



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

December 11, 2023

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, 2022. The Housing Authority contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements or the Housing Authority of 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

***Americans with Disabilities***

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**HOUSING AUTHORITY OF THE CITY OF KELSO**

**FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2022**

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**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Audit of the Financial Statements**

***Opinion***

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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Kelso as of March 31, 2022, 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.

***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Housing Authority of the City of Kelso and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

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

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

## INDEPENDENT AUDITORS' REPORT, CONTINUED

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

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

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 7, schedule of the Authority's proportionate share of the net pension liability on pages 31 to 32, and schedule of employer contributions and notes on pages 33 to 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary 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 Certificates presented on pages 43 to 45 and the Financial Data Schedule presented on pages 38 to 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, the actual modernization cost certificates, and the financial data schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**INDEPENDENT AUDITORS' REPORT, CONTINUED**

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2022 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.*

October 21, 2022  
Seattle, Washington

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
**Management's Discussion and Analysis**  
**March 31, 2022**

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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, 2022. 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 \$3,978,681.
- The majority (79%) of the Authority's programs are funded by federal grants and subsidies. 11% 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 \$834,716 at March 31, 2022. 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 \$327,287 between March 31, 2021, and March 31, 2022.

**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.

**FINANCIAL ANALYSIS**

**Statement of Net Position**

The Authority's net position is \$3,978,681 at March 31, 2022. Of this amount, \$443,988, about 11% 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 due to an increase in Net Pension Assets, of \$426,357. At March 31, 2022, the unrestricted net position decreased from \$1,025,249 to \$834,716, or 21% of net position. This represents the amount that may be used to meet the Authority's ongoing obligations. The decrease is due, in part, to a decrease in the net pension liability. In contrast, the net investment in capital assets increased by \$141,767 due to the construction of an asset which was offset by depreciation on prior assets.

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
**Management's Discussion and Analysis**  
**March 31, 2022**

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

	Total Activities FY2022	Total Activities FY2021
Current and other assets	\$ 2,147,380	1,538,481
Capital assets (net of depreciation)	<u>3,732,286</u>	<u>3,659,654</u>
Total assets	5,879,666	5,198,135
Deferred outflows of resources	84,520	86,053
Non-current liabilities	\$ 1,137,026	1,307,131
Other liabilities	<u>402,981</u>	<u>269,907</u>
Total liabilities	<u>1,540,007</u>	<u>1,577,038</u>
Deferred inflows of resources	<u>445,498</u>	<u>55,756</u>
Net position		
Net investment in capital assets	\$ 2,699,977	2,558,210
Restricted	443,988	67,935
Unrestricted	<u>834,716</u>	<u>1,025,249</u>
Total net position	<u>\$ 3,978,681</u>	<u>3,651,394</u>

The current and other asset category increased \$608,899 from FY2021 to FY2022, as the amount due from other governments for the public housing capital fund grant and the net pension asset both increased significantly. All other categories stayed relatively stable. Capital assets increased due to the purchase of new improvements which offset the decrease due to depreciation.

The Authority's total liabilities decreased \$37,031 between FY2021 and FY2022. This is a result of scheduled debt payments and a decrease in the net pension liability. Deferred inflows and outflows represent amounts related to pensions that will be amortized as pension expense in the future; the fluctuation in these accounts is based on the State Pension system actuarial studies.

The largest portion of the Authority's net position (68% at March 31, 2022) 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 6% increase due to the purchase of a new capital asset.

At March 31, 2022, 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 2021 and 2022 stayed fairly stable, with a slight increase.

The operating subsidies presents a \$72,985 or 3% decrease at March 31, 2022 mostly due to a decrease in CARES funding.



**HOUSING AUTHORITY OF THE CITY OF KELSO**  
**Management's Discussion and Analysis**  
**March 31, 2022**

Total operating expenses increased by approximately \$187,000 (6%) compared to FY2021. This is mostly due to increased landlord payments.

The capital contributions revenue fluctuates based on projects and funds available and in FY2022 increased compared to FY2021. One capital improvement was funded by capital funds in FY2022.

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

	Fiscal Year 2022	Fiscal Year 2021
	<u>2022</u>	<u>2021</u>
Revenues		
Operating Revenues		
Rents	\$ 688,800	665,594
Operating Subsidies	2,695,650	2,768,635
Miscellaneous Operating Revenues	142,437	67,693
Nonoperating Revenues		
Interest earned	590	1,615
Total Revenues	<u>3,527,477</u>	<u>3,503,537</u>
Expenses		
Operating Expenses		
Administrative	623,635	623,143
Maintenance	363,772	328,915
Utilities	151,064	152,113
Other Expense	83,770	89,676
Housing Assistance Payments	1,980,692	1,818,704
Depreciation	204,077	207,655
Non-operating expenses		
Interest expense	29,180	33,329
Total expenses	<u>3,436,190</u>	<u>3,253,535</u>
Capital Contributions	236,000	-
Change in Net Position	<u>327,287</u>	<u>250,002</u>
Net position, beginning	<u>3,651,394</u>	<u>3,401,392</u>
Net position, ending	<u>\$ 3,978,681</u>	<u>3,651,394</u>

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
**Management's Discussion and Analysis**  
**March 31, 2022**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Housing Authority of the City of Kelso's investment in capital assets as of March 31, 2022 amounts to \$3,732,286 (net of accumulated depreciation). The changes between 2021 and 2022 represent depreciation expense and the purchase of a new capital asset for \$236,000. This investment in capital assets includes land, buildings, and equipment and improvements other than buildings reduced by the related accumulated depreciation.

	<u>3/31/2022</u>	<u>3/31/2021</u>
Land	\$ 423,859	423,859
Construction in Progress	46,208	5,500
Buildings	2,618,098	2,811,991
Improvements other than buildings	<u>644,121</u>	<u>418,304</u>
Total depreciable capital assets	<u>\$ 3,732,286</u>	<u>3,659,654</u>

**Long-Term Debt**

At March 31, 2022, the Authority had total capital debt outstanding of 1,115,375 compared to \$1,188,091 at March 31, 2022. This debt is made up of revenue bonds of \$405,846 (\$415,000 net discount of \$9,154) and government loans of \$709,529. Overall, debt decreased by scheduled debt payments.

Additional information on the Authority's capital assets and long-term debt can be found in note 3B and 3D 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 2022, HUD has kept the Housing Choice Voucher Program administrative subsidy proration at 88%.

**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 10<sup>th</sup> Street, Kelso, Washington, 98626.

**HOUSING AUTHORITY OF THE CITY OF KELSO**

STATEMENT OF NET POSITION

March 31, 2022

**Assets and Deferred Outflows of Resources**

Current Assets:

Cash and Cash Equivalents	\$ 1,226,653
Cash and Cash Equivalents - Restricted	87,047
Accounts Receivable - Tenants	59,412
Allowance for Doubtful Accounts	(10,793)
Due from Other Governments	275,638
Total Current Assets	<u>1,637,957</u>

Long-term Assets:

Cash and Cash Equivalents - Restricted	83,066
Non-depreciable Capital Assets	470,067
Buildings and Structures (Net of Accumulated Depreciation)	3,262,219
Net Pension Assets	426,357
Total Long-term Assets	<u>4,241,709</u>
Total Assets	<u>5,879,666</u>

Deferred Outflows of Resources:

Amounts Related to Pensions	<u>84,520</u>
Total Deferred Outflows of Resources	<u>84,520</u>
Total Assets & Deferred Outflow of Resources	<u>\$ 5,964,186</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, 2022**

**Liabilities, Deferred Inflows, and Net Position**

<b>Current Liabilities:</b>	
Accounts Payable	\$ 265,242
Customer Deposits	43,255
Accrued Interest Payable - Current	1,937
Prepaid Rents/Contributions	2,994
Revenue Bond Payable - Current	58,474
Note/Loan Payable - Current	19,242
Accrued Compensated Absences - Current	11,837
Total Current Liabilities	<u>402,981</u>
<b>Long-term Liabilities:</b>	
Due to Family Self Sufficiency Participants - Long-term	24,222
DCTED Loan Payable	464,037
Note Payable	226,250
Revenue Bond Payable	347,372
Accrued Interest Payable - Long-term	6,883
Accrued Compensated Absences - Long-term	27,619
Net Pension Liability	40,643
Total Long-term Liabilities	<u>1,137,026</u>
Total Liabilities	<u>1,540,007</u>
<b>Deferred Inflows of Resources:</b>	
Amounts Related to Pensions	<u>445,498</u>
Total Deferred Inflows of Resources	<u>445,498</u>
<b>Net Position:</b>	
Invested in Capital Assets, Net of Related Debt	2,699,977
Restricted	443,988
Unrestricted	834,716
Total Net Position	<u>3,978,681</u>
Total Liabilities, Deferred Inflows, and Net Position	<u><u>\$ 5,964,186</u></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, 2022**

Operating Revenues:	
Net Rental Revenue	\$ 688,800
Operating Grants	2,695,650
Miscellaneous Revenues	<u>142,437</u>
Total Operating Revenues	<u>3,526,887</u>
Operating Expenses:	
Administrative	623,635
Tenant Services	311
Utilities	151,064
Maintenance	363,772
Protective Services	2,214
Other General Expenses	81,245
Housing Assistance Payments	1,980,692
Depreciation and Amortization	<u>204,077</u>
Total Operating Expenses	<u>3,407,010</u>
Operating Income (Loss)	<u>119,877</u>
Non-operating revenues & expenses:	
Interest Earned	590
Interest Expense and Fiscal Charges	<u>(29,180)</u>
Total Non-Operating Revenues & Expenses	<u>(28,590)</u>
Income (Loss) Before Contributions	91,287
Capital Contributions	<u>236,000</u>
Changes in net position	327,287
Net position at beginning of year	<u>3,651,394</u>
Net position at end of year	<u><u>\$ 3,978,681</u></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, 2022

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Tenants	\$ 658,611
Cash Received from HUD and Other Subsidies	2,687,224
Cash Received from Other Operating Activities	191,295
Cash Payments for Goods and Services	(681,035)
Cash Payments for Housing Assistance	(1,976,096)
Cash Payments to Employees	<u>(747,927)</u>
Net cash provided (used) by operating activities:	<u>132,072</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal Payments	(74,242)
Purchase of Capital Assets	(40,708)
Interest and Fiscal Charges Paid	<u>(26,321)</u>
Net cash provided (used) by capital and related financing activities	<u>(141,271)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Receipts of Interest and Dividends	<u>590</u>
Net cash provided by investing activities:	<u>590</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(8,609)</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>1,405,375</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 1,396,766</u></u>
 <b>RECONCILIATION TO STATEMENT OF NET POSITION</b>	
Cash and Cash Equivalents - Unrestricted	\$ 1,226,653
Cash and Cash Equivalents - Restricted (Current)	87,047
Cash and Cash Equivalents - Restricted (Long-term)	<u>83,066</u>
Total Cash	<u><u>\$ 1,396,766</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, 2022**

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

Operating income (loss)	\$	119,877
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization		204,077
(Increase) decrease in assets:		
Receivables		21,836
Due from other governments		(8,426)
Pension asset		(426,357)
Prepaid expenses and other assets		31,438
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses		(88,211)
Pension liability		271,785
Security deposits		1,797
Unearned revenues		(4,964)
FSS escrow liability		4,596
Compensated absences		4,624
Total adjustments		<u>12,195</u>
Net cash provided (used) by operating activities	\$	<u><u>132,072</u></u>

NONCASH TRANSACTIONS:

Capital assets purchased with accounts payable	\$	236,000
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*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, 2022

#### 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, 2022

**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.

Other receivables consist of grant subsidies due 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.

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.

*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, 2022

**NOTE 1 – SUMMARY OF SIGNIFICANT POLICIES, continued**

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, net pension asset, 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, 2022

**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**

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.

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.

*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, 2022

**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, 2022, the carrying amount of the Authority's cash and cash equivalents are as follows:

	<u>03/31/22</u>
Cash on hand	\$ 200
Cash deposits in bank accounts	764,370
Cash with fiscal agent	10,138
Cash with fiscal agent - restricted for debt service	83,066
Washington State Local Government Investment Pool	<u>538,992</u>
	<u>\$ 1,396,766</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.

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, 2022, the Authority had \$538,992 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.

*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, 2022

**NOTE 3 – DETAILED NOTES ON ALL FUNDS, continued**

**B. Capital Assets**

A summary of capital asset activity for the year ended March 31, 2022 is as follows:

	Beginning Balance 04/01/21	Increases	Decreases	Ending Balance 03/31/22
Capital assets, not being depreciated				
Land	\$ 423,859	-	-	423,859
Construction in progress	5,500	40,708	-	46,208
Total capital assets, not being depreciated	<u>429,359</u>	<u>40,708</u>	<u>-</u>	<u>470,067</u>
Capital assets, being depreciated/depleted:				
Buildings	6,995,544	-	(164,275)	6,831,269
Equipment	128,239	-	(6,474)	121,765
Improvements other than buildings	973,123	236,000	-	1,209,123
Total capital assets, being depreciated	<u>8,096,906</u>	<u>236,000</u>	<u>(170,749)</u>	<u>8,162,157</u>
Less accumulated depreciation for:				
Buildings	(4,183,553)	(193,893)	164,275	(4,213,171)
Equipment	(128,239)	-	6,474	(121,765)
Improvements other than buildings	(554,819)	(10,183)	-	(565,002)
Total accumulated depreciation	<u>(4,866,611)</u>	<u>(204,076)</u>	<u>170,749</u>	<u>(4,899,938)</u>
Total capital assets, being depreciated, net	<u>3,230,295</u>	<u>31,924</u>	<u>-</u>	<u>3,262,219</u>
Total capital assets, net	<u>\$ 3,659,654</u>	<u>72,632</u>	<u>-</u>	<u>3,732,286</u>

**C. Restricted Assets**

The balance of the restricted cash and cash equivalents is comprised of the following as of March 31, 2022:

	<u>March 31, 2022</u>
Customer Deposits	\$ 43,256
Restricted for Replacement Reserves	9,431
Homeowner Self-Sufficiency	24,222
Restricted for Principal and Interest Payments	10,138
Restricted for Bond Reserves	83,066
	<u>\$ 170,113</u>

*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, 2022

**NOTE 3 – DETAILED NOTES ON ALL FUNDS, continued**

**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:

Name & Amount of Issuance	Annual Installments	Issuance Date	Maturity Date	Interest Rate	03/31/22 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%	\$ 415,000
<i>Direct Borrowings</i>					
Department of Commerce Building Purchase \$865,900	\$ 19,242	9/30/1998	1/1/2047	0.0%	483,279
State Land Acquisition Loan*	-	3/21/2019	3/31/2027	1.0%	<u>226,250</u>
Total Government Loans					<u>709,529</u>
<i>Total Long-term Debt</i>					<u>\$ 1,124,529</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.

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.

*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, 2022

**NOTE 3 – DETAILED NOTES ON ALL FUNDS, continued**

Revenue bond debt service requirements to maturity are as follows:

<i>Direct Placement Revenue Bonds</i>			
Years Ending March 31	Principal	Interest	Total Requirements
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	75,000	8,680	83,680
2028	80,000	4,480	84,480
	<u>\$ 415,000</u>	<u>85,120</u>	<u>500,120</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
2023	\$ 19,242	-	19,242
2024	19,242	-	19,242
2025	19,242	-	19,242
2026	19,242	-	19,242
2027	245,492	21,893	267,385
2028-2032	96,211	-	96,211
2033-2037	96,211	-	96,211
2038-2042	96,211	-	96,211
2043-2047	98,436	-	98,436
	<u>\$ 709,529</u>	<u>21,893</u>	<u>731,422</u>

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

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, 2022, the Authority has \$83,066 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, 2022, the Authority had met this requirement.

*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, 2022

**NOTE 3 – DETAILED NOTES ON ALL FUNDS, continued**

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, 2022:

<u>Name &amp; Amount of Issuance</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Placement Bonds					
Revenue bonds	\$ 470,000	-	(55,000)	415,000	\$ 60,000
Issuance discounts	(10,680)	-	1,526	(9,154)	(1,526)
Total bonds payable	459,320	-	(53,474)	405,846	58,474
Direct Government borrowings	728,771	-	(19,242)	709,529	19,242
Compensated Absences	34,832	4,624	-	39,456	11,837
Net pension liability	160,133	-	(119,490)	40,643	-
Family Self-Sufficiency Escrow	19,626	4,596	-	24,222	-
	<u>\$1,402,682</u>	<u>9,220</u>	<u>(192,206)</u>	<u>1,219,696</u>	<u>\$ 89,553</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 Housing Authorities Risk Retention Pool (HARRP). Utilizing Chapter 190.080 ORS and 48.62 RCW (self-insurance regulations) 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 member/owner housing authorities in the states of Washington, Oregon, California and Nevada. Thirty of the eighty members are Washington State public housing entities.

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

General and Automobile Liability Coverage is written on an occurrence basis, without member deductibles. Errors and Omissions coverage (which includes Employment Practices Liability) is written on claims made basis, and the members are responsible for 10% of the incurred costs of the claims. (Due to special underwriting circumstances, some members may be subject to greater deductibles and E & O co-payments). Coverage limits for General Liability, Automobile Liability, as well as Errors and Omissions, are \$2,000,000 per occurrence with a \$2,000,000 aggregate.

*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, 2022**

**NOTE 4 – OTHER DISCLOSURES, continued**

The Property coverage offered by HARRP is on a replacement cost basis, with deductibles ranging from \$2,500 to \$25,000. The Authority’s Property coverages include Equipment Breakdown, as well as Fidelity coverage with limits of \$100,000 (with options up to \$2,000,000) for employee dishonesty, forgery, or alteration and \$50,000 for theft, with a \$1,000 deductible.

HARRP self-insures coverage for liability lines. HARRP self-insures the first \$2,000,000 for property, 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, 2022, the Authority paid \$79 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.

Effective January 1, 2022 the Authority switched to the taxable method of unemployment and no longer self insures.

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, 2022:

<b>Aggregate Pension Amounts - All Plans</b>	
Pension liabilities	\$ 40,643
Pension assets	426,357
Deferred outflows of resources	84,520
Deferred inflows of resources	445,498
Pension expense/expenditures	(92,698)

*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, 2022

**NOTE 4 – OTHER DISCLOSURES, continued**

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.

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

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

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

Public Employees' Retirement System (PERS)

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

**PERS Plan 1** 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.

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**FOR THE YEAR ENDED MARCH 31, 2022**

**NOTE 4 – OTHER DISCLOSURES, continued**

The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for the year ended March 31, 2022 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
<b>April - June 2021:</b>		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.97%</b>	<b>6.00%</b>
<b>July 2021- March 2022:</b>		
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	
<b>Total</b>	<b>10.25%</b>	<b>6.00%</b>

**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.

*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, 2022**

**NOTE 4 – OTHER DISCLOSURES, continued**

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for the year ended March 31, 2022 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
<b>April - June 2021:</b>		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>12.97%</b>	<b>7.90%</b>
<b>July 2021- March 2022:</b>		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>10.25%</b>	<b>6.36%</b>

The Authority’s actual PERS plan contributions were \$23,014 to PERS Plan 1 and \$38,859 to PERS Plan 2/3 for the year ended March 31, 2022.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. 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 2020 actuarial valuation report.

The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, 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-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

*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, 2022**

**NOTE 4 – OTHER DISCLOSURES, continued**

There were no changes in assumptions since the last valuation. There were changes in methods since the last valuation:

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary in the next paragraph below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

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 (CMA’s) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA’s and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2021, 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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-term Expected Real Rate of Return Arithmetic</b>
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%
	<b>100%</b>	

*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, 2022

**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.

	<b>1% Decrease 6.40%</b>	<b>Current Rate 7.40%</b>	<b>1% Increase 8.40%</b>
<b>PERS 1</b>	\$ 69,237	\$ 40,643	\$ 15,705
<b>PERS 2/3</b>	(121,461)	(426,357)	(677,439)

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, 2021, the Authority reported its proportionate share of the net pension liabilities (assets) as follows:

<b>Plan</b>	<b>Liability or Asset</b>
PERS 1	\$ 40,643
PERS 2/3	(426,357)

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

	<b>Proportionate Share 6/30/20</b>	<b>Proportionate Share 6/30/21</b>	<b>Change in Proportion</b>
PERS 1	0.003087%	0.003328%	0.000241%
PERS 2/3	0.003999%	0.004280%	0.000281%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021 are used as the basis for determining each employer’s proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans.

Pension Expense

For the year ended March 31, 2022, the Authority recognized pension expense as follows:

<b>Plan</b>	<b>Pension Expense</b>
PERS 1	\$ 1,034
PERS 2/3	(93,732)
<b>TOTAL</b>	<b>\$ (92,698)</b>

*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, 2022

**NOTE 4 – OTHER DISCLOSURES, continued**

Deferred Outflows of Resources and Deferred Inflows of Resources

At March 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (45,100)
Contributions subsequent to the measurement date	16,259	-
<b>TOTAL</b>	<b>\$ 16,259</b>	<b>\$ (45,100)</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 20,708	\$ (5,227)
Net difference between projected and actual investment earnings on pension plan investments	-	(356,334)
Changes of assumptions	623	(30,278)
Changes in proportion and differences between contributions and proportionate share of contributions	19,057	(8,559)
Contributions subsequent to the measurement date	27,873	-
<b>TOTAL</b>	<b>\$ 68,261</b>	<b>\$ (400,398)</b>

<b>TOTAL ALL PLANS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 20,708	\$ (5,227)
Net difference between projected and actual investment earnings on pension plan investments	-	(401,434)
Changes of assumptions	623	(30,278)
Changes in proportion and differences between contributions and proportionate share of contributions	19,057	(8,559)
Contributions subsequent to the measurement date	44,132	-
<b>TOTAL</b>	<b>\$ 84,520</b>	<b>\$ (445,498)</b>

*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, 2022

**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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending March 31:	PERS 1	PERS 2/3
2023	\$ (11,947)	\$ (94,570)
2024	(10,948)	(88,168)
2025	(10,352)	(86,151)
2026	(11,853)	(91,804)
2027	-	(210)
Thereafter	-	893

**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, 2022:

	<u>March 31, 2022</u>
Land	\$ 27,500.0
Building	861,887
Accumulated Depreciation	<u>(522,791)</u>
Book Value of Assets	<u>\$ 366,596</u>

There are two commercial operating leases in effect during the year ended March 31, 2022. The first lease agreement requires rent payments of \$1,000 per month and is renewed on a month-to-month basis. The second operating lease agreement requires rent payments of \$950 per month and expires July 2022, with the tenant having the option to renew the lease for two successive five-year terms. The following is a schedule by years of the minimum future rentals on noncancelable operating leases as of March 31, 2022.

	<u>Years ending March 31:</u>
2023	<u>\$ 3,800</u>
Total minimum lease payments	<u>\$ 3,800</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 spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021 and into 2022. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

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, 2022

**NOTE 4 – OTHER DISCLOSURES, continued**

**E. Subsequent Events**

The Authority has secured funding from the Washington State Department of Housing Trust Fund in the amount of \$5,500,000 for the construction of Willow Grove, a 32-unit workforce housing project. The funding will be available in December 2023. This three-story walk-up development will consist of 9 one-bedroom, 12 two-bedroom, and 11 three-bedroom units across two buildings, serving general low-income individuals and families with children in the local community. All 32 units at Willow Grove will be rent restricted, with 22 of the units (70%) serving households earning at or below 60% of the area median income (AMI), and the remaining 10 units serving householders earning at or below 50% of AMI. Additionally, 20% of the units will be set aside for households exiting homelessness. The Authority will provide 32 project-based vouchers (PBV) to ensure that residents of Willow Grove pay no more than 30% of their income towards rent and utilities.

In July 2022, the Authority entered into a loan agreement for \$200,000 to help fund the pre-development costs for the Willow Grove project. The loan, together with any accrued interest, is due in full in December 2023.

*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 EIGHT 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
2021	0.003328%	\$ 40,643	\$ 512,902	7.92%	88.74%
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 EIGHT FISCAL YEARS**

Year Ended June 30	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	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
2021	0.003328%	\$ (426,357)	\$ 512,902	-83.13%	120.29%
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 EIGHT 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
2022	\$ 23,014	\$ (23,014)	\$ -	\$ 576,965	3.99%
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 EIGHT 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
2022	\$ 38,859	\$ (38,859)	\$ -	\$ 576,965	6.74%
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 EIGHT 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	6/30/2021	12.97% *
9/1/2021	current	10.25% *

\* 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	6/30/2021	12.97% *
9/1/2021	current	10.25% *

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

*See Independent Auditors' Report.*

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended March 31, 2022

<b>Federal Agency and Department</b>	<b>Federal Program</b>	<b>Assistance Listing</b>	<b>Other Identification Number</b>	<b>Expenditures</b>		<b>Note</b>
				<b>From Direct Awards</b>	<b>Total</b>	
<b>Department of Housing and Urban Development</b>						
Office of Public and Indian Housing	Public and Indian Housing	14.850	SF-198	\$ 297,348	297,348	2
Office of Public and Indian Housing	Resident Opportunity and Supportive Services - Service Coordinators	14.870	ROSS191296	26,298	26,298	2
Office of Public and Indian Housing	Family Self-Sufficiency Program	14.896	FSS21WA3278	49,148	49,148	2
Office of Public and Indian Housing	Family Self-Sufficiency Program	14.896	FSS21WA4708	11,507	11,507	2
<b>Total CFDA 14.896</b>				<b>60,655</b>	<b>60,655</b>	
<b>Housing Voucher Cluster</b>						
Office of Public and Indian Housing	Section 8 Housing Choice Vouchers	14.871	WA020VO	2,299,726	2,299,726	2
<b>Total Housing Voucher Cluster</b>				<b>2,299,726</b>	<b>2,299,726</b>	*
Office of Public and Indian Housing	Public Housing Capital Fund	14.872	WA19P020501-18	247,623	247,623	* 2
<b>Total Department of Housing and Urban Development</b>				<b>2,931,650</b>	<b>2,931,650</b>	
<b>Total Expenditures of Federal Awards</b>				<b>\$ 2,931,650</b>	<b>2,931,650</b>	

\* 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, 2022

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.



HA City of Kelso (WA020)  
KELSO, WA  
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2022

	Project Total	14,896 PIH Family Self-Sufficiency Program	1 Business Activities	14,871 Housing Choice Vouchers	14,870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$904,034		\$31,954	\$290,665		\$1,226,653		\$1,226,653
112 Cash - Restricted - Modernization and Development								
113 Cash - Other Restricted	\$15,787		\$19,569	\$8,435		\$43,791		\$43,791
114 Cash - Tenant Security Deposits	\$29,489		\$13,766			\$43,255		\$43,255
115 Cash - Restricted for Payment of Current Liabilities								
100 Total Cash	\$949,310	\$0	\$65,289	\$299,100	\$0	\$1,313,699	\$0	\$1,313,699
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects	\$236,000	\$3,455		\$36,183		\$275,638		\$275,638
124 Accounts Receivable - Other Government				\$0		\$0		\$0
125 Accounts Receivable - Miscellaneous								
126 Accounts Receivable - Tenants	\$32,105		\$22,354	\$4,953		\$59,412		\$59,412
126.1 Allowance for Doubtful Accounts - Tenants	-\$6,002		-\$4,791	\$0		-\$10,793		-\$10,793
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current								
128 Fraud Recovery								
128.1 Allowance for Doubtful Accounts - Fraud								
129 Accrued Interest Receivable								
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$262,103	\$3,455	\$17,563	\$41,136	\$0	\$324,257	\$0	\$324,257
131 Investments - Unrestricted								
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets								
143 Inventories								
143.1 Allowance for Obsolete Inventories								
144 Inter Program Due From	\$23,036					\$23,036	-\$23,036	\$0
145 Assets Held for Sale								
150 Total Current Assets	\$1,234,449	\$3,455	\$82,852	\$340,236	\$0	\$1,660,992	-\$23,036	\$1,637,956
161 Land	\$64,138		\$357,621	\$2,100		\$423,859		\$423,859
162 Buildings	\$5,404,807		\$2,635,587			\$8,040,394		\$8,040,394
163 Furniture, Equipment & Machinery - Dwellings	\$22,834		\$4,053	\$2,138		\$29,025		\$29,025
164 Furniture, Equipment & Machinery - Administration	\$91,374					\$91,374		\$91,374
165 Leasehold Improvements								
166 Accumulated Depreciation	-\$3,331,894		-\$1,564,543	-\$2,138		-\$4,898,575		-\$4,898,575
167 Construction in Progress			\$46,208			\$46,208		\$46,208
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,251,259	\$0	\$1,478,926	\$2,100	\$0	\$3,732,285	\$0	\$3,732,285
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	\$261,664		\$156,285	\$91,473		\$509,422		\$509,422
176 Investments in Joint Ventures								
180 Total Non-Current Assets	\$2,512,923	\$0	\$1,635,211	\$93,573	\$0	\$4,241,707	\$0	\$4,241,707
200 Deferred Outflow of Resources	\$51,872		\$14,515	\$18,133		\$84,520		\$84,520

HA City of Kelso (WA020)  
KELSO, WA  
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2022

	Project Total	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
290 Total Assets and Deferred Outflow of Resources	\$3,799,244	\$3,455	\$1,732,578	\$451,942	\$0	\$5,987,219	-\$23,036	\$5,964,183
311 Bank Overdraft								
312 Accounts Payable <= 90 Days	\$244,069		\$6,191	\$2,609		\$252,869		\$252,869
313 Accounts Payable >90 Days Past Due								
321 Accrued Wage/Payroll Taxes Payable	\$11,506		\$381	\$486		\$12,373		\$12,373
322 Accrued Compensated Absences - Current Portion	\$8,460		\$2,297	\$1,080		\$11,837		\$11,837
324 Accrued Contingency Liability								
325 Accrued Interest Payable			\$1,937			\$1,937		\$1,937
331 Accounts Payable - HUD PHA Programs								
332 Account Payable - PHA Projects								
333 Accounts Payable - Other Government								
341 Tenant Security Deposits	\$29,489		\$13,766			\$43,255		\$43,255
342 Unearned Revenue	\$1,766		\$1,228			\$2,994		\$2,994
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue			\$77,716			\$77,716		\$77,716
344 Current Portion of Long-term Debt - Operating Borrowings								
345 Other Current Liabilities								
346 Accrued Liabilities - Other								
347 Inter Program - Due To	\$3,338	\$3,455	\$2,561	\$13,682		\$23,036	-\$23,036	\$0
348 Loan Liability - Current								
310 Total Current Liabilities	\$298,628	\$3,455	\$106,077	\$17,857	\$0	\$426,017	-\$23,036	\$402,981
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			\$1,037,659			\$1,037,659		\$1,037,659
352 Long-term Debt, Net of Current - Operating Borrowings								
353 Non-current Liabilities - Other	\$15,787		\$6,883	\$8,435		\$31,105		\$31,105
354 Accrued Compensated Absences - Non Current	\$19,739		\$5,359	\$2,521		\$27,619		\$27,619
355 Loan Liability - Non Current								
356 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities	\$24,943		\$6,979	\$8,720		\$40,642		\$40,642
350 Total Non-Current Liabilities	\$60,469	\$0	\$1,056,880	\$19,676	\$0	\$1,137,025	\$0	\$1,137,025
300 Total Liabilities	\$359,097	\$3,455	\$1,162,957	\$37,533	\$0	\$1,563,042	-\$23,036	\$1,540,006
400 Deferred Inflow of Resources	\$273,412		\$76,507	\$95,579		\$445,498		\$445,498
508.4 Net Investment in Capital Assets	\$2,251,259		\$446,617	\$2,100		\$2,699,976		\$2,699,976
511.4 Restricted Net Position	\$261,664		\$90,851	\$91,473		\$443,988		\$443,988
512.4 Unrestricted Net Position	\$653,812	\$0	-\$44,354	\$225,257	\$0	\$834,715		\$834,715
513 Total Equity - Net Assets / Position	\$3,166,735	\$0	\$493,114	\$318,830	\$0	\$3,978,679	\$0	\$3,978,679
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$3,799,244	\$3,455	\$1,732,578	\$451,942	\$0	\$5,987,219	-\$23,036	\$5,964,183

HA City of Kelso (WA020)  
KELSO, WA  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2022

	Project Total	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$501,219		\$330,937			\$832,156	-\$143,356	\$688,800
70400 Tenant Revenue - Other								
70500 Total Tenant Revenue	\$501,219	\$0	\$330,937	\$0	\$0	\$832,156	-\$143,356	\$688,800
70600 HUD PHA Operating Grants	\$308,971	\$60,655	\$0	\$2,299,726	\$26,298	\$2,695,650		\$2,695,650
70610 Capital Grants	\$236,000					\$236,000		\$236,000
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	\$559		\$8	\$23		\$590		\$590
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery				\$9,902		\$9,902		\$9,902
71500 Other Revenue	\$40,836		\$20,975	\$70,724		\$132,535		\$132,535
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted								
70000 Total Revenue	\$1,087,585	\$60,655	\$351,920	\$2,380,375	\$26,298	\$3,906,833	-\$143,356	\$3,763,477
91100 Administrative Salaries	\$59,790	\$45,973	\$196,991	\$60,446	\$19,207	\$382,407		\$382,407
91200 Auditing Fees	\$9,948		\$4,610	\$24,525		\$39,083		\$39,083
91300 Management Fee								
91310 Book-keeping Fee								
91400 Advertising and Marketing	\$128					\$128		\$128
91500 Employee Benefit contributions - Administrative	-\$86,592	\$14,682	\$27,958	-\$10,113	\$4,137	-\$49,928		-\$49,928
91600 Office Expenses	\$21,702		\$170,322	\$33,803		\$225,827		\$225,827
91700 Legal Expense	\$7,636		\$4,566			\$12,202		\$12,202
91800 Travel	\$1,412		\$4,321		\$700	\$6,433		\$6,433
91810 Allocated Overhead	\$252,257		-\$332,816	\$78,305	\$2,254	\$0		\$0
91900 Other	\$4,948		\$1,218	\$1,317		\$7,483		\$7,483
91000 Total Operating - Administrative	\$271,229	\$60,655	\$77,170	\$188,283	\$26,298	\$623,635	\$0	\$623,635
92000 Asset Management Fee								
92100 Tenant Services - Salaries								
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services								
92400 Tenant Services - Other	\$311					\$311		\$311
92500 Total Tenant Services	\$311	\$0	\$0	\$0	\$0	\$311	\$0	\$311
93100 Water	\$34,938		\$7,216			\$42,154		\$42,154
93200 Electricity	\$4,447		\$20,729			\$25,176		\$25,176
93300 Gas								

HA City of Kelso (WA020)  
KELSO, WA  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2022

	Project Total	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
93400 Fuel								
93500 Labor								
93600 Sewer	\$66,742		\$9,528			\$76,270		\$76,270
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense	\$3,550		\$3,915			\$7,465		\$7,465
93000 Total Utilities	\$109,677	\$0	\$41,388	\$0	\$0	\$151,065	\$0	\$151,065
94100 Ordinary Maintenance and Operations - Labor	\$161,208		\$37,814	\$369		\$199,391		\$199,391
94200 Ordinary Maintenance and Operations - Materials and Other	\$33,671		\$7,128			\$40,799		\$40,799
94300 Ordinary Maintenance and Operations Contracts	\$31,736		\$31,623	\$253		\$63,612		\$63,612
94500 Employee Benefit Contributions - Ordinary Maintenance	\$49,138		\$10,831			\$59,969		\$59,969
94000 Total Maintenance	\$275,753	\$0	\$87,396	\$622	\$0	\$363,771	\$0	\$363,771
95100 Protective Services - Labor								
95200 Protective Services - Other Contract Costs	\$1,158		\$1,056			\$2,214		\$2,214
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95000 Total Protective Services	\$1,158	\$0	\$1,056	\$0	\$0	\$2,214	\$0	\$2,214
96110 Property Insurance	\$26,604		\$4,834			\$31,438		\$31,438
96120 Liability Insurance								
96130 Workmen's Compensation	\$1,401		\$7,360	\$486		\$9,247		\$9,247
96140 All Other Insurance			\$79			\$79		\$79
96100 Total insurance Premiums	\$28,005	\$0	\$12,273	\$486	\$0	\$40,764	\$0	\$40,764
96200 Other General Expenses	\$16,099		\$5,826			\$21,925		\$21,925
96210 Compensated Absences	\$5,170		\$2,874	-\$1,904		\$6,140		\$6,140
96300 Payments in Lieu of Taxes								
96400 Bad debt - Tenant Rents	\$3,820		\$8,594			\$12,414		\$12,414
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96800 Severance Expense								
96000 Total Other General Expenses	\$25,089	\$0	\$17,294	-\$1,904	\$0	\$40,479	\$0	\$40,479
96710 Interest of Mortgage (or Bonds) Payable			\$27,589			\$27,589		\$27,589
96720 Interest on Notes Payable (Short and Long Term)			\$1,591			\$1,591		\$1,591
96730 Amortization of Bond Issue Costs				\$0		\$0		\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$29,180	\$0	\$0	\$29,180	\$0	\$29,180
96900 Total Operating Expenses	\$711,222	\$60,655	\$265,757	\$187,487	\$26,298	\$1,251,419	\$0	\$1,251,419
97000 Excess of Operating Revenue over Operating Expenses	\$376,363	\$0	\$86,163	\$2,192,888	\$0	\$2,655,414	-\$143,356	\$2,512,058
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments				\$2,063,596		\$2,063,596	-\$143,356	\$1,920,240
97350 HAP Portability-In				\$60,452		\$60,452		\$60,452

HA City of Kelso (WA020)  
KELSO, WA  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2022

	Project Total	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
97400 Depreciation Expense	\$136,403		\$67,674	\$0		\$204,077		\$204,077
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	\$847,625	\$60,655	\$333,431	\$2,311,535	\$26,298	\$3,579,544	-\$143,356	\$3,436,188
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	\$247,623					\$247,623	-\$247,623	\$0
10094 Transfers between Project and Program - Out	-\$247,623					-\$247,623	\$247,623	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$239,960	\$0	\$18,489	\$68,840	\$0	\$327,289	\$0	\$327,289
11020 Required Annual Debt Principal Payments	\$0	\$0	\$74,242	\$0	\$0	\$74,242		\$74,242
11030 Beginning Equity	\$2,926,775	\$0	\$474,625	\$249,990	\$0	\$3,651,390		\$3,651,390
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$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				\$309,170		\$309,170		\$309,170
11180 Housing Assistance Payments Equity				\$9,660		\$9,660		\$9,660
11190 Unit Months Available	1392		600	3696		5688		5688
11210 Number of Unit Months Leased	1359		529	3504		5392		5392
11270 Excess Cash	\$860,766					\$860,766		\$860,766
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	\$236,000					\$236,000		\$236,000
13510 CFFP Debt Service Payments	\$0					\$0		\$0
13901 Replacement Housing Factor Funds	\$0					\$0		\$0

# Actual Modernization Cost Certificate

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

OMB Approval No. 2577-0157 (exp. 01/31/2017)

## Capital Fund Program (CFP)

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

Do not send this form to the above address.

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

PHA Name: KELSO HOUSING AUTHORITY	Modernization Project Number: WA19P02050-15
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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	\$ 135,982
B. Funds Disbursed	\$ 135,982
C. Funds Expended (Actual Modernization Cost)	\$ 135,982
D. Amount to be Recaptured (A-C)	\$
E. Excess of Funds Disbursed (B-C)	\$

- That all modernization work in connection with the Modernization Grant has been completed;
- That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;
- That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work;
- That the time in which such liens could be filed has expired; and
- 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 that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

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

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

Joleen Reece Executive Director

Signature of Executive Director (or Authorized Designee):

X Joleen Reece

Date: 7/3/19

For HUD Use Only

The Cost Certificate is approved for audit (if box 7A or 7B is marked):  
 Approved for Audit Director, Office of Public Housing Administration  
 HARLAN STEWART  
 DN: CN = HARLAN STEWART C = US O = U.S. Government OU = Department of Housing and Urban Development, Office of Administration  
 Date: 2019.07.25 14:42:51 -07'00'

Date: 07/25/2019

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

Approved: (Director, Office of Public Housing)

X

Date:

# Actual Modernization Cost Certificate

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

OMB Approval No. 2577-0157 (exp. 03/31/2020)

## Capital Fund Program (CFP)

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

Do not send this form to the above address.

This collection of information requires that each 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: <b>KELSO HOUSING AUTHORITY</b>	Modernization Project Number: <b>WA-01P020501-16</b>
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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	\$ 141,355.00
B. Funds Disbursed	\$ 141,355.00
C. Funds Expended (Actual Modernization Cost)	\$ 141,355.00
D. Amount to be Recaptured (A-C)	\$
E. Excess of Funds Disbursed (B-C)	\$

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

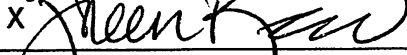
I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

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

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

**JOLEEN REECE EXECUTIVE DIRECTOR**

Signature of Executive Director (or Authorized Designee):

X 

Date:

6/20/2020

For HUD Use Only Verified by: Cherie Shanks, 08/28/2020

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

Approved for Audit (Director, Office of Public Housing)

**CHARRON ALFONSO**

Digitally signed by: CHARRON ALFONSO  
DN: CN = CHARRON ALFONSO C = US O = U.S. Government OU = Department of Housing and Urban Development, Office of Administration  
Date: 2020.09.04 13:00:56 -0700

Date:

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

Approved: (Director, Office of Public Housing)

X

Date:

# 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:

WA01P02050118

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	\$ 270583.00
B. Funds Disbursed	\$ 270583.00
C. Funds Expended (Actual Modernization Cost)	\$ 270583.00
D. Amount to be Recaptured (A-C)	\$0.00
E. Excess of Funds Disbursed (B-C)	\$0.00

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 

Date:

8/31/2022

For HUD Use Only

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

Approved for Audit (Director, Office of Public Housing)

X 

Date:

9.6.22

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

Approved: (Director, Office of Public Housing)

X

Date:



**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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 21, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 or significant deficiencies may exist that were not 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***

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.*

October 21, 2022  
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**

***Opinion on 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, 2022. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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, 2022.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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

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

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

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

### Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.*

October 21, 2022  
Seattle, Washington

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended March 31, 2022

**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>
14.872	<i>Public Housing Capital Fund</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, 2022

**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**