163)	-	392,048	7.18%
2017	22,342	(22,342)	-	358,615	6.23%
2016	19,623	(19,623)	-	330,292	5.94%
2015	15,498	(15,498)	-	309,345	5.01%

Kelso Housing Authority
Notes to Required Supplemental Information - Pension

As of March 31
Last Five Fiscal Years

Note 1: Information Provided

GASB 68 was implemented for the year ended March 31, 2015, therefore there is no data available for years prior to 2014.

Note 2: Significant Factors

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

Note 3: Covered payroll

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

Note 4: Change in contribution rate

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

PERS 1

<u>From this</u>	<u>Through this</u>	
<u>Date</u>	<u>Date</u>	<u>Rate</u>
9/1/2013	6/30/2015	9.21%
7/1/2015	6/30/2017	11.18%
7/1/2017	8/31/2018	12.70%
9/1/2018	current	12.83% *

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

PERS 2/3

<u>From this</u>	<u>Through this</u>	
<u>Date</u>	<u>Date</u>	<u>Rate</u>
9/1/2013	6/30/2015	9.21%
7/1/2015	6/30/2017	11.18%
7/1/2017	8/31/2018	12.70%
9/1/2018	current	12.83% *

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

**Housing Authority of the City of Kelso
Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		
				From Direct Awards	Total	Note
Section 8 Project-Based Cluster						
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	WA0073L0T01609	28,365	28,365	2
Total Section 8 Project-Based Cluster:				28,365	28,365	
Office of Public and Indian Housing, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Public and Indian Housing	14.850	SF-198	281,326	281,326	2
Office of Public and Indian Housing, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Resident Opportunity and Supportive Services - Service Coordinators	14.870	ROSS191296	1,055	1,055	2
Office of Public and Indian Housing, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	PIH Family Self- Sufficiency Program	14.896	FSS18WA2345	34,435	34,435	2
Housing Voucher Cluster						
Office of Public and Indian Housing, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Section 8 Housing Choice Vouchers	14.871	WA020VO	1,768,750	1,768,750	2
Total Housing Voucher Cluster:				1,768,750	1,768,750	
Office of Public and Indian Housing, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Public Housing Capital Fund	14.872	WA19P020501-17 WA19P019501-16	181,535	181,535	2
Total Federal Awards Expended:				2,295,466	2,295,466	

Housing Authority of the City of Kelso
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2019

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 the federal grant portion of the program costs. Entire program costs, including the Authority's portion, are not shown. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

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

HA City of Kelso (WA020)

KELSO, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2019

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$694,753			\$45,495		\$22,884	\$763,132		\$763,132
112 Cash - Restricted - Modernization and Development									
113 Cash - Other Restricted	\$14,289			\$21,786		\$125,012	\$161,087		\$161,087
114 Cash - Tenant Security Deposits	\$26,914	\$0				\$12,462	\$39,376		\$39,376
115 Cash - Restricted for Payment of Current Liabilities									
100 Total Cash	\$735,956	\$0	\$0	\$67,281	\$0	\$160,358	\$963,595	\$0	\$963,595
121 Accounts Receivable - PHA Projects									
122 Accounts Receivable - HUD Other Projects	\$262	\$10,874	\$1,055	\$18,691			\$30,882		\$30,882
124 Accounts Receivable - Other Government				\$3,184			\$3,184		\$3,184
125 Accounts Receivable - Miscellaneous				\$20,797		\$0	\$20,797		\$20,797
126 Accounts Receivable - Tenants	\$17,516			\$3,332		\$14,834	\$35,682		\$35,682
126.1 Allowance for Doubtful Accounts - Tenants	-\$9,174			\$0		-\$8,905	-\$18,079		-\$18,079
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0			\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery									
128.1 Allowance for Doubtful Accounts - Fraud									
129 Accrued Interest Receivable									
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$8,604	\$10,874	\$1,055	\$46,004	\$0	\$5,929	\$72,466	\$0	\$72,466
131 Investments - Unrestricted									
132 Investments - Restricted									
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets									
143 Inventories									
143.1 Allowance for Obsolete Inventories									
144 Inter Program Due From						\$1,055	\$1,055	-\$1,055	\$0
145 Assets Held for Sale									
150 Total Current Assets	\$744,560	\$10,874	\$1,055	\$113,285	\$0	\$167,342	\$1,037,116	-\$1,055	\$1,036,061
161 Land	\$64,138			\$2,100		\$357,621	\$423,859		\$423,859
162 Buildings	\$5,333,081					\$2,635,587	\$7,968,668		\$7,968,668
163 Furniture, Equipment & Machinery - Dwellings	\$28,725			\$2,138		\$4,053	\$34,916		\$34,916
164 Furniture, Equipment & Machinery - Administration	\$93,324						\$93,324		\$93,324
165 Leasehold Improvements									
166 Accumulated Depreciation	-\$3,091,867			-\$2,138		-\$1,354,965	-\$4,448,970		-\$4,448,970
167 Construction in Progress									
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,427,401	\$0	\$0	\$2,100	\$0	\$1,642,296	\$4,071,797	\$0	\$4,071,797
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						\$85,172	\$85,172		\$85,172
176 Investments in Joint Ventures									
180 Total Non-Current Assets	\$2,427,401	\$0	\$0	\$2,100	\$0	\$1,727,468	\$4,156,969	\$0	\$4,156,969
200 Deferred Outflow of Resources	\$41,131			\$13,657		\$8,794	\$63,582		\$63,582
290 Total Assets and Deferred Outflow of Resources	\$3,213,092	\$10,874	\$1,055	\$129,042	\$0	\$1,903,604	\$5,257,667	-\$1,055	\$5,256,612

311 Bank Overdraft									
312 Accounts Payable <= 90 Days	\$26,896	\$8,553		\$6,411		\$7,401	\$49,261		\$49,261
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable	\$477						\$477		\$477
322 Accrued Compensated Absences - Current Portion	\$8,346			\$780		\$2,376	\$11,502		\$11,502
324 Accrued Contingency Liability									
325 Accrued Interest Payable						\$2,683	\$2,683		\$2,683
331 Accounts Payable - HUD PHA Programs				\$1,321			\$1,321		\$1,321
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government									
341 Tenant Security Deposits	\$26,914					\$12,462	\$39,376		\$39,376
342 Unearned Revenue	\$2,266					\$2,036	\$4,302		\$4,302
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue						\$67,716	\$67,716		\$67,716
344 Current Portion of Long-term Debt - Operating Borrowings									
345 Other Current Liabilities	\$5,853			\$13,481			\$19,334		\$19,334
346 Accrued Liabilities - Other									
347 Inter Program - Due To		\$2,321	\$1,055				\$3,376	-\$1,055	\$2,321
348 Loan Liability - Current									
310 Total Current Liabilities	\$70,752	\$10,874	\$1,055	\$21,993	\$0	\$94,674	\$199,348	-\$1,055	\$198,293
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue						\$1,260,807	\$1,260,807		\$1,260,807
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other	\$8,436	\$0		\$2,454			\$10,890		\$10,890
354 Accrued Compensated Absences - Non Current	\$19,474			\$1,820		\$5,543	\$26,837		\$26,837
355 Loan Liability - Non Current									
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities	\$119,883			\$39,808		\$25,631	\$185,322		\$185,322
350 Total Non-Current Liabilities	\$147,793	\$0	\$0	\$44,082	\$0	\$1,291,981	\$1,483,856	\$0	\$1,483,856
300 Total Liabilities	\$218,545	\$10,874	\$1,055	\$66,075	\$0	\$1,386,655	\$1,683,204	-\$1,055	\$1,682,149
400 Deferred Inflow of Resources	\$56,125			\$18,637		\$12,000	\$86,762		\$86,762
508.4 Net Investment in Capital Assets	\$2,427,401			\$2,100		\$398,945	\$2,828,446		\$2,828,446
511.4 Restricted Net Position				\$5,851		\$11,754	\$17,605		\$17,605
512.4 Unrestricted Net Position	\$511,021	\$0	\$0	\$36,379	\$0	\$94,250	\$641,650		\$641,650
513 Total Equity - Net Assets / Position	\$2,938,422	\$0	\$0	\$44,330	\$0	\$504,949	\$3,487,701	\$0	\$3,487,701
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$3,213,092	\$10,874	\$1,055	\$129,042	\$0	\$1,903,604	\$5,257,667	-\$1,055	\$5,256,612

HA City of Kelso (WA020)

KELSO, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2019

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$401,924					\$372,009	\$773,933		\$773,933
70400 Tenant Revenue - Other									
70500 Total Tenant Revenue	\$401,924	\$0	\$0	\$0	\$0	\$372,009	\$773,933	\$0	\$773,933
70600 HUD PHA Operating Grants	\$367,685	\$34,435	\$1,055	\$1,768,750	\$27,044		\$2,198,969		\$2,198,969
70610 Capital Grants	\$95,176						\$95,176		\$95,176
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						\$3,039	\$3,039		\$3,039
71100 Investment Income - Unrestricted	\$10,269			\$948		\$2,052	\$13,269		\$13,269
71200 Mortgage Interest Income									
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery				\$6,268			\$6,268		\$6,268
71500 Other Revenue	\$32,512			\$25,993		\$17,966	\$76,471		\$76,471
71600 Gain or Loss on Sale of Capital Assets	-\$2,598			\$32		\$6	-\$2,560		-\$2,560
72000 Investment Income - Restricted									
70000 Total Revenue	\$904,968	\$34,435	\$1,055	\$1,801,991	\$27,044	\$395,072	\$3,164,565	\$0	\$3,164,565
91100 Administrative Salaries	\$61,477	\$25,268	\$980	\$53,166	\$864	\$6,765	\$148,520	\$139,614	\$288,134
91200 Auditing Fees	\$3,771			\$8,355			\$12,126	\$5,500	\$17,626
91300 Management Fee									
91310 Book-keeping Fee									
91400 Advertising and Marketing	\$686					\$314	\$1,000		\$1,000
91500 Employee Benefit contributions - Administrative	\$10,391	\$7,040	\$75	-\$5,123	\$502	-\$12,476	\$409	\$39,750	\$40,159
91600 Office Expenses	\$13,405			\$18,223		\$4,730	\$36,358	\$126,012	\$162,370
91700 Legal Expense	\$5,972					\$3,800	\$9,772		\$9,772
91800 Travel	\$6,514			\$7,196		\$1,414	\$15,124	\$14,086	\$29,210
91810 Allocated Overhead	\$225,031	\$2,143		\$72,567	\$756	\$37,018	\$337,515	-\$337,515	\$0
91900 Other	\$1,763			\$707	\$3	\$390	\$2,863	\$188	\$3,051
91000 Total Operating - Administrative	\$329,010	\$34,451	\$1,055	\$155,091	\$2,125	\$41,955	\$563,687	-\$12,365	\$551,322
92000 Asset Management Fee									
92100 Tenant Services - Salaries									
92200 Relocation Costs									

92300 Employee Benefit Contributions - Tenant Services									
92400 Tenant Services - Other	\$18,606					\$25,535	\$44,141		\$44,141
92500 Total Tenant Services	\$18,606	\$0	\$0	\$0	\$0	\$25,535	\$44,141	\$0	\$44,141
93100 Water	\$32,465					\$10,268	\$42,733		\$42,733
93200 Electricity	\$7,612					\$11,710	\$19,322	\$2,289	\$21,611
93300 Gas									
93400 Fuel									
93500 Labor									
93600 Sewer	\$53,544					\$11,308	\$64,852		\$64,852
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense	\$3,544					\$7,627	\$11,171		\$11,171
93000 Total Utilities	\$97,165	\$0	\$0	\$0	\$0	\$40,913	\$138,078	\$2,289	\$140,367
94100 Ordinary Maintenance and Operations - Labor	\$124,315					\$24,090	\$148,405		\$148,405
94200 Ordinary Maintenance and Operations - Materials and Other	\$23,581					\$13,708	\$37,289		\$37,289
94300 Ordinary Maintenance and Operations Contracts	\$109,041					\$43,151	\$152,192		\$152,192
94500 Employee Benefit Contributions - Ordinary Maintenance	\$34,040					\$8,858	\$42,898		\$42,898

94000 Total Maintenance	\$290,977	\$0	\$0	\$0	\$0	\$89,807	\$380,784	\$0	\$380,784
95100 Protective Services - Labor									
95200 Protective Services - Other Contract Costs	\$7,972					\$2,526	\$10,498		\$10,498
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective Services									
95000 Total Protective Services	\$7,972	\$0	\$0	\$0	\$0	\$2,526	\$10,498	\$0	\$10,498
96110 Property Insurance	\$13,236			\$2,384		\$6,639	\$22,259		\$22,259
96120 Liability Insurance									
96130 Workmen's Compensation	\$0						\$0	\$10,076	\$10,076
96140 All Other Insurance									
96100 Total Insurance Premiums	\$13,236	\$0	\$0	\$2,384	\$0	\$6,639	\$22,259	\$10,076	\$32,335
96200 Other General Expenses						\$2,860	\$2,860		\$2,860
96210 Compensated Absences	\$8,376	-\$16		-\$1,928		-\$1,613	\$4,819		\$4,819
96300 Payments in Lieu of Taxes									
96400 Bad debt - Tenant Rents	\$12,330			-\$680		\$5,966	\$17,616		\$17,616
96500 Bad debt - Mortgages									
96600 Bad debt - Other									
96800 Severance Expense									
96000 Total Other General Expenses	\$20,706	-\$16	\$0	-\$2,608	\$0	\$7,213	\$25,295	\$0	\$25,295
96710 Interest of Mortgage (or Bonds) Payable						\$36,294	\$36,294		\$36,294
96720 Interest on Notes Payable (Short and Long Term)									
96730 Amortization of Bond Issue Costs									
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$36,294	\$36,294	\$0	\$36,294
96900 Total Operating Expenses	\$777,672	\$34,435	\$1,055	\$154,867	\$2,125	\$250,882	\$1,221,036	\$0	\$1,221,036
97000 Excess of Operating Revenue over Operating Expenses	\$127,296	\$0	\$0	\$1,647,124	\$24,919	\$144,190	\$1,943,529	\$0	\$1,943,529
97100 Extraordinary Maintenance									
97200 Casualty Losses - Non-capitalized									
97300 Housing Assistance Payments				\$1,676,534	\$24,726		\$1,701,260		\$1,701,260
97350 HAP Portability-In				\$18,877			\$18,877		\$18,877
97400 Depreciation Expense	\$137,239			\$32		\$72,451	\$209,722		\$209,722
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense									
90000 Total Expenses	\$914,911	\$34,435	\$1,055	\$1,850,310	\$26,851	\$323,333	\$3,150,895	\$0	\$3,150,895
10010 Operating Transfer In	\$181,535						\$181,535		\$181,535
10020 Operating transfer Out	-\$181,535						-\$181,535		-\$181,535
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									
10094 Transfers between Project and Program - Out	\$0						\$0		\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$9,943	\$0	\$0	-\$48,319	\$193	\$71,739	\$13,670	\$0	\$13,670
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$69,242	\$69,242		\$69,242
11030 Beginning Equity	\$2,948,365	\$0	\$0	\$92,649	-\$193	\$433,210	\$3,474,031		\$3,474,031
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors									
11050 Changes in Compensated Absence Balance									
11060 Changes in Contingent Liability Balance									
11070 Changes in Unrecognized Pension Transition Liability									
11080 Changes in Special Term/Severance Benefits Liability									
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents									
11100 Changes in Allowance for Doubtful Accounts - Other									
11170 Administrative Fee Equity				\$38,479			\$38,479		\$38,479
11180 Housing Assistance Payments Equity				\$5,851			\$5,851		\$5,851
11190 Unit Months Available	1392			3696	84	600	5772		5772
11210 Number of Unit Months Leased	1365			3287	77	545	5274		5274
11270 Excess Cash	\$594,713						\$594,713		\$594,713
11610 Land Purchases	\$0						\$0		\$0
11620 Building Purchases	\$190,353						\$190,353		\$190,353
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