



Office of the Washington State Auditor  
Pat McCarthy

## **Financial Statements and Federal Single Audit Report**

# **Housing Authority of the City of Kelso**

**For the period April 1, 2022 through March 31, 2023**

*Published December 28, 2023*

Report No. 1033818



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

December 28, 2023

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

**Report on Financial Statements and Federal Single Audit**

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### **Housing Authority of the City of Kelso April 1, 2022 through March 31, 2023**

#### **SECTION I – SUMMARY OF AUDITOR’S RESULTS**

The results of our audit of the Housing Authority of the City of Kelso are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### **Financial Statements**

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### **Internal Control over Financial Reporting:**

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

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

#### **Federal Awards**

##### **Internal Control over Major Programs:**

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

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

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

| <u>ALN</u> | <u>Program or Cluster Title</u>                             |
|------------|---|
| 14.871     | Housing Voucher Cluster – Section 8 Housing Choice Vouchers |

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Housing Authority qualified as a low-risk auditee under the Uniform Guidance.

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2023-001.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Housing Authority of the City of Kelso April 1, 2022 through March 31, 2023

#### **2023-001    The Housing Authority had inadequate internal controls for ensuring compliance with depository agreement requirements for its Section 8 Housing Choice Voucher program.**

|   |  |
|---|--|
| <b>Assistance Listing Number and Title:</b> | 14.871 – Section 8 Housing Choice Vouchers             |
| <b>Federal Grantor Name:</b>                | U.S. Department of Housing and Urban Development (HUD) |
| <b>Federal Award/Contract Number:</b>       | WA020VO  |
| <b>Pass-through Entity Name:</b>            | N/A  |
| <b>Pass-through Award/Contract Number:</b>  | N/A  |
| <b>Known Questioned Cost Amount:</b>        | \$0  |
| <b>Prior Year Audit Finding:</b>            | N/A  |

#### ***Description of Condition***

During fiscal year 2023, the Housing Authority received \$2,435,667 under the Housing Voucher Cluster Program (HCVP). The HCVP provides rental assistance to help families with very low incomes afford decent, safe and sanitary rental housing.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

The Housing Authority must enter into depository agreements with its financial institutions in the form required by HUD. The agreements serve as safeguards for federal funds and provide third-party rights to HUD. The terms in the agreements include requirements for funds to be placed in an interest-bearing account.

While the Housing Authority entered into a depository agreement with its financial institution, our audit found it did not comply with the agreement's terms that required the funds to be placed in an interest-bearing account.

We consider this internal control deficiency to be a material weakness that led to material noncompliance.

### ***Cause of Condition***

Although Housing Authority officials knew about the requirement to hold funds in an interest-bearing account, they thought choosing a bank account that did not charge fees was more fiscally responsible for handling the HCVP funds.

### ***Effect of Condition***

The Housing Authority it is not in compliance with the program's depository agreement requirement, and no interest was earned on HCVP account balances during the audit period.

### ***Recommendation***

We recommend the Housing Authority strengthen internal controls to ensure it complies with depository agreement requirements. Specifically, the Housing Authority should ensure funds are held in an interest-bearing account, as the program requires.

### ***Housing Authority's Response***

*In the low interest environment of the past several years, the Authority arranged its Housing Choice Voucher bank account to achieve the best net cost savings for the program. This resulted in low checking and ACH fees in exchange for a noninterest-bearing arrangement. Unfortunately, while our aim was to preserve funding as much as possible to serve the public, this is not in compliance with the letter of regulations which requires this account to be interest-bearing.*

*The Authority has changed the Housing Choice Voucher account to be interest-bearing going forward. Unfortunately, this will result in several thousand dollars of additional fees per year to the program because of its many ACH payments to landlords. We have consulted with HUD and have confirmed that this, indeed, is the required arrangement despite the cost.*

### ***Auditor's Remarks***

We appreciate the Housing Authority's commitment to resolve this finding and thank the Housing Authority for its cooperation and assistance during the audit. We will review corrective action taken during the next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 24 CFR 982.156, *Depository for program funds*.



## INDEPENDENT AUDITOR'S REPORT

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

#### **Housing Authority of the City of Kelso April 1, 2022 through March 31, 2023**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Kelso, as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated December 14, 2023.

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

## REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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



Pat McCarthy, State Auditor

Olympia, WA

December 14, 2023

## INDEPENDENT AUDITOR'S REPORT

### Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

#### **Housing Authority of the City of Kelso April 1, 2022 through March 31, 2023**

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 compliance of the Housing Authority of the City of Kelso, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended March 31, 2023. The Housing Authority's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2023.

#### **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 (GAAS); 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)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Housing Authority 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Housing Authority'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's federal programs.

### **Auditor's 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 Housing 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 GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a 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 judgement made by a reasonable user of the report on compliance about the Housing Authority's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- 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 Housing 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 Housing 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 Housing Authority's internal control over compliance. Accordingly, no such opinion is expressed; and
- 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.

## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

## Housing Authority's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Housing Authority's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The Housing Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## 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 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 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. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2023-001 that we consider to be a material weakness.

### **Housing Authority's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Housing Authority's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The Housing Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

December 14, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Housing Authority of the City of Kelso April 1, 2022 through March 31, 2023**

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 Housing Authority of the City of Kelso, as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Kelso, as of March 31, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Housing Authority 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 opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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'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.

### **Auditor's 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 opinion. 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 GAAS 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.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- 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'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's ability to continue as a going concern for a reasonable period of time; and



- 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 and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Housing Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The accompanying Financial Data Schedule form is supplementary information required by HUD. These schedules are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2023 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing 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 Housing Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

December 14, 2023

## **FINANCIAL SECTION**

### **Housing Authority of the City of Kelso April 1, 2022 through March 31, 2023**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2023

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2023

Statement of Revenues, Expenses and Changes in Fund Net Position – 2023

Statement of Cash Flows – 2023

Notes to Financial Statements – 2023

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of Net Pension Liability (Asset) – PERS 1, PERS 2/3 – 2023

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2023

Notes to Required Supplemental Information – Pension – 2023

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2023

Notes to the Schedule of Expenditures of Federal Awards – 2023

Financial Data Schedule – 2023

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
***Management's Discussion and Analysis***  
***March 31, 2023***

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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, 2023. 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 and deferred outflows of resources of the Housing Authority of the City of Kelso exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4,549,030.
- The majority (82%) of the Authority's programs are funded by federal grants and subsidies. Of total net position, 5.5% is subject to external restrictions on how they may be used. Those portions of the net position of federal programs or pensions that cannot be used for day-to-day operations are restricted.
- The unrestricted category of net position is \$1,399,610 at March 31, 2023. 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 \$570,349 between March 31, 2022 and March 31, 2023.

## **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 \$4,549,030 at March 31, 2023. Of this amount, \$249,413, about 5.5% of total net position, is restricted for legal constraints from debt covenants, enabling legislation and federal grant requirements that limits the Authority's ability to use this component of net position for day-to-day operations. Restricted net position decreased \$194,575 due to a decrease in net

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
**Management's Discussion and Analysis**  
**March 31, 2023**

pension assets, offset by an increase in cash restricted for housing assistance. At March 31, 2023, the unrestricted net position increased from \$834,716 to \$1,399,610, or 31% of net position. This represents the amount that may be used to meet the Authority's ongoing obligations. The increase is due, in part, to proceeds from a lawsuit with HUD, and administrative fee subsidy exceeding administrative expense in the Housing Choice Voucher program. The net investment in capital assets increased by \$200,030 due to the construction of assets, offset by depreciation on prior assets and addition of new debt.

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

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

|                                      | Total<br>Activities<br>FY2023 | Total<br>Activities<br>FY2022 |
|--------------------------------------|-------------------------------|-------------------------------|
| Current and other assets             | \$ 2,328,121                  | \$ 2,147,380                  |
| Capital assets (net of depreciation) | 4,071,785                     | 3,732,286                     |
| <b>TOTAL ASSETS</b>                  | <b>6,399,906</b>              | <b>5,879,666</b>              |
| <br>Deferred Outflows                | <br>201,963                   | <br>84,520                    |
| <br>Noncurrent liabilities           | <br>1,351,322                 | <br>1,137,026                 |
| Other liabilities                    | 390,746                       | 402,981                       |
| <b>TOTAL LIABILITIES</b>             | <b>1,742,068</b>              | <b>1,540,007</b>              |
| <br>Deferred Inflows                 | <br>310,771                   | <br>445,498                   |
| <br>Net investment in Capital Assets | <br>2,900,007                 | <br>2,699,977                 |
| Restricted                           | 249,413                       | 443,988                       |
| Unrestricted                         | 1,399,610                     | 834,716                       |
| <b>TOTAL NET POSITION</b>            | <b>\$ 4,549,030</b>           | <b>\$ 3,978,681</b>           |

The current and other asset category increased approximately \$181,000 from FY 2022 to FY 2023, as the lease standard was implemented resulting in a new long-term receivable, and cash restricted for housing assistance payments increased; these were offset by a decrease in the net pension asset. All other categories stayed relatively stable. Capital assets increased due to the purchase of new improvements related to the Blue Thistle Villa development which offset the decrease due to depreciation.

The Authority's total liabilities increased approximately \$202,000 between 2022 and 2023. This is a result of the addition of \$200,000 in new debt and an approximately \$65,000 increase in net pension liability, offset by scheduled debt payments. Deferred inflows and outflows represent amounts related to pensions and leases receivable that will be amortized as pension expense or lease revenue in the future; the fluctuation in these accounts is based on the State Pension system actuarial studies and amortization of deferred inflows of resources related to leases.

The largest portion of the Authority's net position (64% at 2023) reflects its investment in capital, less any related debt used to acquire those assets that is still outstanding. The Authority's capital

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
***Management's Discussion and Analysis***  
***March 31, 2023***

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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 7% increase due to additions of new capital assets.

At March 31, 2023, 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 stable.

**Statement of Changes in Net Position**

The tenant revenues between fiscal year 2022 and 2023 remained stable. Miscellaneous operating revenues increased approximately \$102,000 due to the HUD lawsuit proceeds.

The operating subsidies presents an approximately \$241,000 or 9% increase at March 31, 2023 due to an increase in housing assistance subsidy and capital fund program subsidies used for maintenance.

Total operating expenses increased by approximately \$190,000 (6%) compared to FY 2022. This is primarily due to increased administrative and maintenance staffing expense and an increase in landlord payments.

The capital contributions revenue fluctuates based on projects and funds available and in 2023 increased compared to 2022. Multiple capital improvements were funded by capital funds in FY2023, while a non-profit capital grant was awarded to the new local funds housing project.

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

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
**Management's Discussion and Analysis**  
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**Change in the Housing Authority of the City of Kelso Net Position**

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|                                  | <u>Fiscal Year 2023</u> | <u>Fiscal Year 2022</u> |
|----------------------------------|-------------------------|-------------------------|
| Revenues                         |                         |                         |
| Operating Revenues               |                         |                         |
| Rents                            | \$ 692,728              | \$ 688,800              |
| Operating Subsidies              | 2,936,968               | 2,695,650               |
| Miscellaneous Operating Revenues | 244,526                 | 142,437                 |
| Nonoperating Revenues            |                         |                         |
| Interest Earned                  | 20,347                  | 590                     |
| Total Revenues                   | <u>3,894,569</u>        | <u>3,527,477</u>        |
| Expenses                         |                         |                         |
| Operating Expenses               |                         |                         |
| Administrative                   | 608,484                 | 536,732                 |
| Maintenance                      | 405,845                 | 363,722                 |
| Tenant Services                  | 87,938                  | 86,953                  |
| Utilities                        | 137,495                 | 151,064                 |
| Other Expense                    | 111,820                 | 83,770                  |
| Housing Assistance Payments      | 2,037,178               | 1,980,692               |
| Depreciation                     | 208,199                 | 204,077                 |
| Nonoperating Expenses            |                         |                         |
| Interest and Fiscal Charges      | 31,085                  | 29,180                  |
| Total Expenses                   | <u>3,628,044</u>        | <u>3,436,190</u>        |
| Capital Contributions            | 281,854                 | 236,000                 |
| Change in Net Position           | 548,379                 | 327,287                 |
| Net Position - Beginning         | 3,978,681               | 3,651,394               |
| Prior Period Adjustments         | 21,970                  | -                       |
| Net Position - Ending            | <u>\$ 4,549,030</u>     | <u>\$ 3,978,681</u>     |

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The Housing Authority of the City of Kelso's investment in capital assets, as of March 31, 2023, amounts to \$4,071,785 (net of accumulated depreciation and amortization). The changes between 2022 and 2023 represent depreciation expense and the purchase of new building and equipment assets of \$64,500, and the implementation of the new lease standard resulted in a new \$18,000 right to use asset net of amortization. This investment in capital assets includes land, buildings, equipment, improvements other than buildings and right to use assets, reduced by the related accumulated depreciation and amortization.

Construction in progress increased \$460,000, as the new Blue Thistle Villa development planning and engineering continues for anticipated construction start in Fall 2023.

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
**Management's Discussion and Analysis**  
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**Housing Authority of the City of Kelso**  
**Capital Assets (net of depreciation)**

|                                   | <u>3/31/2023</u>           | <u>3/31/2022</u>           |
|-----------------------------------|----------------------------|----------------------------|
| Land                              | \$ 423,859                 | \$ 423,859                 |
| Construction in progress          | 505,822                    | 46,208                     |
| Buildings                         | 2,534,663                  | 2,618,098                  |
| Equipment                         | 8,172                      | -                          |
| Improvements other than buildings | 581,145                    | 644,121                    |
| Right to use assets               | 18,124                     | -                          |
| <b>Total</b>                      | <u><u>\$ 4,071,785</u></u> | <u><u>\$ 3,732,286</u></u> |

**Long-Term Debt**

At March 31, 2023, the Authority had total capital debt outstanding of \$1,115,375 compared to \$1,237,659 at March 31, 2022. This debt is made up of revenue bonds of \$347,372 (\$355,000 net discount of \$7,628) and government loans of \$890,287. Overall, \$200,000 in a new loan related to a new development was added, offset by scheduled debt payments.

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Authority is primarily dependent upon Housing and Urban Development (HUD) for funding of operations; therefore, the Authority is affected more by the Federal budget than by local economic conditions. For calendar year 2023, the Housing Choice Voucher Program administrative subsidy proration is estimated to fluctuate between 89% and 89.5%.

**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, 2023

|   | 3/31/2023           |
|---|---------------------|
| <b>Assets</b>   |                     |
| <i>Current Assets</i>                                   |                     |
| Cash & Cash Equivalents                                 | \$ 1,465,287        |
| Cash & Cash Equivalents - Restricted                    | 143,290             |
| Accounts Receivables - Tenants                          | 68,489              |
| Allowance For Doubtful Accounts                         | (32,011)            |
| Leases Receivable - Current                             | 6,909               |
| Due From Other Governments                              | 99,905              |
| Other Accounts Receivable                               | 200,000             |
| Total Current Assets                                    | <u>1,951,869</u>    |
| <i>Long-term Assets</i>                                 |                     |
| Cash & Cash Equivalents- Restricted                     | 84,606              |
| Leases Receivable                                       | 108,506             |
| Non Depreciable Capital Assets                          | 929,681             |
| Buildings, and Structures (Net Depreciation)            | 3,142,104           |
| Net Pension Assets                                      | 183,140             |
| Total Long-term Assets                                  | <u>4,448,037</u>    |
| <b>Total Assets</b>                                     | <u>6,399,906</u>    |
| <br>Deferred Outflows of Resources                      |                     |
| Amounts Related to Pensions                             | <u>201,963</u>      |
| <b>Total Deferred Outflows of Resources</b>             | <u>201,963</u>      |
| <br><b>Liabilities</b>                                  |                     |
| <i>Current Liabilities</i>                              |                     |
| Accounts Payable  | 243,914             |
| Customer Deposits                                       | 41,720              |
| Accrued Interest Payable                                | 1,657               |
| Prepaid Rents/Contributions                             | 3,549               |
| Lease Liability - Current                               | 5,079               |
| Revenue Bond Payable - Current                          | 63,474              |
| Note/Loan Payable - Current                             | 19,242              |
| Accrued Compensated Absences                            | 12,111              |
| Total Current Liabilities                               | <u>390,746</u>      |
| <i>Long-term Liabilities</i>                            |                     |
| Due to Family Self Sufficiency Participants - Long-term | 35,297              |
| Lease Liability   | 13,647              |
| DCTED Loan Payable                                      | 444,794             |
| Notes Payable   | 426,250             |
| Revenue Bond Payable                                    | 283,898             |
| Interest Payable  | 13,482              |
| Accrued Compensated Absences                            | 28,259              |
| Net Pension Liability                                   | 105,695             |
| Total Long-term Liabilities                             | <u>1,351,322</u>    |
| <b>Total Liabilities</b>                                | <u>1,742,068</u>    |
| <br>Deferred Inflows of Resources                       |                     |
| Amounts Related to Pensions                             | 197,058             |
| Amounts Related to Leases                               | 113,713             |
| <b>Total Deferred Inflows of Resources</b>              | <u>310,771</u>      |
| <br><b>Net Position</b>                                 |                     |
| Net Investment in Capital Assets                        | 2,900,007           |
| Restricted - Pension                                    | 183,140             |
| Restricted - Grants                                     | 39,311              |
| Restricted - Debt Covenants                             | 26,962              |
| Unrestricted  | 1,399,610           |
| <b>Total Net Position</b>                               | <u>\$ 4,549,030</u> |

The accompanying Notes to the Financial Statements are an integral part of these financial statements

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
For Fiscal Year Ended March 31, 2023

|  | 3/31/2023                  |
|--|----------------------------|
| <b>Operating Revenues</b>                |                            |
| Rents                                    | \$ 692,728                 |
| Operating Grants                         | 2,936,968                  |
| Miscellaneous Revenues                   | 244,526                    |
| Total Operating Revenues                 | <u>3,874,222</u>           |
| <b>Operating Expenses</b>                |                            |
| Administrative                           | 608,484                    |
| Tenant Services                          | 87,938                     |
| Utilities                                | 137,495                    |
| Maintenance                              | 405,845                    |
| Protective Services                      | 2,231                      |
| General                                  | 109,589                    |
| Housing Assistance Payment               | 2,037,178                  |
| Depreciation                             | 208,199                    |
| Total Operating Expenses                 | <u>3,596,959</u>           |
| <b>Operating Income (Loss)</b>           | 277,263                    |
| <b>Non-Operating Revenues (Expenses)</b> |                            |
| Interest Earned                          | 20,347                     |
| Interest and Fiscal Charges              | (31,085)                   |
| Total Non-Operating Revenues (Expenses)  | <u>(10,738)</u>            |
| Income (Loss) before Contributions       | 266,525                    |
| Capital Contributions                    | 281,854                    |
| Change in Net Position                   | 548,379                    |
| <b>Total Net Position - April 1</b>      | 3,978,681                  |
| Prior Period Adjustment                  | 21,970                     |
| <b>Total Net Position - March 31</b>     | <u><u>\$ 4,549,030</u></u> |

The accompanying Notes to the Financial Statements are an integral part of these financial statements

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
**STATEMENT OF CASH FLOWS**  
For Fiscal Year Ended March 31, 2023

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|   | 3/31/2023           |
|---|---------------------|
| <b>Cash flows from operating activities</b>                           |                     |
| Cash received from tenants  | \$ 873,539          |
| HUD and other subsidies received                                      | 2,952,806           |
| Cash received from other operating activities                         | 267,562             |
| Cash payments for goods and services                                  | (690,834)           |
| Cash payments for housing assistance                                  | (2,186,359)         |
| Cash payments to employees  | (719,172)           |
| Net cash provided (used) by operating activities                      | <u>497,542</u>      |
| <b>Cash flows from capital and related financing activities</b>       |                     |
| Principal payments  | (79,242)            |
| Proceeds from loans   | 200,000             |
| Receipt of capital grant  | 241,749             |
| Purchase of capital assets  | (560,740)           |
| Interest and fiscal charges paid                                      | (23,240)            |
| Net cash provided (used) for capital and related financing activities | <u>(221,473)</u>    |
| <b>Cash flows from investing activities</b>                           |                     |
| Receipts of interest and dividends                                    | <u>20,349</u>       |
| Net cash provided from investing activities                           | <u>20,349</u>       |
| <b>Net increase (decrease) in cash</b>                                | 296,418             |
| Cash and cash equivalents - April 1                                   | <u>1,396,765</u>    |
| Cash and cash equivalents - March 31                                  | <u>\$ 1,693,183</u> |
| <b>Reconciliation to balance sheet</b>                                |                     |
| Cash & cash equivalents - unrestricted                                | 1,465,287           |
| Cash & cash equivalents - restricted (current)                        | 143,290             |
| Cash & cash equivalents - restricted (long-term)                      | 84,606              |
| Cash and cash equivalents - March 31                                  | <u>\$ 1,693,183</u> |

Continued on next page

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
**STATEMENT OF CASH FLOWS**  
For Fiscal Year Ended March 31, 2023

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

|   |                   |
|---|-------------------|
| Net operating income (loss)   | \$ 277,263        |
| Adjustments to reconcile net operating income to<br>net cash provided by operating activities |                   |
| Depreciation  | 208,199           |
| Change in assets and liabilities:   |                   |
| Decrease (increase) in accounts receivable  | 43,258            |
| Decrease (increase) in other operating receivables  | (15,279)          |
| Increase (decrease) in accounts payable   | 15,273            |
| Increase in customer deposits   | (1,535)           |
| Increase in prepaid items   | -                 |
| Increase (decrease) in other payables   | 6,795             |
| Increase (decrease) in pensions   | (57,614)          |
| Increase in compensated absences  | 914               |
| Increase (decrease) in lease balances   | (1,702)           |
| Other operating income (landlord refunds)   | 21,970            |
| Total adjustments   | <u>220,279</u>    |
| Net cash provided by operating activities   | <u>\$ 497,542</u> |
| Non Cash Transactions   |                   |
| Accounts payable financing capital purchases  | \$ 199,399        |
| Lease right to use asset  | 23,561            |

The accompanying Notes to the Financial Statements are an integral part of these financial statements

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
***Notes To Financial Statements***  
***March 31, 2023***

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

**NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

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

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

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

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

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

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

The Authority has elected to report as a single enterprise proprietary fund and uses the accrual basis of accounting. The proprietary fund is composed of a number of programs. The Authority's programs are designed to provide decent and sanitary housing to low income individuals and are funded through the low rent program, housing choice vouchers and rental charges.

Proprietary funds are used to account for activities that are operated in a manner similar to private enterprise business. Measurement is on the economic resources focus. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The Authority's assets and liabilities are segregated between current and long-term with its equity reported as net position. The operating statement of the Authority presents the revenues, expenses and the change in net position.

Debt may at various times be used to fund capital construction costs and the financing costs are secured through these same charges. The Authority uses the enterprise fund to capture the cost 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.

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
**Notes To Financial Statements**  
**March 31, 2023**

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

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

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

**C. ASSETS, LIABILITIES AND NET POSITION OR EQUITY**

**1. Cash and Cash Equivalents**

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

**2. Receivables**

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

Other receivables consist of grant subsidies from other local governments or nonprofits, or the federal government.

**3. Restricted Assets and Liabilities**

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

**4. Capital Assets and Depreciation**

Capital assets include buildings, equipment, infrastructure and intangible right to use 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.

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
***Notes To Financial Statements***  
***March 31, 2023***

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

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

5. Customer Deposits

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

6. Compensated Absences

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

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

7. Long-term Debt

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

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

8. Leases

Lessee

The Authority is a lessee for noncancelable leases. The Authority recognizes a lease liability and an intangible right-to-use lease asset in the Statement of Net Position.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The right to use asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the right to use asset is amortized using the straight-line basis over the lease term.

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
**Notes To Financial Statements**  
**March 31, 2023**

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Key estimates and judgements related to lease include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the right to use asset and lease liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

*Lessor*

Additionally, the Authority is a lessor in a noncancellable lease. Leases receivable consist of amounts recorded in compliance with GASB 87, *Leases*. The Authority has recorded the Lease Receivable and Deferred Inflows of Resources in the Statement of Net Position.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the lease term using the straight-line basis.

Key estimates and judgements related to lease include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The rate of return on investment (ROI) will be based on general good practice. ROI will be reviewed each fiscal year for new leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

See Note IIIC for more information.

9. Prepaid Rents/Contributions

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

10. 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



**HOUSING AUTHORITY OF THE CITY OF KELSO**  
**Notes To Financial Statements**  
**March 31, 2023**

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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. Restricted net position related to pensions is reported at the amount of the net pension asset. See Note IIIB

11. 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 and deferred inflows related to leases.

12. Implementation of New Governmental Accounting Standards Board Pronouncements

At April 1, 2022, the Authority implemented the following GASB Statement:

GASB 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the rights to use an underlying asset.

As a result of implementing this GASB as a lessor, the Authority has recorded the Lease Receivable and Deferred Inflows of Resources amounts related to Leases in the amount of \$122,461. The Authority has also recorded \$4,354 of Interest Earnings from the leases, reflected within the Statement of Revenues, Expenses, and Changes in Fund Net Position. As a lessee, the Authority recorded intangible right to use assets and a lease liability of \$23,561, with respective accumulated amortization and reduction of lease liability in FY2023 of \$5,437 and \$4,835. In addition, \$1,626 was recorded as interest paid reflected within the Statement of Revenues, Expenses, and Changes in Fund Net Position.

## **NOTE II. DETAILED NOTES ON ALL FUNDS**

### **A. DEPOSITS AND INVESTMENTS**

#### **DEPOSITS**

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

The Authority has no formal investment policy nor a policy related to custodial credit risk; however, all deposits and investments are insured or collateralized with securities held by the entity or by the agent in the Authority's name.

The book value of deposits does not materially differ from the bank balance of deposits. As of March 31, 2023, the carrying amount of the Authority's cash and cash equivalents are as follows:

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
**Notes To Financial Statements**  
**March 31, 2023**

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|   | 3/31/2023    |
|---|--------------|
| Cash on hand                                      | \$ 200       |
| Cash deposits in bank accounts                    | 1,046,449    |
| Cash with fiscal agent                            | 7,866        |
| Cash restricted for debt service                  | 84,606       |
| Washington State Local Government Investment Pool | 554,062      |
| Total cash and cash equivalents                   | \$ 1,693,183 |

#### 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, 2023, the Authority had \$554,062 invested in the Washington State Local Government Investment Pool measured at amortized cost. These are reported at amortized cost because the State Pool has elected to measure in this manner. The only restriction on withdrawals from the State Investment Pool is when a deposit is received by ACH. In this case, a five-day waiting period exists.

#### **B. CAPITAL ASSETS**

A summary of capital asset activity for the year ended March 31, 2023 is as follows:

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|   | Beginning<br>balance 4/1/22 | Increases         | Decreases   | Ending balance<br>3/31/23 |
|---|-----------------------------|-------------------|-------------|---------------------------|
| Capital assets, not being depreciated           |                             |                   |             |                           |
| Land  | \$ 423,859                  | \$ -              | \$ -        | \$ 423,859                |
| Construction in progress                        | 46,208                      | 459,614           | -           | 505,822                   |
| Total capital assets, not being depreciated     | 470,067                     | 459,614           | -           | 929,681                   |
| Capital assets, being depreciated/depleted:     |                             |                   |             |                           |
| Buildings                                       | 6,831,269                   | 55,671            | -           | 6,886,940                 |
| Equipment                                       | 120,398                     | 8,854             | 6,351       | 122,901                   |
| Improvements other than buildings               | 1,209,123                   | -                 | -           | 1,209,123                 |
| Total capital assets being depreciated          | 8,160,790                   | 64,525            | 6,351       | 8,218,964                 |
| Less accumulated depreciation for:              |                             |                   |             |                           |
| Buildings                                       | 4,184,845                   | 167,432           | -           | 4,352,277                 |
| Equipment                                       | 120,398                     | 682               | 6,351       | 114,729                   |
| Improvements other than buildings               | 593,330                     | 34,648            | -           | 627,978                   |
| Total accumulated depreciation                  | 4,898,573                   | 202,762           | 6,351       | 5,094,984                 |
| Total capital assets, being depreciated, net    | 3,262,217                   | (138,237)         | -           | 3,123,980                 |
| Right to use assets, being amortized            |                             |                   |             |                           |
| Equipment                                       | 23,561                      | -                 | -           | 23,561                    |
| Total right to use assets, being amortized      | 23,561                      | -                 | -           | 23,561                    |
| Less accumulated amortization for:              |                             |                   |             |                           |
| Right to use assets - Equipment                 | -                           | 5,437             | -           | 5,437                     |
| Total accumulated amortization                  | -                           | 5,437             | -           | 5,437                     |
| Total right to use assets, being amortized, net | 23,561                      | (5,437)           | -           | 18,124                    |
| Total capital and right to use assets, net      | 3,285,778                   | (143,674)         | -           | 3,142,104                 |
| <b>Total capital assets</b>                     | <b>\$ 3,755,845</b>         | <b>\$ 315,940</b> | <b>\$ -</b> | <b>\$ 4,071,785</b>       |

NOTE: Beginning balances have been adjusted for minor presentation errors, and for the implementation of GASB 87.

**C. RESTRICTED CASH**

The balance of restricted cash is as follows:

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|  | 3/31/2023         |
|--|-------------------|
| Customer Deposits                            | \$ 41,720         |
| Restricted for Replacement Reserves          | 19,096            |
| Homeowner Self-Sufficiency                   | 36,307            |
| Restricted for Principal & Interest Payments | 7,866             |
| Restricted for Bond Reserves                 | 84,606            |
| Restricted for Housing Assistance Payments   | 38,301            |
|  | <u>\$ 227,896</u> |

**D. LONG-TERM DEBT**

**GENERAL OBLIGATION DEBT**

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

| Name & Amount<br>of Issuance                       | Installments            | Issuance<br>Date | Maturity<br>Date | Interest<br>Rate | 3/31/2023<br>Debt<br>Outstanding |
|--|-------------------------|------------------|------------------|------------------|----------------------------------|
| <i>Direct Placement Revenue Bonds</i>              |                         |                  |                  |                  |                                  |
| Chinook/Columbia Rehab \$1,210,000                 | \$20,000 to<br>\$80,000 | 3/1/1998         | 3/1/2028         | 5.8% to<br>6.9%  | \$ 355,000                       |
| <i>Direct Borrowings</i>                           |                         |                  |                  |                  |                                  |
| Department of Commerce Building Purchase \$865,900 | \$19,242                | 9/30/1998        | 1/1/2047         | 0%               | 464,037                          |
| State Land Acquisition Loan *                      | \$0                     | 3/21/2019        | 3/31/2027        | 1%               | 226,250                          |
| Community Foundation Development Loan*             | \$0                     | 7/15/2022        | 7/15/2024        | 3%               | 200,000                          |
| <i>Total Long-Term Debt</i>                        |                         |                  |                  |                  | <u>\$ 1,245,287</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 principle and interest, immediately become due and payable in full. This loan is secured by a Deed of Trust.

Under the Community Foundation Development Loan, the loan is secured by a deed of trust on the property. If the property is sold, refinanced, transferred, or leased, or the Housing Authority is materially out of

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compliance with the terms of the agreement, the loan amount, accrued interest and other charges shall be due within ten days of written demand by the lender.

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

Revenue bond debt service requirements to maturity are as follows:

| <b>Direct Placement Revenue Bonds</b> |                   |                  |                    |
|---------------------------------------|-------------------|------------------|--------------------|
|                                       | Principal         | Interest         | Total Requirements |
| 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>355,000</u> \$ | <u>61,880</u> \$ | <u>416,880</u>     |

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

| <b>Direct Placement Loans</b> |                   |                  |                    |
|-------------------------------|-------------------|------------------|--------------------|
|                               | Principal         | Interest         | Total Requirements |
| 2024 \$                       | 19,242 \$         | 0 \$             | 19,242             |
| 2025                          | 219,242           | 12,218           | 231,460            |
| 2026                          | 19,242            | 0                | 19,242             |
| 2027                          | 245,492           | 18,887           | 264,380            |
| 2028                          | 19,242            | 0                | 19,242             |
| 2029-2033                     | 96,211            | 0                | 96,211             |
| 2034-2038                     | 96,211            | 0                | 96,211             |
| 2038-2043                     | 96,211            | 0                | 96,211             |
| 2044-2047                     | 79,193            | 0                | 79,193             |
| \$                            | <u>890,287</u> \$ | <u>31,106</u> \$ | <u>921,393</u>     |

All loans have 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, 2023, the Authority has \$84,606 available in reserves as required by bond indentures. Further, the bond covenants require the debt service coverage ratio to exceed 1:1.15. At March 31, 2023, the Authority had met this requirement.

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**CHANGES IN LONG-TERM LIABILITIES**

The following is a summary of long-term debt changes of the Authority for the years ended March 31, 2022:

|                                      | Beginning<br>Balance<br>4/1/22 | Additions  | Reductions | Ending<br>Balance<br>3/31/23 | Due Within<br>One Year |
|--------------------------------------|--------------------------------|------------|------------|------------------------------|------------------------|
| Direct Placement Bonds               |                                |            |            |                              |                        |
| Revenue bonds                        | \$ 415,000                     | \$ -       | \$ 60,000  | \$ 355,000                   | \$ 65,000              |
| Plus (minus)                         |                                |            |            |                              |                        |
| For issuance premiums (discounts)    | (9,154)                        | -          | (1,526)    | (7,628)                      | (1,526)                |
| Total direct placement bonds payable | 405,846                        | -          | 58,474     | 347,372                      | 63,474                 |
| Direct government borrowings         | 709,529                        | 200,000    | 19,242     | 890,287                      | 19,242                 |
| Compensated absences                 | 39,456                         | 914        |            | 40,370                       | 12,111                 |
| Lease liability                      | 23,561                         | -          | 4,835      | 18,726                       | 5,079                  |
| Net pension liability                | 40,643                         | 65,051     | -          | 105,694                      | -                      |
| Family Self-Sufficiency Escrow       | 24,222                         | 11,075     | -          | 35,297                       | -                      |
| Long-term liabilities                | \$ 1,243,257                   | \$ 277,040 | \$ 82,551  | \$ 1,437,746                 | \$ 99,906              |

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, Blue Thistle Villa, and Chinook Hotel.

**NOTE III. OTHER DISCLOSURES**

**A. RISK MANAGEMENT**

The Authority is a member of the Housing Authorities Risk Retention Pool (HARRP), now called Synchronous Risk Management. Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 (Interlocal Cooperation Act), fifty-five public housing authorities in the states of Washington, Oregon and California originally formed HARRP in March 1987. HARRP was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. HARRP is a U.S. Department of Housing and Urban Development (HUD) approved self-insurance entity for utilization by public housing authorities. HARRP has a total of eighty-two member/owner housing authorities in the states of Washington, Oregon, California and Nevada. Thirty-five of the eighty-two members are Washington State public housing entities.

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

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

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

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

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

The Authority participates in unemployment insurance through Washington Employment Services Department.

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 for March 31, 2023:

| <b>Aggregate Pension Amounts - All Plans</b> |            |
|--|------------|
| Pension liabilities                          | \$ 105,695 |
| Pension assets                               | 183,140    |
| Deferred outflows of resources               | 201,963    |
| Deferred inflows of resources                | 197,058    |
| Pension expense/expenditures                 | (3,797)    |

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

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**Public Employees' Retirement System (PERS)**

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

| <b>PERS Plan 1</b>               |                 |                 |
|----------------------------------|-----------------|-----------------|
| <b>Actual Contribution Rates</b> | <b>Employer</b> | <b>Employee</b> |
| April – August 2022              |                 |                 |
| PERS Plan 1                      | 6.36%           | 6.00%           |
| Plan 1 UAAL                      | 3.71%           |                 |
| Administrative Fee               | 0.18%           |                 |
| <b>Total</b>                     | <b>10.25%</b>   | <b>6.00%</b>    |
| September 2022–March 2023        |                 |                 |
| PERS Plan 1                      | 6.36%           | 6.00%           |
| Plan 1 UAAL                      | 3.85%           |                 |
| Administrative Fee               | 0.18%           |                 |
| <b>Total</b>                     | <b>10.39%</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:



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- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

#### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

| <b>PERS Plan 2/3</b>             |                     |                   |
|----------------------------------|---------------------|-------------------|
| <b>Actual Contribution Rates</b> | <b>Employer 2/3</b> | <b>Employee 2</b> |
| April – August 2022              |                     |                   |
| 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>      |
| September 2022-March 2023        |                     |                   |
| PERS Plan 2/3                    | 6.36%               | 6.36%             |
| PERS Plan 1 UAAL                 | 3.85%               |                   |
| Administrative Fee               | 0.18%               |                   |
| Employee PERS Plan 3             |                     | Varies            |
| <b>Total</b>                     | <b>10.39%</b>       | <b>6.36%</b>      |

The Authority's actual PERS plan contributions were \$20,108 to PERS Plan 1 and \$33,710 to PERS Plan 2/3 for the year ended March 31, 2023.

#### **Actuarial Assumptions**

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The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.0%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. 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 of 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 their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

#### **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.0 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 7.0% 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 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data,

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considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) 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**

The table below summarizes the 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, 2022. The inflation component used to create the table is 2.2% 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%                      | 1.50%  |
| Tangible Assets    | 7%                       | 4.70%  |
| Real Estate        | 18%                      | 5.40%  |
| Global Equity      | 32%                      | 5.90%  |
| Private Equity     | 23%                      | 8.90%  |
|                    | <b>100%</b>              |  |

**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 7.0 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

|          | <b>1% Decrease<br/>6.00%</b> | <b>Current Rate<br/>7.00%</b> | <b>1% Increase<br/>8.00%</b> |
|----------|------------------------------|-------------------------------|------------------------------|
| PERS 1   | 141,206                      | 105,695                       | 74,701                       |
| PERS 2/3 | 215,671                      | (183,140)                     | (510,788)                    |

**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, 2022, the Authority reported its proportionate share of the net pension liabilities as follows

| <b>Plan</b> | <b>Liability or Asset</b> |
|-------------|---------------------------|
| PERS 1      | \$ 105,695                |
| PERS 2/3    | (183,140)                 |

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

|          | <b>Proportionate<br/>Share 6/30/21</b> | <b>Proportionate<br/>Share 6/30/22</b> | <b>Change in<br/>Proportion</b> |
|----------|--|--|---------------------------------|
| PERS 1   | 0.00333%                               | 0.00380%                               | 0.00047%                        |
| PERS 2/3 | 0.00428%                               | 0.00494%                               | 0.00066%                        |

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 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, 2023, the Authority recognized pension expense as follows:

|              | <b>Pension Expense</b> |
|--------------|------------------------|
| PERS 1       | \$ 58,455              |
| PERS 2/3     | (62,252)               |
| <b>TOTAL</b> | <b>(3,797)</b>         |

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At March 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <b>PERS 1</b>   | <b>Deferred Outflows of<br/>Resources</b> | <b>Deferred Inflows of<br/>Resources</b> |
|---|---|--|
| Net difference between projected and actual investment earnings on pension plan investments | \$ -                                      | \$ (17,517)                              |
| Contributions subsequent to the measurement date  | 15,381                                    | -  |
| <b>TOTAL</b>  | <b>\$ 15,381</b>                          | <b>\$ (17,517)</b>                       |

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
**Notes To Financial Statements**  
**March 31, 2023**

| <b>PERS 2/3</b>  | <b>Deferred Outflows of Resources</b> | <b>Deferred Inflows of Resources</b> |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience   | \$ 45,378                             | \$ (4,146)                           |
| Net difference between projected and actual investment earnings on pension plan investments          | -                                     | (135,396)                            |
| Changes of assumptions   | 102,075                               | (26,727)                             |
| Changes in proportion and differences between contributions and proportionate share of contributions | 13,522                                | (13,272)                             |
| Contributions subsequent to the measurement date   | 25,607                                | -                                    |
| <b>TOTAL</b>   | <b>\$ 186,582</b>                     | <b>\$ (179,541)</b>                  |

| <b>TOTAL ALL PLANS</b>   | <b>Deferred Outflows of Resources</b> | <b>Deferred Inflows of Resources</b> |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience   | \$ 45,378                             | \$ (4,146)                           |
| Net difference between projected and actual investment earnings on pension plan investments          | -                                     | (152,913)                            |
| Changes of assumptions   | 102,075                               | (26,727)                             |
| Changes in proportion and differences between contributions and proportionate share of contributions | 13,522                                | (13,272)                             |
| Contributions subsequent to the measurement date   | 40,988                                | -                                    |
| <b>TOTAL</b>   | <b>201,963</b>                        | <b>\$ (197,058)</b>                  |

Deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended December 31:</b> | <b>PERS 1</b> | <b>PERS 2/3</b> |
|--------------------------------|---------------|-----------------|
| 2023                           | \$ (7,413)    | \$ (40,057)     |
| 2024                           | (6,733)       | (37,433)        |
| 2025                           | (8,446)       | (44,147)        |
| 2026                           | 5,075         | 61,722          |
| 2027                           | -             | 21,141          |
| Thereafter                     | -             | 20,208          |

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
**Notes To Financial Statements**  
**March 31, 2023**

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**C. LEASES**

Authority as Lessor

At March 31, 2023, the Authority had one lease receivable in which it is acting as Lessor. The Authority rents building space for placement of communications equipment.

For the leases, the Authority assumed that all extensions would be exercised. During FY2023, the inflows of resources recognized from leases is \$7,046 for principal and \$4,354 for interest.

Authority as Lessee

The Authority uses its lease policy to evaluate financial agreements that are potential leases in which the Authority serves as the lessee. At March 31, 2023, the Authority has one lease payable in which it is acting as Lessee for office equipment. The Authority schedule of future payments included in the measurement of the lease payable is as follows:

|      | Principal        | Interest        | Total            |
|------|------------------|-----------------|------------------|
| 2024 | \$ 5,079         | \$ 1,382        | \$ 6,461         |
| 2025 | 5,523            | 938             | 6,461            |
| 2026 | 6,006            | 455             | 6,461            |
| 2027 | 2,117            | 37              | 2,154            |
|      | <u>\$ 18,726</u> | <u>\$ 2,812</u> | <u>\$ 21,538</u> |

**D. RELATED ORGANIZATION**

The City of Kelso is a related organization to the Authority. Though the Authority is a legally separate entity from the City, the City appoints all members of the Authority's board. There is no financial benefit or burden to the City regarding the Authority's operations, and the City cannot impose its will on the Authority.

**E. PRIOR PRIOR PERIOD ADJUSTMENT**

A prior period adjustment in the amount of \$21,970 was recorded in the Housing Choice Voucher program for a refund of \$16,568 in housing assistance payments to another housing authority, \$2,999 in port in administrative fees accrued in error, and \$2,403 in Family Self-Sufficiency escrow payments related to the prior year.

**F. SUBSEQUENT EVENTS**

The Authority has secured funding from the Washington State Department of Housing Trust Fund in the amount of \$7 million for the construction of a 32 unit workforce housing project. The Funding will be available in November 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 Blue Thistle Villa 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 households earning at or below 50% AMI. Additionally, 20% of the units will be set aside for households exiting homelessness. Kelso Housing Authority (KHA) will provide 32 project based vouchers (PBV) to ensure that residents of Blue Thistle Villa pay no more than 30% of their income towards rent and utilities.

**HOUSING AUTHORITY OF THE CITY OF KELSO**  
***Notes To Financial Statements***  
***March 31, 2023***

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On June 3, 2023, the Authority signed a \$750,000 loan agreement with Impact Capital, a nonprofit corporation, at 6.5% annual interest, for the purpose of funding the 32-unit housing project. The loan matures on November 30, 2024, but may be extended by mutual agreement for a six-month period. \$48,750 of the proceeds of this loan are being held as an interest reserve. Interest-only payments are payable monthly throughout the loan term. When construction or tax credit equity proceeds become available, they shall first be applied to the repayment of the loan. All remaining loan balance is due in full on the maturity date.

**Kelso Housing Authority**  
**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**  
Schedule of Proportionate Share of the Net Pension Liability (Asset)  
PERS 1  
As of June 30  
Last Nine Fiscal Years

| Year<br>Ended<br>June 30, | Employer's<br>proportion of the<br>net pension<br>liability (asset) | Employer's<br>proportionate<br>share of the net<br>pension liability<br>(asset) | Employer's<br>covered<br>payroll | Employer's proportionate<br>share of the net pension<br>liability as a percentage of<br>covered payroll | Plan fiduciary net<br>position as a<br>percentage of the<br>total pension liability |
|---------------------------|---|---|----------------------------------|---|---|
| 2022                      | 0.003796%   | \$ 105,695  | \$ 565,653                       | 18.69%  | 76.56%  |
| 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%  |



**Kelso Housing Authority**  
**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**  
Schedule of Proportionate Share of the Net Pension Liability (Asset)  
PERS 2/3  
As of June 30  
Last Nine Fiscal Years

| Year<br>Ended<br>June 30, | Employer's<br>proportion of the<br>net pension<br>liability (asset) | Employer's<br>proportionate<br>share of the net<br>pension liability<br>(asset) | Employer's<br>covered payroll | Employer's proportionate<br>share of the net pension<br>liability as a percentage of<br>covered payroll | Plan fiduciary net<br>position as a<br>percentage of the<br>total pension liability |
|---------------------------|---|---|-------------------------------|---|---|
| 2022                      | 0.004938%   | \$ (183,140)  | \$ 565,653                    | -32.38%   | 106.73%   |
| 2021                      | 0.004280%   | (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%  |

**Kelso Housing Authority**  
**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**  
Schedule of Employer Contributions  
PERS 1  
As of March 31  
Last Nine Fiscal Years

| <u>Year Ended<br/>March 31,</u> | <u>Statutorily or<br/>contractually<br/>required<br/>contributions</u> | <u>Contributions in relation<br/>to the statutorily or<br/>contractually required<br/>contributions</u> | <u>Contribution<br/>deficiency<br/>(excess)</u> | <u>Covered<br/>payroll</u> | <u>Contributions as a<br/>percentage of<br/>covered payroll</u> |
|---------------------------------|--|---|---|----------------------------|---|
| 2023                            | \$ 20,108  | \$ (20,108)   | \$ -  | \$ 530,031                 | 3.79%   |
| 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%   |

**Kelso Housing Authority**  
**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**  
Schedule of Employer Contributions  
PERS 2/3  
As of March 31  
Last Nine Fiscal Years

| <u>Year Ended<br/>March 31,</u> | <u>Statutorily or<br/>contractually<br/>required<br/>contributions</u> | <u>Contributions in relation<br/>to the statutorily or<br/>contractually required<br/>contributions</u> | <u>Contribution<br/>deficiency<br/>(excess)</u> | <u>Covered<br/>payroll</u> | <u>Contributions as a<br/>percentage of<br/>covered payroll</u> |
|---------------------------------|--|---|---|----------------------------|---|
| 2023                            | \$ 33,710  | \$ (33,710)   | \$ -  | \$ 530,031                 | 6.36%   |
| 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%   |

**Kelso Housing Authority**  
Notes to Required Supplemental Information - Pension

As of March 31  
Last Nine Fiscal Years

**Note 1:** Information Provided

GASB 68 was implemented for the year ended December 31, 2014, therefore there is no data available for years prior to 2014. Eventually, the schedules will show ten years of 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 82, *Pension Issues*. Covered payroll includes all payroll on which a contribution is based.

**Note 4:** Change in contribution rate

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

**PERS 1**

| <u>From this</u> | <u>Through this</u> | <u>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%      |
| 7/1/2021         | 8/31/2022           | 10.25%      |
| 9/1/2022         | current             | 10.39% *    |

\* 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%      |
| 7/1/2021         | 8/31/2022           | 10.25%      |
| 9/1/2022         | current             | 10.39% *    |

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

**Housing Authority of the City of Kelso  
Schedule of Expenditures of Federal Awards  
For the Year Ended March 31, 2023**

| Federal Agency<br>(Pass-Through Agency)   | Federal Program   | ALN<br>Number | Other Award<br>Number | Expenditures                    |                       |                  | Note |
|---|---|---------------|-----------------------|---------------------------------|-----------------------|------------------|------|
|   |   |               |                       | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total            |      |
| ASSISTANT SECRETARY FOR<br>PUBLIC AND INDIAN HOUSING,<br>HOUSING AND URBAN<br>DEVELOPMENT, DEPARTMENT<br>OF | Public Housing Operating<br>Fund  | 14.850        | SF-198                | -                               | 300,603               | 300,603          | 2    |
| ASSISTANT SECRETARY FOR<br>PUBLIC AND INDIAN HOUSING,<br>HOUSING AND URBAN<br>DEVELOPMENT, DEPARTMENT<br>OF | Resident Opportunity and<br>Supportive Services -<br>Service Coordinators | 14.870        | ROSS221727            | -                               | 19,725                | 19,725           | 2    |
| <b>Housing Voucher Cluster</b>  |   |               |                       |                                 |                       |                  |      |
| ASSISTANT SECRETARY FOR<br>PUBLIC AND INDIAN HOUSING,<br>HOUSING AND URBAN<br>DEVELOPMENT, DEPARTMENT<br>OF | Section 8 Housing<br>Choice Vouchers                                      | 14.871        | WA020VO               | -                               | 2,435,667             | 2,435,667        | 2    |
| <b>Total Housing Voucher Cluster:</b>   |   |               |                       | -                               | <b>2,435,667</b>      | <b>2,435,667</b> | -    |
| ASSISTANT SECRETARY FOR<br>PUBLIC AND INDIAN HOUSING,<br>HOUSING AND URBAN<br>DEVELOPMENT, DEPARTMENT<br>OF | Public Housing Capital<br>Fund  | 14.872        | WA19P020501-<br>18    | -                               | 22,960                | 22,960           | 2    |
| ASSISTANT SECRETARY FOR<br>PUBLIC AND INDIAN HOUSING,<br>HOUSING AND URBAN<br>DEVELOPMENT, DEPARTMENT<br>OF | Public Housing Capital<br>Fund  | 14.872        | WA19P020501-<br>19    | -                               | 28,077                | 28,077           | 2    |
| ASSISTANT SECRETARY FOR<br>PUBLIC AND INDIAN HOUSING,<br>HOUSING AND URBAN<br>DEVELOPMENT, DEPARTMENT<br>OF | Public Housing Capital<br>Fund  | 14.872        | WA19P020501-<br>21    | -                               | 143,577               | 143,577          | 2    |
| <b>Total ALN 14.872:</b>  |   |               |                       | -                               | <b>194,614</b>        | <b>194,614</b>   | -    |
| ASSISTANT SECRETARY FOR<br>PUBLIC AND INDIAN HOUSING,<br>HOUSING AND URBAN<br>DEVELOPMENT, DEPARTMENT<br>OF | Family Self-Sufficiency<br>Program  | 14.896        | FSS22WA4708           | -                               | 52,278                | 52,278           | 2    |
| ASSISTANT SECRETARY FOR<br>PUBLIC AND INDIAN HOUSING,<br>HOUSING AND URBAN<br>DEVELOPMENT, DEPARTMENT<br>OF | Family Self-Sufficiency<br>Program  | 14.896        | FSS23WA4961           | -                               | 15,936                | 15,936           | 2    |
| <b>Total ALN 14.896:</b>  |   |               |                       | -                               | <b>68,214</b>         | <b>68,214</b>    | -    |
| <b>Total Federal Awards Expended:</b>   |   |               |                       | -                               | <b>3,018,823</b>      | <b>3,018,823</b> | -    |

The accompanying notes are an integral part of this schedule.

**Housing Authority of the City of Kelso**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended March 31, 2023**

**NOTE 1 - BASIS OF ACCOUNTING**

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

**NOTE 2 - PROGRAM COSTS 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 Uniform Guidance.

HA City of Kelso (WA020)  
KELSO, WA

Entity Wide Balance Sheet Summary

| Submission Type: Audited/Single Audit                          |               | Fiscal Year End: 03/31/2023          |  |                       |                                |   |              |           |              |
|--|---------------|--------------------------------------|--|-----------------------|--------------------------------|---|--------------|-----------|--------------|
|  | Project Total | 14 EFA FSS Escrow Forfeiture Account | 14.886 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  | \$1,035,805   |                                      |  | \$52,334              | \$376,568                      |   | \$1,464,707  |           | \$1,464,707  |
| 112 Cash - Restricted - Modernization and Development          |               |                                      |  |                       |                                |   |              |           |              |
| 113 Cash - Other Restricted                                    | \$21,224      | \$1,010                              |  | \$26,962              | \$52,374                       |   | \$101,570    |           | \$101,570    |
| 114 Cash - Tenant Security Deposits                            | \$29,179      |                                      |  | \$12,941              |                                |   | \$41,720     |           | \$41,720     |
| 115 Cash - Restricted for Payment of Current Liabilities       |               |                                      |  |                       | \$580                          |   | \$580        |           | \$580        |
| 100 Total Cash   | \$1,086,208   | \$1,010                              | \$0  | \$91,837              | \$429,522                      | \$0   | \$1,608,577  | \$0       | \$1,608,577  |
| 121 Accounts Receivable - PHA Projects                         |               |                                      |  |                       |                                |   |              |           |              |
| 122 Accounts Receivable - HUD Other Projects                   | \$76,105      |                                      | \$15,936                                   |                       | \$5,066                        | \$2,798   | \$99,905     |           | \$99,905     |
| 123 Accounts Receivable - Other Government                     |               |                                      |  |                       |                                |   |              |           |              |
| 125 Accounts Receivable - Miscellaneous                        |               |                                      |  | \$206,909             |                                |   | \$206,909    |           | \$206,909    |
| 126 Accounts Receivable - Tenants                              | \$32,505      |                                      |  | \$32,402              |                                |   | \$64,907     |           | \$64,907     |
| 126.1 Allowance for Doubtful Accounts - Tenants                | \$22,003      |                                      |  | \$7,985               |                                |   | \$29,988     |           | \$29,988     |
| 126.2 Allowance for Doubtful Accounts - Other                  | \$0           |                                      | \$0  | \$0                   | \$0                            | \$0   | \$0          |           | \$0          |
| 127 Notes, Loans, & Mortgages Receivable - Current             |               |                                      |  |                       |                                |   |              |           |              |
| 128 Fraud Recovery   |               |                                      |  |                       | \$3,582                        |   | \$3,582      |           | \$3,582      |
| 128.1 Allowance for Doubtful Accounts - Fraud                  |               |                                      |  |                       | \$2,024                        |   | \$2,024      |           | \$2,024      |
| 129 Accrued Interest Receivable                                |               |                                      |  |                       |                                |   |              |           |              |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | \$86,607      | \$0                                  | \$15,936                                   | \$231,326             | \$6,624                        | \$2,798   | \$343,291    | \$0       | \$343,291    |
| 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                                     |               |                                      |  | \$46,943              |                                |   | \$46,943     | -\$46,943 | \$0          |
| 145 Assets Held for Sale                                       |               |                                      |  |                       |                                |   |              |           |              |
| 150 Total Current Assets                                       | \$1,172,815   | \$1,010                              | \$15,936                                   | \$370,106             | \$436,146                      | \$2,798   | \$1,998,811  | -\$46,943 | \$1,951,868  |
| 161 Land   | \$64,138      |                                      |  | \$567,621             | \$2,100                        |   | \$423,859    |           | \$423,859    |
| 162 Buildings  | \$5,460,478   |                                      |  | \$2,635,387           |                                |   | \$8,096,065  |           | \$8,096,065  |
| 163 Furniture, Equipment & Machinery - Dwellings               | \$28,318      |                                      |  | \$3,210               |                                |   | \$31,528     |           | \$31,528     |
| 164 Furniture, Equipment & Machinery - Administration          | \$91,374      |                                      |  | \$18,124              |                                |   | \$109,498    |           | \$109,498    |
| 165 Leasehold Improvements                                     |               |                                      |  |                       |                                |   |              |           |              |
| 166 Accumulated Depreciation                                   | -\$3,463,899  |                                      |  | -\$1,631,088          |                                |   | -\$5,094,987 |           | -\$5,094,987 |
| 167 Construction in Progress                                   | \$17,329      |                                      |  | \$488,493             |                                |   | \$505,822    |           | \$505,822    |
| 168 Infrastructure   |               |                                      |  |                       |                                |   |              |           |              |

HA City of Kelso (WA020)  
KELSO, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2023

|   | Project Total | 14 EFA FSS Escrow<br>Forfeiture Account | 14.886 PIH Family<br>Self-Sufficiency<br>Program | 1 Business<br>Activities | 14.871 Housing<br>Choice Vouchers | 14.870 Resident<br>Opportunity and<br>Supportive Services | Subtotal    | ELIM      | Total       |
|---|---------------|---|--|--------------------------|-----------------------------------|---|-------------|-----------|-------------|
| 160 Total Capital Assets, Net of Accumulated Depreciation                 | \$2,197,738   | \$0                                     | \$0  | \$1,871,947              | \$2,100                           | \$0   | \$4,071,785 | \$0       | \$4,071,785 |
| 171 Notes, Loans and Mortgages Receivable - Non-Current                   |               |   |  |                          |                                   |   |             |           |             |
| 172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due         |               |   |  |                          |                                   |   |             |           |             |
| 173 Grants Receivable - Non Current                                       |               |   |  | \$211,249                | \$44,520                          |   | \$376,251   |           | \$376,251   |
| 174 Other Assets  | \$120,482     |   |  |                          |                                   |   |             |           |             |
| 176 Investments in Joint Ventures   |               |   |  |                          |                                   |   |             |           |             |
| 180 Total Non-Current Assets  | \$2,318,220   | \$0                                     | \$0  | \$2,083,196              | \$46,620                          | \$0   | \$4,448,036 | \$0       | \$4,448,036 |
| 200 Deferred Outflow of Resources   | \$132,866     |   |  | \$20,001                 | \$49,096                          |   | \$201,963   |           | \$201,963   |
| 290 Total Assets and Deferred Outflow of Resources                        | \$3,623,901   | \$1,010                                 | \$15,936   | \$2,473,303              | \$531,962                         | \$2,798   | \$6,648,810 | -\$46,943 | \$6,601,867 |
| 311 Bank Overdraft  |               |   |  |                          |                                   |   |             |           |             |
| 312 Accounts Payable <= 90 Days   | \$74,848      |   |  | \$154,520                | \$580                             |   | \$229,948   |           | \$229,948   |
| 313 Accounts Payable >90 Days Past Due                                    |               |   |  |                          |                                   |   |             |           |             |
| 321 Accrued Wage/Payroll Taxes Payable                                    | \$13,966      |   |  |                          |                                   |   | \$13,966    |           | \$13,966    |
| 322 Accrued Compensated Absences - Current Portion                        | \$6,991       |   |  | \$2,196                  | \$2,924                           |   | \$12,111    |           | \$12,111    |
| 324 Accrued Contingency Liability   |               |   |  |                          |                                   |   |             |           |             |
| 325 Accrued Interest Payable  |               |   |  | \$1,657                  |                                   |   | \$1,657     |           | \$1,657     |
| 331 Accounts Payable - HUD PHA Programs                                   |               |   |  |                          |                                   |   |             |           |             |
| 332 Account Payable - PHA Projects  |               |   |  |                          |                                   |   |             |           |             |
| 333 Accounts Payable - Other Government                                   |               |   |  |                          |                                   |   |             |           |             |
| 341 Tenant Security Deposits  | \$29,179      |   |  | \$12,541                 |                                   |   | \$41,720    |           | \$41,720    |
| 342 Unearned Revenue  | \$3,192       |   |  | \$357                    |                                   |   | \$3,549     |           | \$3,549     |
| 343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue |               |   |  | \$82,716                 |                                   |   | \$82,716    |           | \$82,716    |
| 344 Current Portion of Long-term Debt - Operating Borrowings              |               |   |  |                          |                                   |   |             |           |             |
| 345 Other Current Liabilities   |               |   |  | \$5,079                  |                                   |   | \$5,079     |           | \$5,079     |
| 346 Accrued Liabilities - Other   |               |   |  |                          |                                   |   |             |           |             |
| 347 Inter Program - Due To  | \$27,629      |   | \$15,936   |                          | \$580                             | \$2,798   | \$46,943    | -\$46,943 | \$0         |
| 348 Loan Liability - Current  |               |   |  |                          |                                   |   |             |           |             |
| 310 Total Current Liabilities   | \$155,805     | \$0                                     | \$15,936   | \$239,066                | \$4,084                           | \$2,798   | \$437,689   | -\$46,943 | \$390,746   |
| 351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue    |               |   |  | \$1,154,942              |                                   |   | \$1,154,942 |           | \$1,154,942 |
| 352 Long-term Debt, Net of Current - Operating Borrowings                 |               |   |  |                          |                                   |   |             |           |             |
| 353 Non-current Liabilities - Other                                       | \$21,224      |   |  | \$27,129                 | \$14,073                          |   | \$62,426    |           | \$62,426    |
| 354 Accrued Compensated Absences - Non Current                            |               |   |  | \$5,123                  | \$6,824                           |   | \$28,259    |           | \$28,259    |
| 355 Loan Liability- Non Current   | \$16,312      |   |  |                          |                                   |   |             |           |             |



HA City of Kelso (WA020)  
KELSO, WA

Entity Wide Balance Sheet Summary

| Submission Type: Audited/Single Audit                                 |               | Fiscal Year End: 03/31/2023          |  |                       |                                |   |             |           |             |
|---|---------------|--------------------------------------|--|-----------------------|--------------------------------|---|-------------|-----------|-------------|
|   | Project Total | 14 EFA FSS Escrow Forfeiture Account | 14 886 PIH Family Self-Sufficiency Program | 1 Business Activities | 14 871 Housing Choice Vouchers | 14 870 Resident Opportunity and Supportive Services | Subtotal    | ELIM      | Total       |
| 356 FASB 5 Liabilities  |               |                                      |  |                       |                                |   |             |           |             |
| 357 Accrued Pension and OPEB Liabilities                              | \$69,533      |                                      |  | \$10,467              | \$25,694                       |   | \$105,694   |           | \$105,694   |
| 350 Total Non-Current Liabilities                                     | \$107,069     | \$0                                  | \$0  | \$1,197,661           | \$46,591                       | \$0   | \$1,351,321 | \$0       | \$1,351,321 |
| 300 Total Liabilities   | \$262,874     | \$0                                  | \$15,936                                   | \$1,456,727           | \$50,675                       | \$2,798   | \$1,789,010 | -\$46,943 | \$1,742,067 |
| 400 Deferred Inflow of Resources                                      | \$129,639     |                                      |  | \$133,228             | \$47,903                       |   | \$310,770   |           | \$310,770   |
| 508.4 Net Investment in Capital Assets                                | \$2,197,738   |                                      |  | \$700,169             | \$2,100                        |   | \$2,900,007 |           | \$2,900,007 |
| 511.4 Restricted Net Position   | \$120,482     | \$1,010                              |  | \$45,100              | \$82,821                       |   | \$249,413   |           | \$249,413   |
| 512.4 Unrestricted Net Position                                       | \$913,168     | \$0                                  | \$0  | \$138,079             | \$348,363                      | \$0   | \$1,399,610 |           | \$1,399,610 |
| 513 Total Equity - Net Assets / Position                              | \$3,231,388   | \$1,010                              | \$0  | \$883,348             | \$433,284                      | \$0   | \$4,549,030 | \$0       | \$4,549,030 |
| 600 Total Liabilities, Deferred Inflows of Resources and Equity - Net | \$3,623,901   | \$1,010                              | \$15,936                                   | \$2,473,303           | \$531,862                      | \$2,798   | \$6,648,810 | -\$46,943 | \$6,601,867 |

HA City of Kelso (WA020)  
KELSO, WA

Entity Wide Revenue and Expense Summary

| Submission Type: Audited/Single Audit                   |               | Fiscal Year End: 03/31/2023          |  |                       |                                |   |             |            |             |
|---|---------------|--------------------------------------|--|-----------------------|--------------------------------|---|-------------|------------|-------------|
|   | Project Total | 14 EFA FSS Escrow Forfeiture Account | 14 886 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                         | \$513,128     |                                      |  | \$350,952             |                                |   | \$664,080   | -\$171,352 | \$692,728   |
| 70400 Tenant Revenue - Other                            |               |                                      |  |                       |                                |   |             |            |             |
| 70500 Total Tenant Revenue                              | \$513,128     | \$0                                  | \$0  | \$350,952             | \$0                            | \$0   | \$664,080   | -\$171,352 | \$692,728   |
| 70600 HUD PHA Operating Grants                          | \$413,363     |                                      | \$68,213                                   |                       | \$2,435,667                    | \$19,725  | \$2,936,668 |            | \$2,936,968 |
| 70610 Capital Grants                                    | \$81,854      |                                      |  | \$200,000             |                                |   | \$281,854   |            | \$281,854   |
| 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                  | \$14,472      |                                      |  | \$5,277               | \$598                          |   | \$20,347    |            | \$20,347    |
| 71200 Mortgage Interest Income                          |               |                                      |  |                       |                                |   |             |            |             |
| 71300 Proceeds from Disposition of Assets Held for Sale |               |                                      |  |                       |                                |   |             |            |             |
| 71310 Cost of Sale of Assets                            |               |                                      |  |                       |                                |   |             |            |             |
| 71400 Fraud Recovery                                    |               |                                      |  |                       | \$2,718                        |   | \$2,718     |            | \$2,718     |
| 71500 Other Revenue                                     | \$35,559      | \$1,010                              |  | \$152,357             | \$52,882                       |   | \$241,808   |            | \$241,808   |
| 71600 Gain or Loss on Sale of Capital Assets            |               |                                      |  |                       |                                |   |             |            |             |
| 72000 Investment Income - Restricted                    |               |                                      |  |                       |                                |   |             |            |             |
| 70000 Total Revenue                                     | \$1,058,376   | \$1,010                              | \$68,213                                   | \$708,586             | \$2,491,865                    | \$19,725  | \$4,347,775 | -\$171,352 | \$4,176,423 |
| 91100 Administrative Salaries                           | \$57,578      |                                      |  | \$186,372             | \$51,763                       |   | \$295,713   |            | \$295,713   |
| 91200 Auditing Fees                                     | \$6,550       |                                      |  | \$5,024               | \$13,324                       |   | \$24,898    |            | \$24,898    |
| 91300 Management Fee                                    |               |                                      |  |                       |                                |   |             |            |             |
| 91310 Book-keeping Fee                                  |               |                                      |  |                       |                                |   |             |            |             |
| 91400 Advertising and Marketing                         | \$280         |                                      |  |                       |                                |   | \$280       |            | \$280       |
| 91500 Employee Benefit Contributions - Administrative   | -\$25,903     |                                      |  | \$48,456              | -\$2,717                       |   | \$19,836    |            | \$19,836    |
| 91600 Office Expenses                                   | \$9,923       |                                      |  | \$181,011             | \$23,675                       |   | \$214,609   |            | \$214,609   |
| 91700 Legal Expense                                     | \$3,306       |                                      |  | \$20,666              |                                |   | \$23,972    |            | \$23,972    |
| 91800 Travel  | \$417         |                                      |  | \$16,990              | \$1,048                        |   | \$20,455    |            | \$20,455    |
| 91810 Allocated Overhead                                | \$317,505     |                                      |  | -\$408,500            | \$90,995                       |   | \$0         |            | \$0         |
| 91900 Other   | \$6,111       |                                      |  | \$1,385               | \$1,220                        |   | \$8,716     |            | \$8,716     |
| 91000 Total Operating - Administrative                  | \$375,767     | \$0                                  | \$0  | \$53,404              | \$179,308                      | \$0   | \$608,479   | \$0        | \$608,479   |
| 92000 Asset Management Fee                              |               |                                      |  |                       |                                |   |             |            |             |

HA City of Kelso (WA020)  
KELSO, WA

Entity Wide Revenue and Expense Summary

| Submission Type: Audited/Single Audit                           |               | Fiscal Year End: 03/31/2023          |  |                       |                                |   |           |      |           |
|---|---------------|--------------------------------------|--|-----------------------|--------------------------------|---|-----------|------|-----------|
|   | Project Total | 14 EFA FSS Escrow Forfeiture Account | 14 886 PIH Family Self-Sufficiency Program | 1 Business Activities | 14 871 Housing Choice Vouchers | 14 870 Resident Opportunity and Supportive Services | Subtotal  | ELIM | Total     |
| 92100 Tenant Services - Salaries                                |               |                                      | \$53,816                                   |                       |                                | \$15,380  | \$69,196  |      | \$69,196  |
| 92200 Relocation Costs  |               |                                      |  |                       |                                |   |           |      |           |
| 92300 Employee Benefit Contributions - Tenant Services          |               |                                      | \$14,247                                   |                       |                                | \$3,105   | \$17,352  |      | \$17,352  |
| 92400 Tenant Services - Other                                   |               |                                      | \$150                                      |                       |                                | \$1,240   | \$1,390   |      | \$1,390   |
| 92500 Total Tenant Services                                     | \$0           | \$0                                  | \$68,213                                   | \$0                   | \$0                            | \$19,725  | \$87,938  | \$0  | \$87,938  |
| 93100 Water   | \$32,512      |                                      |  | \$11,414              |                                |   | \$43,926  |      | \$43,926  |
| 93200 Electricity   | \$5,053       |                                      |  | \$16,612              |                                |   | \$21,665  |      | \$21,665  |
| 93300 Gas   |               |                                      |  |                       |                                |   |           |      |           |
| 93400 Fuel  |               |                                      |  |                       |                                |   |           |      |           |
| 93500 Labor   |               |                                      |  |                       |                                |   |           |      |           |
| 93600 Sewer   | \$61,803      |                                      |  | \$3,705               |                                |   | \$65,508  |      | \$65,508  |
| 93700 Employee Benefit Contributions - Utilities                |               |                                      |  |                       |                                |   |           |      |           |
| 93800 Other Utilities Expense                                   | \$4,684       |                                      |  | \$1,715               |                                |   | \$6,399   |      | \$6,399   |
| 93900 Total Utilities   | \$104,052     | \$0                                  | \$0  | \$33,446              | \$0                            | \$0   | \$137,498 | \$0  | \$137,498 |
| 94100 Ordinary Maintenance and Operations - Labor               | \$171,520     |                                      |  | \$26,853              |                                |   | \$198,373 |      | \$198,373 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | \$73,050      |                                      |  | \$7,096               |                                |   | \$80,146  |      | \$80,146  |
| 94300 Ordinary Maintenance and Operations Contracts             | \$33,615      |                                      |  | \$39,252              |                                |   | \$72,867  |      | \$72,867  |
| 94500 Employee Benefit Contributions - Ordinary Maintenance     | \$45,195      |                                      |  | \$8,339               |                                |   | \$53,534  |      | \$53,534  |
| 94000 Total Maintenance   | \$323,380     | \$0                                  | \$0  | \$81,540              | \$0                            | \$0   | \$404,920 | \$0  | \$404,920 |
| 95100 Protective Services - Labor                               |               |                                      |  |                       |                                |   |           |      |           |
| 95200 Protective Services - Other Contract Costs                | \$1,062       |                                      |  | \$1,169               |                                |   | \$2,231   |      | \$2,231   |
| 95300 Protective Services - Other                               |               |                                      |  |                       |                                |   |           |      |           |
| 95500 Employee Benefit Contributions - Protective Services      |               |                                      |  |                       |                                |   |           |      |           |
| 95000 Total Protective Services                                 | \$1,062       | \$0                                  | \$0  | \$1,169               | \$0                            | \$0   | \$2,231   | \$0  | \$2,231   |
| 96110 Property Insurance  | \$24,015      |                                      |  | \$12,142              | \$3,373                        |   | \$39,530  |      | \$39,530  |
| 96120 Liability Insurance                                       |               |                                      |  |                       | \$0                            |   | \$0       |      | \$0       |
| 96130 Workmen's Compensation                                    |               |                                      |  | \$9,529               |                                |   | \$9,529   |      | \$9,529   |
| 96140 All Other Insurance                                       |               |                                      |  | \$11,833              |                                |   | \$11,833  |      | \$11,833  |
| 96100 Total Insurance Premiums                                  | \$24,015      | \$0                                  | \$0  | \$33,504              | \$3,373                        | \$0   | \$60,892  | \$0  | \$60,892  |
| 96200 Other General Expenses                                    | \$14,572      |                                      |  | \$8,664               |                                |   | \$23,236  |      | \$23,236  |
| 96210 Compensated Absences                                      | -\$1,255      |                                      |  | -\$337                | \$6,146                        |   | \$4,554   |      | \$4,554   |
| 96300 Payments in Lieu of Taxes                                 |               |                                      |  |                       |                                |   |           |      |           |
| 96400 Bad debt - Tenant Rents                                   | \$15,830      |                                      |  | \$3,053               |                                |   | \$18,883  |      | \$18,883  |

HA City of Kelso (WA020)  
KELSO, WA

Entity Wide Revenue and Expense Summary

| Submission Type: Audited/Single Audit                     |               | Fiscal Year End: 03/31/2023          |  |                       |                                |   |             |            |             |
|---|---------------|--------------------------------------|--|-----------------------|--------------------------------|---|-------------|------------|-------------|
|   | Project Total | 14 EFA FSS Escrow Forfeiture Account | 14 886 PIH Family Self-Sufficiency Program | 1 Business Activities | 14 871 Housing Choice Vouchers | 14 870 Resident Opportunity and Supportive Services | Subtotal    | ELIM       | Total       |
| 96500 Bad debt - Mortgages                                |               |                                      |  |                       |                                |   |             |            |             |
| 96600 Bad debt - Other                                    |               |                                      |  |                       | \$2,024                        |   | \$2,024     |            | \$2,024     |
| 96800 Severance Expense                                   |               |                                      |  |                       |                                |   |             |            |             |
| 96000 Total Other General Expenses                        | \$29,147      | \$0                                  | \$0  | \$11,380              | \$8,170                        | \$0   | \$48,697    | \$0        | \$48,697    |
| 96710 Interest of Mortgage (or Bonds) Payable             |               |                                      |  | \$24,486              |                                |   | \$24,486    |            | \$24,486    |
| 96720 Interest on Notes Payable (Short and Long Term)     |               |                                      |  | \$6,599               |                                |   | \$6,599     |            | \$6,599     |
| 96730 Amortization of Bond Issue Costs                    |               |                                      |  |                       |                                |   |             |            |             |
| 96700 Total Interest Expense and Amortization Cost        | \$0           | \$0                                  | \$0  | \$31,085              | \$0                            | \$0   | \$31,085    | \$0        | \$31,085    |
| 96900 Total Operating Expenses                            | \$857,423     | \$0                                  | \$68,213                                   | \$245,528             | \$190,851                      | \$19,725  | \$1,381,740 | \$0        | \$1,381,740 |
| 97000 Excess of Operating Revenue over Operating Expenses | \$200,953     | \$1,010                              | \$0  | \$463,058             | \$2,301,014                    | \$0   | \$2,966,035 | -\$171,352 | \$2,794,683 |
| 97100 Extraordinary Maintenance                           | \$925         |                                      |  |                       |                                |   | \$925       |            | \$925       |
| 97200 Casualty Losses - Non-capitalized                   |               |                                      |  |                       |                                |   |             |            |             |
| 97300 Housing Assistance Payments                         |               |                                      |  |                       | \$2,160,532                    |   | \$2,160,532 | -\$171,352 | \$1,989,180 |
| 97350 HAP Portability-In                                  |               |                                      |  |                       | \$47,998                       |   | \$47,998    |            | \$47,998    |
| 97400 Depreciation Expense                                | \$135,375     |                                      |  | \$72,824              |                                |   | \$208,199   |            | \$208,199   |
| 97500 Fraud Losses  |               |                                      |  |                       |                                |   |             |            |             |
| 97600 Capital Outlays - Governmental Funds                |               |                                      |  |                       |                                |   |             |            |             |
| 97700 Debt Principal Payment - Governmental Funds         |               |                                      |  |                       |                                |   |             |            |             |
| 97800 Dwelling Units Rent Expense                         |               |                                      |  |                       |                                |   |             |            |             |
| 90000 Total Expenses                                      | \$993,723     | \$0                                  | \$68,213                                   | \$318,352             | \$2,399,381                    | \$19,725  | \$3,799,394 | -\$171,352 | \$3,628,042 |
| 10010 Operating Transfer In                               |               |                                      |  |                       |                                |   |             |            |             |
| 10020 Operating transfer Out                              | \$194,614     |                                      |  |                       |                                |   | \$194,614   | -\$194,614 | \$0         |
| 10030 Operating Transfers from/to Primary Government      |               |                                      |  |                       |                                |   |             |            |             |
| 10040 Operating Transfers from/to Component Unit          |               |                                      |  |                       |                                |   |             |            |             |
| 10050 Proceeds from Notes, Loans and Bonds                |               |                                      |  |                       |                                |   |             |            |             |
| 10060 Proceeds from Property Sales                        |               |                                      |  |                       |                                |   |             |            |             |
| 10070 Extraordinary Items, Net Gain/Loss                  |               |                                      |  |                       |                                |   |             |            |             |
| 10080 Special Items (Net Gain/Loss)                       |               |                                      |  |                       |                                |   |             |            |             |
| 10091 Inter Project Excess Cash Transfer In               |               |                                      |  |                       |                                |   |             |            |             |
| 10092 Inter Project Excess Cash Transfer Out              |               |                                      |  |                       |                                |   |             |            |             |
| 10093 Transfers between Program and Project - In          |               |                                      |  |                       |                                |   |             |            |             |
| 10094 Transfers between Project and Program - Out         |               |                                      |  |                       |                                |   |             |            |             |
| 10100 Total Other financing Sources (Uses)                | \$0           | \$0                                  | \$0  | \$0                   | \$0                            | \$0   | \$0         | \$0        | \$0         |

HA City of Kelso (WA020)  
KELSO, WA

Entity Wide Revenue and Expense Summary

| Submission Type: Audited/Single Audit                                     |               | Fiscal Year End: 03/31/2023          |  |                       |                                |   |             |      |             |
|---|---------------|--------------------------------------|--|-----------------------|--------------------------------|---|-------------|------|-------------|
|   | Project Total | 14 EFA FSS Escrow Forfeiture Account | 14 886 PIH Family Self-Sufficiency Program | 1 Business Activities | 14 871 Housing Choice Vouchers | 14 870 Resident Opportunity and Supportive Services | Subtotal    | ELIM | Total       |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses    | \$64,653      | \$1,010                              | \$0  | \$390,234             | \$92,484                       | \$0   | \$548,381   | \$0  | \$548,381   |
| 11020 Required Annual Debt Principal Payments                             | \$0           | \$0                                  | \$0  | \$79,242              | \$0                            | \$0   | \$79,242    |      | \$79,242    |
| 11030 Beginning Equity  | \$3,166,735   | \$0                                  | \$0  | \$493,114             | \$318,830                      | \$0   | \$3,978,679 |      | \$3,978,679 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of Errors |               |                                      |  |                       | \$21,970                       |   | \$21,970    |      | \$21,970    |
| 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   |               |                                      |  |                       | \$394,983                      |   | \$394,983   |      | \$394,983   |
| 11180 Housing Assistance Payments Equity                                  |               |                                      |  |                       | \$38,301                       |   | \$38,301    |      | \$38,301    |
| 11190 Unit Months Available   | 1392          |                                      |  | 600                   | 3696                           |   | 5688        |      | 5688        |
| 11210 Number of Unit Months Leased  | 1343          |                                      |  | 534                   | 3384                           |   | 5261        |      | 5261        |
| 11270 Excess Cash   | \$924,335     |                                      |  |                       |                                |   | \$924,335   |      | \$924,335   |
| 11610 Land Purchases  | \$0           |                                      |  |                       |                                |   | \$0         |      | \$0         |
| 11620 Building Purchases  | \$73,000      |                                      |  |                       |                                |   | \$73,000    |      | \$73,000    |
| 11630 Furniture & Equipment - Dwelling Purchases                          | \$5,484       |                                      |  |                       |                                |   | \$5,484     |      | \$5,484     |
| 11640 Furniture & Equipment - Administrative Purchases                    | \$0           |                                      |  |                       |                                |   | \$0         |      | \$0         |
| 11650 Leasehold Improvements Purchases                                    | \$0           |                                      |  |                       |                                |   | \$0         |      | \$0         |
| 11660 Infrastructure Purchases  | \$0           |                                      |  |                       |                                |   | \$0         |      | \$0         |
| 13510 CFFP Debt Service Payments  | \$0           |                                      |  |                       |                                |   | \$0         |      | \$0         |
| 13901 Replacement Housing Factor Funds                                    | \$0           |                                      |  |                       |                                |   | \$0         |      | \$0         |



## **CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE**

### **Housing Authority of the City of Kelso April 1, 2022 through March 31, 2023**

This schedule presents the corrective action planned by the Housing Authority for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

|   |  |
|---|--|
| <b>Finding ref number:</b><br>2023-001  | <b>Finding caption:</b><br>The Housing Authority had inadequate internal controls for ensuring compliance with depository agreement requirements for its Section 8 Housing Choice Voucher program. |
| <b>Name, address, and telephone of Authority contact person:</b><br>Joleen Reece, Executive Director<br>360-423-3490<br>1415 S. 10th Avenue<br>Kelso, WA 98626  |  |
| <b>Corrective action the auditee plans to take in response to the finding:</b><br><i>The Authority has initiated the change to an interest-bearing arrangement for the HCV bank account as of December 5, 2023.</i> |  |
| <b>Anticipated date to complete the corrective action:</b> January 1, 2024.   |  |

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