



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

September 29, 2022

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

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

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements and compliance with federal grant requirements of the Housing Authority of the City of Kelso for the fiscal year ended March 31, 2021. The Housing Authority contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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HOUSING AUTHORITY OF THE CITY OF KELSO

**FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Kelso (the Authority), as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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.

Auditors' 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 auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Kelso as of March 31, 2021, 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.

INDEPENDENT AUDITORS' REPORT, CONTINUED

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 3 to 7, schedule of the Authority's proportionate share of the net pension liability on pages 30 to 31, and schedule of employer contributions on page 32 to 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Awards Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. The Actual Modernization Cost Certificate presented on page 43 and the Financial Data Schedule presented on pages 38 through 42 are presented for the purpose of additional analysis as required by HUD, and are also not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the 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 23, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Finney, Hill & Company, P.S.

December 23, 2021
Seattle, Washington

HOUSING AUTHORITY OF THE CITY OF KELSO
Management's Discussion and Analysis
March 31, 2021

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, 2021. 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 \$3,621,097.
- The majority (84%) of the Authority's programs are funded by federal grants and subsidies. Less than 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 \$1,025,249 at March 31, 2021. 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 increased \$250,002 between March 31, 2020, and March 31, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Enterprise Fund Financial Statements

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

Notes to the Financial Statements

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

HOUSING AUTHORITY OF THE CITY OF KELSO
Management's Discussion and Analysis
March 31, 2021

FINANCIAL ANALYSIS

Statement of Net Position

The Authority's net position is \$3,651,394 at March 31, 2021. Of this amount, \$67,935, less than 2% 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 increased slightly. At March 31, 2021, the unrestricted net position increased from \$695,493 to \$1,025,249, or 47% 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 and CARES Act funding.

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

	Total Activities FY2021	Total Activities FY2020
Current and other assets	\$ 1,538,481	1,160,686
Capital assets (net of depreciation)	3,659,654	3,867,308
Total assets	5,198,135	5,027,994
Deferred Outflows of Resources	86,053	79,982
Non-current liabilities	\$ 1,307,131	1,381,790
Other liabilities	269,907	221,854
Total liabilities	1,577,038	1,603,644
Deferred Inflows of Resources	55,756	102,940
Net position		
Net investment in capital assets	\$ 2,558,210	2,693,082
Restricted	67,935	12,817
Unrestricted	1,025,249	695,493
Total net position	\$ 3,651,394	3,401,392

The current and other asset category increased \$378,000 from FY2020 to FY2021, as cash increased because of revenues exceeding expenses in the Public Housing and Housing Choice Voucher Programs. Capital assets decreased due to reoccurring depreciation.

The Authority's total liabilities decreased approximately \$27,000 between 2020 and 2021. This is a result of scheduled debt payments. 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.

HOUSING AUTHORITY OF THE CITY OF KELSO
Management's Discussion and Analysis
March 31, 2021

The largest portion of the Authority's net position (70% at March 31, 2021) 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 5% decrease due to continued debt payments and depreciation.

At March 31, 2021, 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 2020 and 2021 stayed fairly stable, with a slight increase.

The operating subsidies presents a \$372,685 or 16% increase at March 31, 2021 mostly due to increased housing choice voucher program subsidies and CARES Act funding received to assist with the cost of COVID-19 measures.

Total operating expenses increased by approximately \$25,000 (1%) compared to FY 2020. This is mostly due to increased landlord payments.

No capital improvements were funded by capital funds in FY2021.

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, 2021

	Fiscal Year 2021	Fiscal Year 2020
Revenues		
Operating revenue		
Rents	\$ 665,594	637,623
Operating Subsidies	2,768,635	2,395,950
Miscellaneous Operating Revenues	67,693	97,843
Nonoperating Revenues		
Interest earned	1,615	13,121
Total Revenues	<u>3,503,537</u>	<u>3,144,537</u>
Expenses		
Operating Expenses		
Administrative	623,143	602,544
Maintenance	328,915	367,064
Utilities	152,113	138,453
Other Expense	77,496	96,720
Housing Assistance Payments	1,830,884	1,779,953
Depreciation	207,655	209,988
Non-operating expenses		
Interest expense	33,329	36,126
Total expenses	<u>3,253,535</u>	<u>3,230,848</u>
Change in Net Position	250,002	(86,311)
Net position, beginning	3,401,392	3,487,703
Net position, ending	<u>\$ 3,651,394</u>	<u>3,401,392</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, 2021 amounts to \$3,659,654 (net of accumulated depreciation). The changes between 2020 and 2021 represent depreciation expense. 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, 2021

	<u>3/31/2021</u>	<u>3/31/2020</u>
Land	\$ 423,859	423,859
Construction in Progress	5,500	5,500
Buildings	2,811,991	3,008,117
Equipment	-	841
Improvements other than buildings	<u>418,304</u>	<u>428,991</u>
Total capital assets, net	<u>\$ 3,659,654</u>	<u>\$ 3,867,308</u>

Long-Term Debt

At March 31, 2021, the Authority had total capital debt outstanding of \$1,118,091 compared to \$1,260,807 at March 31, 2020. This debt is made up of revenue bonds of \$459,320 (\$470,000 net discount of \$10,680) and government loans of \$728,771. Overall, debt 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 2021, HUD has kept the Housing Choice Voucher Program administrative subsidy proration at 80% in 2020 and 2021.

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, 2021

Assets and Deferred Outflows of Resources

Current Assets:

Cash and Cash Equivalents	\$ 1,187,515
Cash and Cash Equivalents - Restricted	131,213
Accounts Receivable - Tenants	35,931
Allowance for Doubtful Accounts	(14,333)
Accounts Receivable - Other	48,858
Due from Other Governments	31,212
Prepaid Expenses	<u>31,438</u>
Total Current Assets	<u>1,451,834</u>

Long-term Assets

Cash and Cash Equivalents - Restricted	86,647
Non-depreciable Capital Assets	429,359
Buildings and Structures (Net of Accumulated Depreciation)	<u>3,230,295</u>
Total Long-term Assets	<u>3,746,301</u>
Total Assets	<u>5,198,135</u>

Deferred Outflows of Resources

Amounts Related to Pensions	<u>86,053</u>
Total Deferred Outflows of Resources	<u>86,053</u>
Total Assets & Deferred Outflow of Resources	<u><u>\$ 5,284,188</u></u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
STATEMENT OF NET POSITION, CONTINUED
March 31, 2021

Liabilities, Deferred Inflows, and Net Position

Current Liabilities:

Accounts Payable	\$ 117,453
Customer Deposits	41,458
Accrued Interest Payable - Current	2,194
Prepaid Rents/Contributions	7,958
Revenue Bond Payable - Current	53,474
Note/Loan Payable - Current	19,242
Accrued Compensated Absences - Current	10,449
Due to Family Self Sufficiency Participants - Current	<u>17,679</u>
Total Current Liabilities	<u>269,907</u>

Long-term Liabilities

Due to Family Self Sufficiency Participants - Long-term	1,947
DCTED Loan Payable	483,279
Note Payable	226,250
Revenue Bond Payable	405,846
Accrued Interest Payable - Long-term	5,293
Accrued Compensated Absences - Long-term	24,383
Net Pension Liability	<u>160,133</u>
Total Long-term Liabilities	<u>1,307,131</u>
Total Liabilities	<u>1,577,038</u>

Deferred Inflows of Resources

Amounts Related to Pensions	<u>55,756</u>
Total Deferred Inflows of Resources	<u>55,756</u>

Net Position:

Invested in capital assets, net of related debt	2,558,210
Restricted	67,935
Unrestricted	<u>1,025,249</u>
Total Net Position	<u>3,651,394</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 5,284,188</u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended March 31, 2021

Operating Revenues:	
Net Rental Revenue	\$ 665,594
Operating Grants	2,768,635
Miscellaneous Revenues	<u>67,693</u>
Total Operating Revenues	<u>3,501,922</u>
Operating Expenses:	
Administrative	623,143
Tenant Services	12,257
Utilities	152,113
Maintenance	328,915
Protective Services	3,082
Other General Expenses	62,157
Housing Assistance Payments	1,830,884
Depreciation and Amortization	<u>207,655</u>
Total Operating Expenses	<u>3,220,206</u>
Operating Income (Loss)	<u>281,716</u>
Non-operating revenues & expenses:	
Interest Earned	1,615
Interest Expense and Fiscal Charges	<u>(33,329)</u>
Total non-operating revenues & expenses	<u>(31,714)</u>
Changes in net position	250,002
Net position at beginning of year	3,401,392
Net position at end of year	<u>\$ 3,651,394</u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Tenants	\$ 657,635
Cash Received from HUD and Other Subsidies	2,790,184
Cash Received from Other Operating Activities	18,835
Cash Payments for Goods and Services	(551,376)
Cash Payments for Housing Assistance	(1,840,783)
Cash Payments to Employees	<u>(664,332)</u>
Net cash provided (used) by operating activities:	<u>410,163</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal Payments	(74,242)
Interest and Fiscal Charges Paid	<u>(29,399)</u>
Net cash provided (used) by capital and related financing activities	<u>(103,641)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Receipts of Interest and Dividends	<u>1,617</u>
Net cash provided by investing activities:	<u>1,617</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>308,139</u>
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CASH AND CASH EQUIVALENTS, beginning of year	<u>1,097,236</u>
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CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,405,375</u></u>
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RECONCILIATION TO STATEMENT OF NET POSITION

Cash and Cash Equivalents	\$ 1,187,515
Cash and Cash Equivalents - Restricted (Current)	131,213
Cash and Cash Equivalents - Restricted (Long-term)	<u>86,647</u>
Total Cash	<u><u>\$ 1,405,375</u></u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
STATEMENT OF CASH FLOWS, CONTINUED
For the Year Ended March 31, 2021

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:

Operating income (loss)	\$ 281,716
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation and amortization	207,655
(Increase) decrease in assets:	
Receivables	(59,767)
Inventory	21,549
Prepaid expenses and other assets	(31,438)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	36,104
Pension liability	(51,480)
Security deposits	2,854
Unearned revenues	96
FSS escrow liability	2,281
Compensated absences	593
Total adjustments	<u>128,447</u>
Net cash provided (used) by operating activities	<u><u>\$ 410,163</u></u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT POLICIES

The accounting policies of the Housing Authority of the City of Kelso (the Authority) conform to U.S. 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 of providing its services or its capital maintenance costs using the economic resources measurement focus.

Generally, inter-program activity, such as due to (from) other programs, is eliminated from the financial statements.

These notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

For the most part, the Authority reports operating revenues as defined in GASB Statement No. 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

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.

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 tenants. The allowance for doubtful accounts is estimated based upon knowledge of the tenant and percentage of prior uncollectible receivables.

Receivables due from other governments consist of grant subsidies from other local governments or the federal government.

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, replacement reserves, and family self-sufficiency reserves.

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.

These notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

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.

Preliminary costs incurred for proposed capital projects are recorded in “Construction in Progress” pending construction of the facility. Costs relating to projects ultimately constructed are transferred to the project capital accounts; charges related to abandoned projects are expensed.

Customer Deposits

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

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.

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.

Prepaid Rents/Contributions

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

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 4B.

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.

These notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

Family Self-Sufficiency

The Family Self-Sufficiency program (FSS) is an incentive program for low-income persons receiving subsidies to help them find ways to increase their income through schooling, technical training, etc. The Authority sets aside in an escrow account the difference between the participants' starting subsidy and their declining subsidy as their wages increase. When the participants achieve an income level at which they no longer receive subsidies in accordance with program guidelines, they will receive the escrow balance in cash. If the participants fail to comply with the program requirements, their escrow balance is forfeited.

Use of Estimates

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

Tax Exemption

The Authority is qualified as a tax-exempt organization under the provisions of Section 115(1) of the Internal Revenue Code. Under state law (RCW 35.82.210) the Authority is exempt from all income taxes imposed by cities, counties, the state, or any political subdivision thereof. Accordingly, no provision for income taxes is reflected in the accompanying statements.

D. Recently Adopted and Upcoming Accounting Principles

Recently Adopted Accounting Principles

GASB Statement No. 83, *Certain Asset Retirement Obligations*, standardizes requirements for the recognition and measurement of asset retirement obligations, other than landfills, to reduce inconsistency in financial reporting and enhance comparability. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. There was no impact to the Authority's financial statements as a result of implementing this statement.

GASB Statement No. 84, *Fiduciary Activities*, defines criteria for identifying activities that state and local governments should report as fiduciary activities and how they should be reported. There was no impact to the Authority's financial statements as a result of implementing this statement.

New Accounting Standards to be Adopted in Future Years

GASB Statement No. 87, *Leases*, is effective for reporting periods beginning after June 15, 2021. Its objective is to improve accounting and financial reporting for leases by governments by establishing a single model for lease accounting based on the principle that leases are the financing of the right to use an underlying asset. It requires recognition of certain lease assets and liabilities that were previously classified as operating.

GASB Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*, is effective for reporting periods beginning after June 15, 2021. Its objective is to address accounting and financial reporting implications that result from the replacement of an IBOR.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, is effective for fiscal years beginning after June 15, 2022. Its objective is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs), and to provide guidance for accounting and financial reporting for availability payment arrangements (APAs).

These notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for fiscal years beginning after June 15, 2022. Its objective is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users.

The Authority is currently evaluating these new standards to determine what impact, if any, they will have on the Authority and its financial statements and related disclosures.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

State law requires that the Authority maintain occupancy at specified percentages of low-income families. State law also requires the Authority to deposit all of its funds with banking institutions in accordance with the terms of the State of Washington Public Deposit Protection Act.

The Authority is in compliance with state law with respect to the percentage of low-income families served and the Authority makes all investments pursuant to the requirements of Washington State law in Chapter 39.58 RCW, and the investment policies it has adopted.

NOTE 3 – 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, 2021, the carrying amount of the Authority's cash and cash equivalents are as follows:

	<u>03/31/21</u>
Cash on hand	\$ 200
Cash deposits in bank accounts	773,081
Cash with fiscal agent	7,036
Cash with fiscal agent - restricted for debt service	86,647
Washington State Local Government Investment Pool	<u>538,411</u>
	<u>\$ 1,405,375</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 Pool (LGIP), which is classified as a cash equivalent. The LGIP operates in accordance with appropriate state laws and regulations.

These notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2021

NOTE 3 – DETAILED NOTES ON ALL FUNDS, continued

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, 2021, the Authority had \$538,411 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, 2021 is as follows:

	Beginning Balance 04/01/20	Increases	Decreases	Ending Balance 03/31/21
Capital assets, not being depreciated				
Land	\$ 423,859	-	-	423,859
Construction in progress	5,500	-	-	5,500
Total capital assets, not being depreciated	429,359	-	-	429,359
Capital assets, being depreciated/depleted:				
Buildings	6,995,544	-	-	6,995,544
Equipment	128,239	-	-	128,239
Improvements other than buildings	973,123	-	-	973,123
Total capital assets, being depreciated	8,096,906	-	-	8,096,906
Less accumulated depreciation for:				
Buildings	3,987,427	196,126	-	4,183,553
Equipment	127,398	841	-	128,239
Leasehold improvements	544,131	10,688	-	554,819
Total accumulated depreciation	4,658,956	207,655	-	4,866,611
Total capital assets, being depreciated, net	3,437,950	(207,655)	-	3,230,295
Total capital assets, net	\$ 3,867,309	(207,655)	-	3,659,654

These notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2021

NOTE 3 – DETAILED NOTES ON ALL FUNDS, continued

C. Restricted Assets

The balance of restricted cash and cash equivalents is comprised of the following as of March 31, 2021:

	<u>March 31, 2021</u>
Customer Deposits	\$ 47,008
Restricted for Replacement Reserves	52,834
Homeowner Self-Sufficiency	19,626
Restricted for Principal and Interest Payments	7,036
Restricted for Bond Reserves	86,647
Restricted for Housing Assistance Payments	4,709
	<u>\$ 217,860</u>

D. Long-term Debt

General Obligation Debt

The Authority issued revenue bonds and direct borrowings (government loans) to finance the purchase and remodel of the Chinook and Columbia Apartments. All of these loans are secured by the financed property.

Current debt outstanding is as follows:

					03/31/21
Name & Amount of Issuance	Annual Installments	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
<i>Direct Placement Revenue Bonds</i>					
Chinook/Columbia Rehab \$1,210,000	\$20,000 to \$80,000	3/1/1998	3/1/2028	5.0% to 5.6%	\$ 470,000
<i>Government Loans</i>					
Department of Commerce Building Purchase \$865,900	\$ 19,242	9/30/1998	1/1/2047	0.0%	502,521
State Land Acquisition Loan*	-	3/21/2019	3/31/2027	1.0%	<u>226,250</u>
Total Government Loans					<u>728,771</u>
<i>Total Long-term Debt</i>					<u>\$ 1,198,771</u>

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

Under the Department of Commerce State of Washington Loan, the loan is secured by a deed of trust on the property. If the property is sold, refinanced, transferred, the use changes during the commitment period, or the Housing Authority is materially out of compliance with the terms of the agreement, the loan amount, plus a proportional share of the appreciated value of the property will be due to the Department of Commerce within 30 days of such event.

These notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2021

NOTE 3 – DETAILED NOTES ON ALL FUNDS, continued

Under the State Land Acquisition Loan, the Authority must submit an updated Project Plan by five years after the issuance date or risk Non-Monetary default. Failure to complete the project, or substantially changing the use of the property from what is outlined in the original loan agreement, both result in Non-Monetary default. Should default occur the full balance, both principal and interest, immediately become due and payable in full. This loan is secured by a Deed of Trust.

Revenue bonds are issued where the government pledges income derived from the acquired or constructed assets to pay debt service and the related property serves as collateral. Any bond not redeemed shall continue to accrue interest at the rate in effect at the time of redemption until the bond, plus accrued interest, is paid in full.

Revenue bond debt service requirements to maturity are as follows:

<i>Direct Placement Revenue Bonds</i>			
Years Ending March 31	Principal	Interest	Total Requirements
2022	\$ 55,000	26,320	81,320
2023	60,000	23,240	83,240
2024	65,000	19,880	84,880
2025	65,000	16,240	81,240
2026	70,000	12,600	82,600
2027-2028	155,000	13,160	168,160
	<u>\$ 470,000</u>	<u>111,440</u>	<u>581,440</u>

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

<i>Government Loans</i>			
Years Ending March 31	Principal	Interest	Total Requirements
2022	\$ 19,242	-	19,242
2023	19,242	-	19,242
2024	19,242	-	19,242
2025	19,242	-	19,242
2026	19,242	-	19,242
2027-2031	322,460	21,893	344,353
2032-2036	96,211	-	96,211
2037-2041	96,211	-	96,211
2043-2046	96,211	-	96,211
2047	21,468	-	21,468
	<u>\$ 728,771</u>	<u>21,893</u>	<u>750,664</u>

The Department of Commerce loan has the related property pledged as collateral.

These notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2021

NOTE 3 – DETAILED NOTES ON ALL FUNDS, continued

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, 2021, the Authority has \$86,647 available in reserves as required by bond indentures. Further, the bond covenants require the debt service coverage ratio for the Chinook Hotel and Columbia Apartments to exceed 1:1.15. At March 31, 2021, the Authority had not met this requirement.

Changes in Long-term Debt and Other Liabilities

The following is a summary of long-term debt changes of the Authority for the year ended March 31, 2021:

Name & Amount of Issuance	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
Revenue bonds	\$ 525,000	-	(55,000)	470,000	\$ 55,000
Issuance discounts	(12,206)	-	1,526	(10,680)	(1,526)
Total bonds payable	512,794	-	(53,474)	459,320	53,474
Government Loans	748,013	-	(19,242)	728,771	19,242
Compensated Absences	34,239	593	-	34,832	10,449
Net pension liability	158,358	1,775	-	160,133	-
Family Self-Sufficiency Escrow	17,345	2,281	-	19,626	17,679
	<u>\$ 1,470,749</u>	<u>4,649</u>	<u>(72,716)</u>	<u>1,402,682</u>	<u>\$ 100,844</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 4 – 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.

These notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2021

NOTE 4 – OTHER DISCLOSURES, continued

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 a claims made basis, and the members are responsible for 10% of the incurred costs of the claims. The Property coverage offered by HARRP is on a replacement cost basis, with deductibles ranging from \$1,000 to \$25,000. (Due to special underwriting circumstances, some members may be subject to greater deductibles and E&O co-payments). 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, 2021, the Authority paid \$5,074 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, 2021:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ 160,133
Deferred outflows of resources	86,053
Deferred inflows of resources	55,756
Pension expense/expenditures	12,845

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

These notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2021

NOTE 4 – OTHER DISCLOSURES, continued

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 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
April - August 2020:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%
September 2020 - March 2021:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%

These notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2021

NOTE 4 – OTHER DISCLOSURES, continued

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.

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.

HOUSING AUTHORITY OF THE CITY OF KELSO
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2021

NOTE 4 – OTHER DISCLOSURES, continued

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2
April - August 2020:		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	12.86%	7.90%
September 2020 - March 2021:		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	12.97%	7.90%

The Authority's actual PERS plan contributions were \$24,346 to PERS Plan 1 and \$39,979 to PERS Plan 2/3 for the year ended March 31, 2021.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, 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 developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

These notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2021

NOTE 4 – OTHER DISCLOSURES, continued

There were changes in methods and assumptions since the last valuation:

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

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. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent 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 (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, 2020, 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%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

HOUSING AUTHORITY OF THE CITY OF KELSO
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2021

NOTE 4 – OTHER DISCLOSURES, continued

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 (asset) 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	\$ 136,513	\$ 108,988	\$ 84,983
PERS 2/3	318,237	51,145	(168,806)

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, 2020, the Authority reported a total pension liability of \$160,133 for its proportionate share of the net pension liabilities as follows:

Plan	Liability or Asset
PERS 1	\$ 108,988
PERS 2/3	51,145

At June 30, 2020, the Authority's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	0.003105%	0.003087%	-0.000018%
PERS 2/3	0.004011%	0.003999%	-0.000012%

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, 2020, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended March 31, 2021, the Authority recognized pension expense as follows:

Plan	Pension Expense
PERS 1	\$ 4,876
PERS 2/3	7,969
TOTAL	\$ 12,845

These notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2021

NOTE 4 – OTHER DISCLOSURES, continued

Deferred Outflows of Resources and Deferred Inflows of Resources

At March 31, 2021, 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	\$ -	\$ (607)
Contributions subsequent to the measurement date	18,131	-
TOTAL	\$ 18,131	\$ (607)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,309	\$ (6,410)
Net difference between projected and actual investment earnings on pension plan investments	-	(2,597)
Changes of assumptions	728	(34,936)
Changes in proportion and differences between contributions and proportionate share of contributions	19,249	(11,206)
Contributions subsequent to the measurement date	29,636	
TOTAL	\$ 67,922	\$ (55,149)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,309	\$ (6,410)
Net difference between projected and actual investment earnings on pension plan investments	-	(3,204)
Changes of assumptions	728	(34,936)
Changes in proportion and differences between contributions and proportionate share of contributions	19,249	(11,206)
Contributions subsequent to the measurement date	47,767	-
TOTAL	\$ 86,053	\$ (55,756)

These notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2021

NOTE 4 – OTHER DISCLOSURES, continued

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, 2022. 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
2021	\$ (2,754)	\$ (19,115)
2022	(87)	(2,965)
2023	840	3,016
2024	1,394	4,774
2025	-	(426)
Thereafter	-	(2,147)

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, 2021:

	<u>March 31, 2021</u>
Land	\$ 27,500
Building	861,887
Accumulated Depreciation	(499,428)
Book Value of Assets	<u>\$ 389,959</u>

The following is a schedule by years of the minimum future rentals on noncancelable operating leases as of March 31, 2021. The operating lease expires July 2022.

<u>Years ending March 31:</u>	
2022	<u>\$ 11,400</u>
Total minimum lease payments	<u>\$ 11,400</u>

D. COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

Expense increased due to added sanitation procedures and remote working capability during the year. CARES Act funding through HUD reimbursed much of these costs in the HCV and Low Rent programs.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the Authority is unknown at this time.

These notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2021

NOTE 4 – OTHER DISCLOSURES, continued

E. Insurance Recoveries

Maintenance expense is presented net of insurance recoveries in the amount of \$48,858.

F. Subsequent Events

Subsequent events have been evaluated through December 23, 2021, which is the date the financial statements were available to be issued.

These notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF KELSO
REQUIRED SUPPLEMENTARY INFORMATION – STATE SPONSORED PLANS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS 1

AS OF JUNE 30
LAST SEVEN 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 payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.003087%	\$ 108,988	\$ 475,988	22.90%	68.64%
2019	0.003105%	119,398	438,705	27.22%	67.12%
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%

See Independent Auditors' Report.

HOUSING AUTHORITY OF THE CITY OF KELSO
REQUIRED SUPPLEMENTARY INFORMATION – STATE SPONSORED PLANS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS 2/3

AS OF JUNE 30
LAST SEVEN 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 payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.003999%	\$ 51,145	\$ 475,988	10.75%	97.22%
2019	0.004011%	38,960	438,705	8.88%	97.77%
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%

See Independent Auditors' Report.

HOUSING AUTHORITY OF THE CITY OF KELSO
REQUIRED SUPPLEMENTARY INFORMATION – STATE SPONSORED PLANS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERS 1
AS OF MARCH 31
LAST SEVEN FISCAL YEARS

Year Ended March 31	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered Payroll	Contributions as a percentage of covered payroll
	\$	\$	\$	\$	
2021	24,346	(24,346)	-	504,769	4.82%
2020	22,454	(22,454)	-	462,597	4.85%
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%

See Independent Auditors' Report.

HOUSING AUTHORITY OF THE CITY OF KELSO
REQUIRED SUPPLEMENTARY INFORMATION – STATE SPONSORED PLANS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERS 2/3
AS OF MARCH 31
LAST SEVEN FISCAL YEARS

Year Ended March 31	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions		Contribution deficiency (excess)	Covered Payroll		Contributions as a percentage of covered payroll
		\$	\$		\$		
2021	39,979	\$	(39,979)	-	\$	504,769	7.92%
2020	36,168		(36,168)	-		462,597	7.82%
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%

See Independent Auditors' Report.

HOUSING AUTHORITY OF THE CITY OF KELSO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION
AS OF MARCH 31
LAST SEVEN FISCAL YEARS

NOTE 1 – Information Provided

GASB Statement No. 68 was implemented for the year ended December 31, 2014, therefore there is no date available for years prior to 2014. Eventually, the schedules will show ten years' data.

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.

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 Statement No. 82, *Pensions 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 Supplementary 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	6/30/2019	12.83%
7/1/2019	8/31/2020	12.86%
9/1/2020	current	12.97% *

* 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	6/30/2019	12.83%
7/1/2019	8/31/2020	12.86%
9/1/2020	current	12.97% *

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

See Independent Auditors' Report.

HOUSING AUTHORITY OF THE CITY OF KELSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended March 31, 2021

				Expenditures		
Federal Agency and Department	Federal Program	Assistance Listing	Other Identification Number	From Direct Awards	Total	Note
Department of Housing and Urban Development						
Office of Public and Indian Housing	Public and Indian Housing	14.850	SF-198	\$ 293,122	293,122	2
Office of Public and Indian Housing	COVID-19 - Public and Indian Housing	14.850	SF-198	41,819	41,819	2
	Total CFDA 14.850			334,941	334,941	*
Office of Public and Indian Housing	Resident Opportunity and Supportive Services - Service Coordinators	14.870	ROSS191296	27,483	27,483	2
Office of Public and Indian Housing	Family Self-Sufficiency Program	14.896	FSS21WA3278	78,395	78,395	2
Housing Voucher Cluster						
Office of Public and Indian Housing	Section 8 Housing Choice Vouchers	14.871	WA020VO	2,188,087	2,188,087	2
Office of Public and Indian Housing	COVID-19 - Section 8 Housing Choice Vouchers	14.871	WA020VO	48,650	48,650	2
	Total Housing Voucher Cluster			2,236,737	2,236,737	*
Office of Public and Indian Housing	Public Housing Capital Fund	14.872	WA19P020501-17	91,079	91,079	2
	Total Department of Housing and Urban Development			2,768,635	2,768,635	
	Total Expenditures of Federal Awards			\$ 2,768,635	2,768,635	

* Denotes a major program

HOUSING AUTHORITY OF THE CITY OF KELSO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended March 31, 2021

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards 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 AND SIGNIFICANT ACCOUNTING POLICIES

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 the Uniform Guidance.

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2021

	Project Total	14 PHC Public Housing CARES Act Funding	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14 HCC HCV CARES Act Funding	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$975,002			\$45,422	\$267,091			\$1,187,515		\$1,187,515
112 Cash - Restricted - Modernization and Development										
113 Cash - Other Restricted	\$1,787			\$52,833	\$4,870			\$59,490		\$59,490
114 Cash - Tenant Security Deposits	\$34,613			\$12,395				\$47,008		\$47,008
115 Cash - Restricted for Payment of Current Liabilities	\$13,858			\$7,036	\$3,821			\$24,715		\$24,715
100 Total Cash	\$925,260	\$0	\$0	\$117,686	\$275,782	\$0	\$0	\$1,318,728		\$1,318,728
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects	\$239		\$8,047		\$455	\$3,525		\$12,266		\$12,266
124 Accounts Receivable - Other Government	\$430			\$18,516				\$18,946		\$18,946
125 Accounts Receivable - Miscellaneous				\$48,858				\$48,858		\$48,858
126 Accounts Receivable - Tenants	\$18,968			\$8,780	\$8,184			\$35,932		\$35,932
126.1 Allowance for Doubtful Accounts - Tenants	\$-11,464			\$-2,869	\$0			\$-14,333		\$-14,333
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$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	\$8,173	\$0	\$8,047	\$73,285	\$8,639	\$3,525	\$0	\$101,669		\$101,669
131 Investments - Unrestricted										
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets	\$26,804			\$4,834				\$31,438		\$31,438
143 Inventories										
143.1 Allowance for Obsolete Inventories										
144 Inter-Program Due From										
145 Assets Held for Sale										
150 Total Current Assets	\$960,037	\$0	\$8,047	\$195,805	\$284,421	\$3,525	\$0	\$1,451,835		\$1,451,835
161 Land	\$64,138			\$357,621	\$2,100			\$423,859		\$423,859
162 Buildings	\$5,333,082			\$2,635,587				\$7,968,669		\$7,968,669
163 Furniture, Equipment & Machinery - Dwellings	\$27,358			\$4,053	\$2,138			\$33,549		\$33,549
164 Furniture, Equipment & Machinery - Administration	\$93,324							\$93,324		\$93,324
165 Leasehold Improvements										
166 Accumulated Depreciation	\$-3,366,241			\$-1,496,868	\$-2,138			\$-4,865,247		\$-4,865,247
167 Construction in Progress				\$5,500				\$5,500		\$5,500
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,151,661	\$0	\$0	\$1,505,893	\$2,100	\$0	\$0	\$3,659,654		\$3,659,654
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				\$86,647				\$86,647		\$86,647
176 Investments in Joint Ventures										
180 Total Non-Current Assets	\$2,151,661	\$0	\$0	\$1,592,540	\$2,100	\$0	\$0	\$3,746,301		\$3,746,301
200 Deferred Outflow of Resources	\$88,521			\$15,753	\$11,780			\$86,054		\$86,054

Entity Wide Balance Sheet Summary

Fiscal Year End: 03/31/2021											
Submission Type: Audited/Single Audit		Project Total	14.PHC Public Housing CARES Act Funding	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
290 Total Assets and Deferred Outflow of Resources		\$3,170,219	\$0	\$8,047	\$1,804,098	\$298,301	\$3,525	\$0	\$5,284,190		\$5,284,190
311 Bank Overdraft											
312 Accounts Payable <= 90 Days		\$14,339		\$8,047	\$72,387	\$9,271	\$3,525		\$107,569		\$107,569
313 Accounts Payable >90 Days Past Due											
321 Accrued Wage/Payroll Taxes Payable		\$9,892							\$9,892		\$9,892
322 Accrued Compensated Absences - Current Portion		\$7,092			\$1,705	\$1,652			\$10,449		\$10,449
324 Accrued Contingency Liability											
325 Accrued Interest Payable					\$2,194				\$2,194		\$2,194
331 Accounts Payable - HUD PHA Programs											
332 Account Payable - PHA Projects											
333 Accounts Payable - Other Government											
341 Tenant Security Deposits		\$29,063			\$12,395				\$41,458		\$41,458
342 Unearned Revenue		\$4,049			\$3,909				\$7,958		\$7,958
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					\$72,716				\$72,716		\$72,716
344 Current Portion of Long-term Debt - Operating Borrowings											
345 Other Current Liabilities		\$13,858				\$3,821			\$17,679		\$17,679
346 Accrued Liabilities - Other											
347 Inter Program - Due To											
348 Loan Liability - Current											
310 Total Current Liabilities		\$78,293	\$0	\$8,047	\$165,306	\$14,744	\$3,525	\$0	\$269,915		\$269,915
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					\$1,115,375				\$1,115,375		\$1,115,375
352 Long-term Debt, Net of Current - Operating Borrowings											
353 Non-current Liabilities - Other		\$1,786			\$5,293	\$161			\$7,240		\$7,240
354 Accrued Compensated Absences - Non Current		\$16,549			\$3,980	\$3,854			\$24,383		\$24,383
355 Loan Liability - Non Current											
356 FASB 5 Liabilities											
357 Accrued Pension and OPEB Liabilities		\$108,899			\$29,313	\$21,920			\$160,132		\$160,132
350 Total Non-Current Liabilities		\$127,234	\$0	\$0	\$1,153,961	\$25,935	\$0	\$0	\$1,307,130		\$1,307,130
300 Total Liabilities		\$205,527	\$0	\$8,047	\$1,319,267	\$40,679	\$3,525	\$0	\$1,577,045		\$1,577,045
400 Deferred Inflow of Resources		\$37,917			\$10,206	\$7,632			\$55,755		\$55,755
508.4 Net Investment in Capital Assets		\$2,151,661			\$404,449	\$2,100			\$2,558,210		\$2,558,210
511.4 Restricted Net Position		\$5,551			\$57,675	\$4,709			\$67,935		\$67,935
512.4 Unrestricted Net Position		\$769,563	\$0	\$0	\$12,501	\$243,181	\$0	\$0	\$1,025,245		\$1,025,245
513 Total Equity - Net Assets / Position		\$2,926,775	\$0	\$0	\$474,625	\$249,990	\$0	\$0	\$3,651,390		\$3,651,390
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net		\$3,170,219	\$0	\$8,047	\$1,804,098	\$298,301	\$3,525	\$0	\$5,284,190		\$5,284,190

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 03/31/2021									
		Project Total	14.PHC Public Housing CARES Act Funding	14.896 PHF Family Self-Sufficiency Program	Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue		\$471,963			\$314,158				\$786,121	-\$120,527	\$665,594
70400 Tenant Revenue - Other											
70500 Total Tenant Revenue		\$471,963	\$0	\$0	\$314,158	\$0	\$0	\$0	\$786,121	-\$120,527	\$665,594
70600 HUD PHA Operating Grants		\$384,201	\$41,819	\$78,394	\$0	\$2,188,087	\$27,483	\$48,650	\$2,768,634		\$2,768,634
70610 Capital Grants											
70710 Management Fee											
70720 Asset Management Fee											
70730 Book Keeping Fee											
70740 Front Line Service Fee											
70750 Other Fees											
70700 Total Fee Revenue									\$0	\$0	\$0
70800 Other Government Grants											
71100 Investment Income - Unrestricted		\$1,439			\$80	\$96			\$1,615		\$1,615
71200 Mortgage Interest Income											
71300 Proceeds from Disposition of Assets Held for Sale											
71310 Cost of Sale of Assets											
71400 Fraud Recovery											
71500 Other Revenue		\$23,036			\$15,836	\$55,162			\$16,992		\$16,992
71600 Gain or Loss on Sale of Capital Assets									\$94,034		\$94,034
72000 Investment Income - Restricted											
70000 Total Revenue		\$880,639	\$41,819	\$78,394	\$330,074	\$2,260,337	\$27,483	\$48,650	\$3,667,396	-\$120,527	\$3,546,869
91100 Administrative Salaries		\$19,644	\$34,688	\$60,258	\$155,344	\$715	\$20,263	\$48,304	\$339,216		\$339,216
91200 Auditing Fees		\$2,640			\$10,214	\$4,560			\$17,414		\$17,414
91300 Management Fee											
91310 Book-keeping Fee											
91400 Advertising and Marketing					\$163				\$163		\$163
91500 Employee Benefit Contributions - Administrative		-\$11,421		\$18,136	\$43,100	-\$1,335	\$4,692		\$53,172		\$53,172
91600 Office Expenses		\$7,323	\$7,131		\$146,551	\$33,444		\$346	\$194,795		\$194,795
91700 Legal Expense		\$2,634			\$318				\$2,952		\$2,952
91800 Travel		\$525			\$144	\$890			\$1,559		\$1,559
91810 Allocated Overhead		\$196,129			-\$261,985	\$63,330	\$2,528		\$2		\$2
91900 Other		\$13,059			\$306	\$466			\$13,831		\$13,831
91000 Total Operating - Administrative		\$230,533	\$41,819	\$78,394	\$94,155	\$102,070	\$27,483	\$48,650	\$623,104	\$0	\$623,104
92000 Asset Management Fee											
92100 Tenant Services - Salaries											
92200 Relocation Costs											
92300 Employee Benefit Contributions - Tenant Services											
92400 Tenant Services - Other		\$12,180			\$77				\$12,257		\$12,257
92500 Total Tenant Services		\$12,180	\$0	\$0	\$77	\$0	\$0	\$0	\$12,257	\$0	\$12,257
93100 Water		\$33,058			\$7,362				\$40,420		\$40,420
93200 Electricity		\$5,288			\$19,498				\$24,786	\$0	\$24,786
93300 Gas											

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 03/31/2021									
		Project Total	14.PHC Public Housing CARES Act Funding	14.896 PHF Family Self-Sufficiency Program	Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
93400 Fuel											
93500 Labor											
93600 Sewer		\$68,470			\$10,402				\$78,872		\$78,872
93700 Employee Benefit Contributions - Utilities											
93800 Other Utilities Expense		\$4,134			\$3,899				\$8,033		\$8,033
93000 Total Utilities		\$110,950	\$0	\$0	\$41,161	\$0	\$0	\$0	\$152,111	\$0	\$152,111
94100 Ordinary Maintenance and Operations - Labor		\$129,941			\$36,318				\$166,259		\$166,259
94200 Ordinary Maintenance and Operations - Materials and Other		\$19,777			\$19,992				\$39,769		\$39,769
94300 Ordinary Maintenance and Operations Contracts		\$29,073			\$30,753				\$79,826		\$79,826
94500 Employee Benefit Contributions - Ordinary Maintenance		\$35,132			\$7,929				\$43,061		\$43,061
94000 Total Maintenance		\$213,923	\$0	\$0	\$114,992	\$0	\$0	\$0	\$328,915	\$0	\$328,915
95100 Protective Services - Labor											
95200 Protective Services - Other Contract Costs		\$1,926			\$1,156				\$3,082		\$3,082
95300 Protective Services - Other											
95500 Employee Benefit Contributions - Protective Services											
95000 Total Protective Services		\$1,926	\$0	\$0	\$1,156	\$0	\$0	\$0	\$3,082	\$0	\$3,082
96110 Property Insurance		\$13,072			\$6,614	\$2,347			\$22,033		\$22,033
96120 Liability Insurance											
96130 Workmen's Compensation					\$7,540				\$7,540		\$7,540
96140 All Other Insurance		\$-109			\$5,074				\$4,965		\$4,965
96100 Total Insurance Premiums		\$12,963	\$0	\$0	\$19,228	\$2,347	\$0	\$0	\$34,538	\$0	\$34,538
96200 Other General Expenses					\$2,860				\$2,860		\$2,860
96210 Compensated Absences		\$10,886			\$39	\$1,219			\$12,144		\$12,144
96300 Payments in Lieu of Taxes											
96400 Bad debt - Rental Receipts		\$8,790			\$3,827				\$12,617		\$12,617
96500 Bad debt - Mortgages											
96600 Bad debt - Other											
96800 Severance Expense											
96000 Total Other General Expenses		\$19,666	\$0	\$0	\$6,726	\$1,219	\$0	\$0	\$27,611	\$0	\$27,611
96710 Interest of Mortgage (or Bonds) Payable					\$33,329				\$33,329		\$33,329
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	\$33,329	\$0	\$0	\$0	\$33,329	\$0	\$33,329
96900 Total Operating Expenses		\$602,141	\$41,819	\$78,394	\$310,824	\$105,636	\$27,483	\$48,650	\$1,214,947	\$0	\$1,214,947
97000 Excess of Operating Revenue over Operating Expenses		\$278,498	\$0	\$0	\$19,250	\$2,154,701	\$0	\$0	\$2,452,449	-\$120,527	\$2,331,922
97100 Extraordinary Maintenance											
97200 Casualty Losses - Non-capitalized											
97300 Housing Assistance Payments						\$1,951,411			\$1,951,411	-\$120,527	\$1,830,884
97350 HAP Portability-In						\$43,383			\$43,383		\$43,383

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 03/31/2021									
		Project Total	14.PHC Public Housing CARES Act Funding	14.896 PH Family Self-Sufficiency Program	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
97400 Depreciation Expense		\$137,774			\$69,881				\$207,655		\$207,655
97500 Fraud Losses											
97600 Capital Outlays - Governmental Funds											
97700 Debt Principal Payment - Governmental Funds											
97800 Dwelling Units Rent Expense											
99000 Total Expenses		\$739,915	\$41,819	\$78,394	\$380,705	\$2,100,430	\$27,483	\$48,650	\$3,417,396	-\$120,527	\$3,296,869
10010 Operating Transfer In											
10020 Operating transfer Out											
10030 Operating Transfers from/to Primary Government											
10040 Operating Transfers from/to Component Unit											
10050 Proceeds from Notes, Loans and Bonds											
10060 Proceeds from Property Sales											
10070 Extraordinary Items, Net Gain/Loss											
10080 Special Items (Net Gain/Loss)											
10091 Inter Project Excess Cash Transfer In											
10092 Inter Project Excess Cash Transfer Out											
10093 Transfers between Program and Project - In		\$91,079							\$91,079	-\$91,079	\$0
10094 Transfers between Project and Program - Out		-\$91,079							-\$91,079	\$91,079	\$0
10100 Total Other financing Sources (Uses)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses		\$140,724	\$0	\$0	-\$50,631	\$159,907	\$0	\$0	\$250,000	\$0	\$250,000
11020 Required Annual Debt Principal Payments		\$0	\$0	\$0	\$74,242	\$0	\$0	\$0	\$74,242		\$74,242
11030 Beginning Equity		\$2,786,051	\$0	\$0	\$525,256	\$90,083	\$0	\$0	\$3,401,390		\$3,401,390
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		\$0			\$0	\$0			\$0		\$0
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						\$245,281			\$245,281		\$245,281
11180 Housing Assistance Payments Equity											
11190 Unit Months Available		1293			600	3696			\$4,709		\$4,709
11210 Number of Unit Months Leased		1273			542	3495			5589		5589
11270 Excess Cash		\$803,175							\$803,175		\$803,175
11610 Land Purchases		\$0							\$0		\$0
11620 Building Purchases		\$0							\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases		\$0							\$0		\$0
11640 Furniture & Equipment - Administrative Purchases		\$0							\$0		\$0
11650 Leasehold Improvements Purchases		\$0							\$0		\$0
11660 Infrastructure Purchases		\$0							\$0		\$0
13510 CFFP Debt Service Payments		\$0							\$0		\$0
13901 Replacement Housing Factor Funds		\$0							\$0		\$0

Actual Modernization Cost Certificate

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

OMB Approval No. 2577-0157 (exp. 11/30/2023
)

Capital Fund Program (CFP)

Public reporting burden for this collection of information is estimated to average 2.5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. HUD may not conduct or sponsor, and an applicant is not required to respond to a collection of information unless it displays a currently valid OMB control number. **Do not send this form to the above address.** This collection of information requires that each Public Housing Authority (PHA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

PHA Name:

KELSO HOUSING AUTHORITY

Modernization Project Number:

WAO1P02 0501-17

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

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

A. Funds Approved	\$ 172,108.00
B. Funds Disbursed	\$ 172,108.00
C. Funds Expended (Actual Modernization Cost)	\$ 172,108.00
D. Amount to be Recaptured (A-C)	\$
E. Excess of Funds Disbursed (B-C)	\$

2. That all modernization work in connection with the Modernization Grant has been completed;

3. That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;

4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work;

5. That the time in which such liens could be filed has expired; and

6. That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.

7. Please mark one:

☒ A. This grant will be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

☐ B. This grant will not be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

I hereby certify all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. WARNING: Anyone who knowingly submits a false claim, or makes false statements is subject to criminal and civil penalties, including confinement for up to 5 years, fines, and civil penalties. (18 U.S.C. §§ 287, 1001 and 31 U.S.C. § 3729)"

Name & Title of Authorized Signatory (type or print clearly):

Joleen Reece Executive Director

Signature of Executive Director (or Authorized Designee):

X Joleen Reece

Date:

6/8/2021

For HUD Use Only

The Cost Certificate is approved for audit (if box 7A is marked):

Approved for Audit (Director, Office of Public Housing)

Date:

6/9/21

X Janice King-Dunbar

The costs shown above agree with HUD verified costs (if box 7A or 7B is marked):

Approved: (Director, Office of Public Housing)

Date:

X

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Commissioners
Housing Authority of 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, 2021, 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 23, 2021.

Internal Control Over Financial Reporting

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

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

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

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standard*, continued**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finney, Hill & Company, P.S.

December 23, 2021
Seattle, Washington

**Independent Auditors' Report on Compliance for Each Major 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's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended March 31, 2021. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the City of Kelso complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2021.

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance, *continued*

Report on Internal Control over Compliance

Management of the Housing Authority of the City of Kelso 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the 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 over compliance 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.

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.

Finney, Hill & Company, P.S.

December 23, 2021
Seattle, Washington

HOUSING AUTHORITY OF THE CITY OF KELSO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended March 31, 2021

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' 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 none reported

Noncompliance material to financial statements noted? _____ 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 none reported

Type of auditors' 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 programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
14.871	<i>Housing Voucher Cluster</i>
14.850	<i>Public Indian Housing</i>

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

Auditee qualifies as low-risk auditee? X yes _____ no

HOUSING AUTHORITY OF THE CITY OF KELSO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
For the year ended March 31, 2021

Section II – Financial Statement Findings

NONE

Section III –Federal Award Findings and Questioned Costs

NONE

HOUSING AUTHORITY OF THE CITY OF KELSO
Schedule of Prior Year Findings and Responses

NONE