Office of the Washington State Auditor
Pat McCarthy

December 16, 2024

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

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

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements and compliance with federal grant requirements of the Housing Authority of the City of Kelso for the fiscal year ended March 31, 2024. The Housing Authority contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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HOUSING AUTHORITY OF THE CITY OF KELSO

FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

TABLE OF CONTENTS

FINNEY, NEILL & COMPANY, P.S.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities (Primary Government) and of the discretely-presented component unit of the Housing Authority of the City of Kelso (the Authority), as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely-presented component unit of the Housing Authority of the City of Kelso as of March 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Housing Authority of the City of Kelso and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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INDEPENDENT AUDITORS' REPORT, CONTINUED

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 8, schedule of the Authority's proportionate share of the net pension liability on pages 36 to 37, and schedule of employer contributions and notes on pages 38 to 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Awards Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. The Financial Data Schedule presented on pages 43 to 47 is presented for the purpose of additional analysis as required by HUD, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the financial data schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Finney, Neill & Company, P.S.

August 22, 2024
Seattle, Washington

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, 2024. The information presented here should be read in conjunction with the financial statements and notes to the financial statements that follow.

The financial performance discussed in the following analyses does not include the tax credit partnership. The tax credit partnership is owned by a separate limited partnership with the Authority as the general partner. This separate legal entity is not included directly in the financial records of the Authority. It is listed as a component unit in the financial statements and is detailed in portions of the notes to the financial statements. With those exceptions, neither this unit, nor its financial data, is included in the analysis and financial reports 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 $5,163,136.
- The majority (64%) of the Authority's programs are funded by federal grants and subsidies. Of total net position, 9.5% 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 $1,716,838 at March 31, 2024. 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 $747,640 between March 31, 2023 and March 31, 2024.

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 $5,163,136 at March 31, 2024. Of this amount, $488,779, about 9.5% of total net position, is restricted for legal constraints from debt covenants, enabling legislation, capital restrictions, and federal grant requirements that limits the Authority's ability to use this component of net position for day-to-day operations. Restricted net position increased $239,366 due to an increase in cash restricted for grants and capital asset restoration, offset by a decrease in net pension assets. At March 31, 2024, the unrestricted net position increased from $1,399,610 to $1,716,838 or 33% 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 developer fees and interest earned. The net investment in capital assets increased by $57,512 due to the construction of assets and regular payments on debt, offset by depreciation on prior assets.

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

	Total Activities FY2024	Total Activities FY2023
Current and other assets	$ 3,549,605	2,328,121
Capital assets (net of depreciation)	3,615,950	4,071,785
Total assets	7,165,555	6,399,906
Deferred outflows of resources	183,954	201,963
Non-current liabilities	775,941	1,351,322
Other liabilities	719,583	390,746
Total liabilities	1,495,524	1,742,068
Deferred inflows of resources	690,849	310,771
Net position		
Net investment in capital assets	2,957,519	2,900,007
Restricted	488,779	249,413
Unrestricted	1,716,838	1,399,610
Total net position	$ 5,163,136	4,549,030

The current and other asset category increased approximately $1,221,000 from FY2023 to FY2024, as unrestricted cash and receivables increased due to developer fees earned, and restricted cash increased due to unspent insurance proceeds and housing assistance (HAP) subsidies advanced; these were offset by a decrease in the net pension asset. Capital assets decreased due to the transfer of construction in progress related to Blue Thistle Villa Apartments to the component unit and normal depreciation, which were partially offset by the addition of building assets.

The Authority's total liabilities decreased approximately $247,000 between 2023 and 2024. This is a result of the transfer of $426,250 in debt relating to the construction of Blue Thistle Villa Apartments to the component unit, and an approximately $41,000 decrease in net pension liability in addition to scheduled debt payments, offset by developer fees payable to another housing authority under an interlocal agreement. Deferred inflows and outflows representing amounts related to pensions and leases receivable that will be amortized as pension expense or lease revenue in the future are due to fluctuation based on the State Pension system actuarial studies. Deferred inflows of resources increased $380,000 overall. An increase of $310,000 relates to the addition of the ground lease to the component unit, offset by lease amortization. Additionally, a deferred inflow for April HAP subsidies received in advance of $179,000 was added. Pension-related deferred inflows of resources decreased $109,000.

The largest portion of the Authority's net position (57% at March 31, 2024) reflects its investment in capital, less any related debt used to acquire those assets that is still outstanding. The Authority's capital assets are used to provide housing to citizens. Consequently, these assets are not available for future spending. The investment in capital assets at fiscal year-end shows a 2% increase due to additions of new capital assets and normal payments of debt and offset by normal depreciation.

At March 31, 2024, 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 2023 and 2024 remained stable. The FY 2024 operating subsidies were relatively unchanged compared to FY 2023. Miscellaneous operating revenues decreased approximately $160,000, due to having received HUD lawsuit proceeds in the prior year.

Total operating expenses increased by approximately $264,000 (7%) compared to FY 2023. This is primarily due to increased administrative staffing expense and an increase in landlord payments.

Nonoperating revenues increased $812,000 with unspent insurance recoveries and developer fees earned. Nonoperating expenses included $335,000 in developer fee expense.

The capital contributions revenue fluctuates based on projects and funds available; in 2024 these decreased slightly compared to 2023. Multiple capital improvements were funded by capital funds in FY2024.

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

	Fiscal Year 2024	Fiscal Year 2023
Revenues		
Operating Revenues		
Rents	$ 720,762	692,728
Operating Subsidies	2,950,798	2,936,968
Miscellaneous Operating Revenues	83,046	244,526
Nonoperating Revenues		
Interest Earned	40,881	21,973
Gain (loss) on Disposal of Capital Assets	11,919	-
Other Nonoperating Income	781,011	-
Total Revenues	4,588,417	3,896,195
Expenses		
Operating Expenses		
Administrative	749,926	608,484
Tenant Services	98,376	87,938
Maintenance	421,271	405,845
Utilities	152,776	137,495
Other Expense	145,120	111,820
Housing Assistance Payments	2,090,657	2,037,178
Depreciation	202,379	208,199
Non-operating expenses		
Developer Fee Expense	335,000	-
Interest and Fiscal Charges	22,485	32,711
Total expenses	4,217,990	3,629,670
Capital Contributions	243,679	281,854
Change in Net Position	614,106	548,379
Net position, beginning	4,549,030	3,978,681
Prior Period Adjustments	-	21,970
Net position, ending	$ 5,163,136	4,549,030

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Housing Authority of the City of Kelso's investment in capital assets, as of March 31, 2024, amounts to $3,615,949 (net of accumulated depreciation and amortization). The changes between 2023 and 2024 represent building improvements, depreciation expense, and a transfer of construction in progress to the Component Unit.

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 decreased approximately $482,000, as the Blue Thistle Villa development costs were transferred to the Component Unit.

	3/31/2024	3/31/2023
Land	$ 423,859	423,859
Construction in progress	23,280	505,822
Buildings	2,599,670	2,534,663
Equipment	3,121	8,172
Improvements other than buildings	553,333	581,145
Right to use assets	12,687	18,124
Total depreciable capital assets	$ 3,615,950	4,071,785

Long-Term Debt
At March 31, 2024, the Authority had total capital debt outstanding of $728,692 compared to $1,237,659 at March 31, 2023. The debt at March 31, 2024, is made up of revenue bonds of $283,898 ($290,000 net of discount of $6,102) and government loans of $444,794. Loans totaling $815,276 were transferred to the Component Unit during the year.

Additional information on the Authority's capital assets and long-term debt can be found in Note 3 B and 3 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 the calendar year 2024, the Housing Choice Voucher Program administrative subsidy proration is estimated to be approximately 91%.

In fiscal year 2025, Blue Thistle Villa LLLP (Component Unit) will continue construction on the 32-unit apartment complex and is expected to complete the project during the year. The Authority is the general partner and developer and will serve as the property manager once the units are occupied. 27 project-based housing assistance vouchers will be provided by the Authority to this project out of its allotment of housing vouchers.

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 the Executive Director, Housing Authority of the City of Kelso, 1415 S 10th Street, Kelso, Washington, 98626.

HOUSING AUTHORITY OF THE CITY OF KELSO
STATEMENT OF NET POSITION
March 31, 2024

	Primary Government	Component Unit
Assets and Deferred Outflows of Resources		
Current Assets:		
Cash and Cash Equivalents	$ 1,836,090	-
Cash and Cash Equivalents - Restricted	648,789	-
Accounts Receivable - Tenants, net of allowance	16,654	-
Accounts Receivable from Component Unit	569,426	-
Leases receivable - Current	7,191	-
Due from Other Governments	51,450	-
Prepaid Expenses	76,779	-
Total Current Assets	3,206,379	-
Long-term Assets:		
Cash and Cash Equivalents - Restricted	83,908	-
Leases Receivable	101,315	-
Non-depreciable Capital Assets	447,139	2,747,470
Capital Assets Being Depreciated / Amortized	3,168,811	-
Net Pension Assets	148,003	-
Note Receivable from Component Unit	10,000	-
Prepaid Ground Lease	-	320,000
Other Assets	-	25,477
Total Long-term Assets	3,959,176	3,092,947
Total Assets	7,165,555	3,092,947
Deferred Outflows of Resources:		
Amounts Related to Pensions	183,954	-
Total Deferred Outflows of Resources	183,954	-
Total Assets & Deferred Outflow of Resources	$ 7,349,509	3,092,947

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

HOUSING AUTHORITY OF THE CITY OF KELSO
STATEMENT OF NET POSITION, CONTINUED
March 31, 2024

	Primary Government	Component Unit
Liabilities, Deferred Inflows, and Net Position		
Current Liabilities:		
Accounts Payable	$ 510,004	668,071
Payable to Primary Government	-	785,855
Customer Deposits	41,610	-
Retainage Payable	-	32,368
Accrued Interest Payable - Current	1,353	-
Prepaid Rents/Contributions	22,514	-
Lease Liability - Current	5,523	-
Revenue Bond Payable - Current	63,474	-
Note/Loan Payable - Current	19,242	-
Accrued Compensated Absences - Current	14,104	-
Due to Family Self Sufficiency Participants - Current	41,759	-
Total Current Liabilities	719,583	1,486,294
Long-term Liabilities:		
Due to Family Self Sufficiency Participants - Long-term	24,946	-
Lease Liability	8,124	-
DCTED Loan Payable	425,552	-
Note Payable	-	578,285
Revenue Bond Payable	220,424	-
Note Payable to Primary Government	-	10,000
Accrued Compensated Absences - Long-term	32,910	-
Net Pension Liability	63,985	-
Total Long-term Liabilities	775,941	588,285
Total Liabilities	1,495,524	2,074,579
Deferred Inflows of Resources:		
Amounts Related to Pensions	87,591	-
Amounts Related to Grants	179,100	-
Amounts Related to Leases	424,158	-
Total Deferred Inflows of Resources	690,849	-
Net Position:		
Invested in Capital Assets, Net of Related Debt	2,957,519	672,890
Restricted - Pension	148,003	-
Restricted - Grants	192,911	-
Restricted - Capital	111,011	-
Restricted - Debt Covenants	36,854	-
Unrestricted	1,716,838	345,478
Total Net Position	5,163,136	1,018,368
Total Liabilities, Deferred Inflows, and Net Position	$ 7,349,509	3,092,947

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

HOUSING AUTHORITY OF THE CITY OF KELSO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended March 31, 2024

	Primary Government	Component Unit
Operating Revenues:		
Net Rental Revenue	$ 720,762	-
Operating Grants	2,950,798	-
Miscellaneous Revenues	83,046	-
Total Operating Revenues	3,754,606	-
Operating Expenses:		
Administrative	749,926	-
Tenant Services	98,376	-
Utilities	152,776	-
Maintenance	421,271	-
Protective Services	1,756	-
Other General Expenses	143,364	-
Housing Assistance Payments	2,090,657	-
Depreciation and Amortization	202,379	-
Total Operating Expenses	3,860,505	-
Operating Income (Loss)	(105,899)	-
Non-operating revenues & expenses:		
Interest Earned	40,881	-
Interest Expense and Fiscal Charges	(22,485)	-
Insurance Recoveries	111,011	-
Developer Fee Earned	670,000	-
Developer Fee Expense	(335,000)	-
Gain (Loss) on Disposal of Assets	11,919	-
Total Non-Operating Revenues & Expenses	476,326	-
Income (Loss) Before Contributions	370,427	-
Capital Contributions	243,679	1,018,368
Changes in net position	614,106	1,018,368
Net position at beginning of year	4,549,030	-
Net position at end of year	$ 5,163,136	1,018,368

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

HOUSING AUTHORITY OF THE CITY OF KELSO
STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2024

	Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Tenants	$ 738,844
Cash Received from HUD and Other Subsidies	3,150,495
Cash Received from Other Operating Activities	83,046
Cash Payments for Goods and Services	(963,117)
Cash Payments for Housing Assistance	(2,059,249)
Cash Payments to Employees	(846,004)
Other Cash Receipts	670,000
Net cash provided (used) by operating activities:	774,015
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Noncapital grants (non-operating)	200,000
Payment for development costs on behalf of component unit	(972,306)
Proceeds from component unit for reimbursement of development costs	402,880
Loan to component unit	(10,000)
Net cash provided by non-capital financing activities:	(379,426)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Payments	(85,768)
Lease Principal Payments	(5,079)
Proceeds from Issuance of Long-Term Debt	389,026
Proceeds from Capital Grants	292,134
Purchase of Capital Assets	(576,179)
Proceeds from disposal of capital assets	13,434
Proceeds from insurance on casualty losses	221,866
Payments for capital asset casualty losses	(110,855)
Receipt of lease payments	317,354
Interest and Fiscal Charges Paid	(15,800)
Net cash provided (used) by capital and related financing activities	440,133
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts of Interest and Dividends	40,881
Net cash provided by investing activities:	40,881
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	875,603
CASH AND CASH EQUIVALENTS, beginning of year	1,693,183
CASH AND CASH EQUIVALENTS, end of year	$ 2,568,786
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash and Cash Equivalents - Unrestricted	$ 1,836,090
Cash and Cash Equivalents - Restricted (Current)	648,789
Cash and Cash Equivalents - Restricted (Long-term)	83,908
Total Cash	$ 2,568,787

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

HOUSING AUTHORITY OF THE CITY OF KELSO
STATEMENT OF CASH FLOWS, CONTINUED
For the Year Ended March 31, 2024

		Primary Government
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:		
Operating income (loss)	$	(105,899)
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization		203,906
Developer fees earned		670,000
(Increase) decrease in assets:		
Receivables		19,824
Due from other governments		-
Pension asset		35,137
Prepaid expenses and other assets		(76,779)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses		(75,013)
Pension liability		(133,168)
Security deposits		(110)
Unearned revenues		198,065
FSS escrow liability		31,408
Compensated absences		6,644
Total adjustments		879,914
Net cash provided (used) by operating activities	$	774,015
NONCASH TRANSACTIONS:		
Capital assets purchased with accounts payable	$	12,305
Accrued interest transferred to component unit		18,945
Loans transferred to component unit		815,276
Construction-in-progress transferred to component unit		(840,423)

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

NOTE 1 – SUMMARY OF SIGNIFICANT POLICIES

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

A. Reporting Entity

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

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

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

Discretely Presented Component Unit

As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. These financial statements present the Authority (the Primary Government) and its discreetly presented Component Unit. The component unit is included in the Authority's reporting entity because of the significance of its operational or financial relationships with the Authority. A separate Component Unit column is presented in the financial statements to distinguish the balances and transactions from those of the primary government.

The Blue Thistle Villa Limited Liability Limited Partnership was formed by NDC Corporate Equity Fund 20, L.P. (the limited partner) and the Authority (the general partner) in June 2023. This partnership was formed to acquire, develop, construct, operate and maintain housing for low income in a manner necessary to qualify for federal low-income housing tax credits as provided under Section 42 of the Internal Revenue Code. The project comprises 32 units in two buildings. The units constructed are owned by the partnership and managed by the Authority. As general partner, the Authority complies with the duties and responsibilities established with the limited partner in the related partnership agreement. In general, the Authority is obligated to provide funds to the partnership for any operating deficits and is to be repaid from project cash flow in subsequent years or from proceeds of a sale or refinance.

The Component Unit financial statements are presented as of December 31, 2023. This presentation results in accounts receivable and accounts payable between component units and the primary government not being equal as they are presented as of different dates. The financial statements of the component unit are prepared separately. Copies of these statements can be obtained by contacting the Housing Authority at 1415 S. Tenth, Kelso, WA 98626.

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

NOTE 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

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.

For the most part, the Authority reports operating revenues as defined in GASB Statement No. 9. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include fees and charges from providing services in connection with the ongoing operations of providing low-income housing. Operating revenues also include operating subsidies and grants provided by the U.S. Department of Housing and Urban Development (HUD). The use of this classification is based on guidance from HUD, the primary user of the financial statements and is a departure from GAAP. Operating expenses are those expenses that are directly incurred while in the operation of providing low-income housing. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

C. Assets, Liabilities, and Net Position or Equity

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

NOTE 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

Receivables

Accounts receivable consists of amounts owed from private individuals or organizations for rent or services including amounts owed for which billings have not been prepared. It also includes fraud recovery due from tenants. The allowance for doubtful accounts is estimated based upon knowledge of the tenant and percentage of prior uncollectible receivables. The allowance for doubtful accounts at March 31, 2024, was $4,111.

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

Restricted Assets and Liabilities

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

Capital Assets and Depreciation

Capital assets include buildings, equipment, 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.

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

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

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

Customer Deposits

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

Compensated Absences

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

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.

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.

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 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.

NOTE 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

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 4C for more information.

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

Pensions
For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 4B.

Deferred Outflows of Resources and Deferred Inflows of Resources
A deferred outflow of resources is a consumption of net position that is applicable to future periods. Deferred inflows of resources are acquisitions of net position in one period that are applicable to future periods. These are distinguished from assets and liabilities in the statement of net position. The Authority recognizes deferred outflows and deferred inflows related to pension liability, and deferred inflows related to leases and housing assistance payment subsidies received prior to being earned.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

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

D. Recently Adopted and Upcoming Accounting Principles

New Accounting Standards Adopted
GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, requires recognition of certain subscription assets and liabilities for arrangements that previously were classified as operating expense and recognized as outflows of resources based on the payment provisions of the contract. It establishes a single model for SBITA accounting based on the foundational principle that SBITAs are financings of the rights to use an underlying information technology software asset. There was no impact on the Authority's financial statements as a result of adopting this accounting standard.

New Accounting Standards to be Adopted in Future Years
GASB Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB statement No. 62, will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for periods beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences,* will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability between governments that offer different types of leave. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

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

The book value of deposits does not materially differ from the bank balance of deposits. As of March 31, 2024, the carrying amount of the Authority's cash and cash equivalents are as follows:

	03/31/24
Cash on hand	$ 200
Cash deposits in bank accounts	1,894,212
Cash with fiscal agent	6,160
Cash with fiscal agent - restricted for debt service	83,908
Washington State Local Government Investment Pool	584,307
	$ 2,568,787

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, 2024, the Authority had $584,307 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.

Component Unit
At December 31, 2023, the component unit held no deposits or investments.

NOTE 3 – DETAILED NOTES ON ALL FUNDS, continued

B. Capital Assets

A summary of capital asset activity for the Primary Government for the year ended March 31, 2024 is as follows:

	Beginning Balance 04/01/23	Additions	Disposals	Reclasses	Transfer to Component Unit	Ending Balance 03/31/24
Capital assets, not being depreciated						
Land	$ 423,859	-	-			423,859
Construction in progress	505,822	488,244	-	(130,363)	(840,423)	23,280
Total capital assets, not being depreciated	929,681	488,244	-	(130,363)	(840,423)	447,139
Capital assets, being depreciated/depleted:						
Buildings	6,886,940	100,240	(12,485)	130,363	-	7,105,058
Equipment	122,901	-	-	-	-	122,901
Improvements other than buildings	1,209,123	-	(6,620)	-	-	1,202,503
Total capital assets, being depreciated	8,218,964	100,240	(19,105)	130,363	-	8,430,462
Less accumulated depreciation for:						
Buildings	(4,352,277)	(164,659)	11,548	-	-	(4,505,388)
Equipment	(114,729)	(5,051)	-	-	-	(119,780)
Improvements other than buildings	(627,978)	(27,233)	6,041	-	-	(649,170)
Total accumulated depreciation	(5,094,984)	(196,943)	17,589	-	-	(5,274,338)
Total capital assets, being depreciated, net	3,123,980	(96,703)	(1,516)	130,363	-	3,156,124
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)	-	-	-	(10,874)
Total accumulated amortization	(5,437)	(5,437)	-	-	-	(10,874)
Total right to use assets, being amortized, net	18,124	(5,437)	-	-	-	12,687
Total capital assets, net	$ 4,071,785	386,104	(1,516)	-	(840,423)	3,615,950

<u>Component Unit</u>

The Component Unit held $2,747,471 as construction in process at December 31, 2023. All construction in process was added during calendar year 2023.

These notes are an integral part of the financial statements.

NOTE 3 – DETAILED NOTES ON ALL FUNDS, continued

C. Restricted Assets

The balance of the restricted cash and cash equivalents is comprised of the following as of March 31, 2024:

	March 31, 2024
Customer Deposits	$ 41,610
Restricted for Replacement Reserves	30,694
Homeowner Self-Sufficiency	69,616
Restricted for Principal and Interest Payments	6,160
Restricted for Bond Reserves	83,908
Restricted for Housing Assistance Payments	179,101
Restricted for Administrative Expense	20,597
Restricted for Development Grant	190,000
Restricted for Capital	111,011
	$ 732,697

D. Long-term Debt

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

Current debt outstanding is as follows:

Name & Amount of Issuance	Annual Installments	Issuance Date	Maturity Date	Interest Rate	03/31/24 Debt Outstanding
Direct Placement Revenue Bonds					
Chinook/Columbia Rehab $1,210,000	$20,000 to $80,000	3/1/1998	3/1/2028	5.8% to 6.9%	$ 290,000
Direct Borrowings					
Department of Commerce Building Purchase $865,900	$ 19,242	9/30/1998	1/1/2047	0.0%	444,794
Total Long-term Debt					$ 734,794

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.

NOTE 3 – DETAILED NOTES ON ALL FUNDS, continued

During fiscal year 2024, the Authority obtained a loan from Impact Capital, a Washington non-profit corporation, for the purpose of funding predevelopment costs on the Blue Thistle Villa project. The total amount drawn on this loan was $389,026. This loan was paid off by the partnership upon funding by the limited partners. The original maximum principal was $750,000 with a rate of 6.5% per annum and a maturity date of November 2024. The loan was unsecured; however, when construction loans and equity became available, they were first required to be applied to this loan. In the event of default, the interest rate would increase to 12% and the outstanding balance would be due and payable immediately.

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:

Direct Placement Revenue Bonds

Years Ending March 31	Principal	Interest	Total Requirements
2025	$ 65,000	16,431	81,431
2026	70,000	12,748	82,748
2027	75,000	8,782	83,782
2028	80,000	4,532	84,532
2029	-	-	-
	$ 290,000	42,493	332,493

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

Government Loans

Years Ending March 31	Principal	Interest	Total Requirements
2025	$ 19,242	-	19,242
2026	19,242	-	19,242
2027	19,242	-	19,242
2028	19,242	-	19,242
2029	19,242	-	19,242
2030-2034	96,210	-	96,210
2035-2039	96,210	-	96,210
2040-2044	96,210	-	96,210
2043-2047	59,954	-	59,954
	$ 444,794	-	444,794

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.

NOTE 3 – DETAILED NOTES ON ALL FUNDS, continued

At March 31, 2024, the Authority has $83,908 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, 2024, the Authority met this requirement.

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

Changes in Long-term Debt and Other Liabilities

The following is a summary of long-term debt changes of the Authority for the year ended March 31, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Placement Bonds					
Revenue bonds	$ 355,000	-	(65,000)	290,000	$ 65,000
Issuance discounts	(7,628)	-	1,526	(6,102)	(1,526)
Total bonds payable	347,372	-	(63,474)	283,898	63,474
Direct Government borrowings	890,287	389,026	(834,519)	444,794	19,242
Compensated Absences	40,370	6,644	-	47,014	14,104
Lease liability	18,726		(5,079)	13,647	5,523
Net pension liability	105,695	-	(41,710)	63,985	-
Family Self-Sufficiency Escrow	35,297	31,408	-	66,705	41,759
	$ 1,437,747	427,078	(944,782)	920,043	$ 144,102

Component Unit

The Component Unit has long-term notes payable secured by capital assets. These notes were used to acquire capital assets that provide affordable housing. The notes payable are to be repaid to the Authority and Key Bank, N.A. by the component unit. The note to the Authority ($10,000) accrues 1% interest compounding annually and will be paid out of residual receipts as they become available. Other loans are to be paid from operations.

The outstanding unrelated party loans are as follows:

Name & Amount of Issuance	Annual Installments	Issuance Date	Maturity Date	Interest Rate	03/31/24 Debt Outstanding
Direct Borrowings					
Key Bank Construction Loan for up to $9,100,000	N/A	11/30/2023	11/30/2025	variable	$ 646,910
Total Long-term Debt					$ 646,910

The Key Bank loan interest rate is the adjusted daily SOFR rate plus 2.25%. The rates charged during 2023 ranged from 7.6% to 7.7%. This loan is authorized in the total amount of $9,150,000. No principal payments are due until maturity at November 30, 2025. Interest is paid monthly.

These notes are an integral part of the financial statements.

NOTE 3 – DETAILED NOTES ON ALL FUNDS, continued

The following is a summary of long-term debt changes of the Component Unit for the period ended December 31, 2023:

	Beginning Balance 6/12/2023	Additions	Reductions	Ending Balance 12/31/2023	Due Within One Year
Direct borrowings	$ -	646,910	-	646,910	$ -
Debt issuance costs	-	(68,625)	-	(68,625)	-
Total direct borrowings, net	-	578,285	-	578,285	-
Authority sponsor loan	-	10,000	-	10,000	-
	$ -	588,285	-	588,285	$ -

NOTE 4 – OTHER DISCLOSURES

A. Risk Management

The Authority is a member of the Housing Authorities Risk Retention Pool (HARRP), now called Synchrous 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

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 a $2,000,000 annual 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.

NOTE 4 – OTHER DISCLOSURES, continued

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 subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year ending March 31, 2024:

Aggregate Pension Amounts - All Plans	
Pension liabilities	$ 63,985
Pension assets	148,003
Deferred outflows of resources	183,954
Deferred inflows of resources	87,591
Pension expense/expenditures	(37,204)

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.

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.

NOTE 4 – OTHER DISCLOSURES, continued

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 the year ended March 31, 2024 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee**
April - June 2023:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	**10.39%**	**6.00%**
July 2023- August 2023:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	**9.39%**	**6.00%**
September 2023 - March 2024:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Total	**9.53%**	**6.00%**

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

NOTE 4 – OTHER DISCLOSURES, continued

PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

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

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

NOTE 4 – OTHER DISCLOSURES, continued

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for the year ended March 31, 2024 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2**
April - June 2023:		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**10.39%**	**6.36%**
July 2023 - August 2023:		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**9.39%**	**6.36%**
September 2023 - March 2024:		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Employee PERS Plan 3		varies
Total	**9.53%**	**6.36%**

The Authority's actual PERS plan contributions were $20,189 to PERS Plan 1 and $40,640 to PERS Plan 2/3 for the year ended March 31, 2024.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. 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 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, 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: 7.00%

NOTE 4 – OTHER DISCLOSURES, continued

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.

The actuarial results reflect the following changes in assumptions and methods since the last valuation:

Method changes

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR).

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 percent was used to determine the total liability.

Long-Term Expected Rate of Return
The long-term expected rate of return on the DRS pension plan investments of 7.0 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class
Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023, are summarized in the table below. The inflation component used to create the table is 2.20 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	**Target Allocation**	**% Long-term Expected Real Rate of Return Arithmetic**
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	100%	

These notes are an integral part of the financial statements.

NOTE 4 – OTHER DISCLOSURES, continued

Sensitivity of the Net Pension Liability/ (Asset)
The table below presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Authority's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease 6.40%	Current Rate 7.40%	1% Increase 8.40%
PERS 1	$ 89,392	$ 63,985	$ 41,811
PERS 2/3	160,971	(148,003)	(401,846)

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, 2023, the Authority reported its proportionate share of the net pension liabilities (assets) as follows:

Plan	Liability or Asset
PERS 1	$ 63,985
PERS 2/3	(148,003)

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

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	0.00380%	0.00280%	-0.00100%
PERS 2/3	0.00494%	0.00361%	-0.00133%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 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, 2024, the Authority recognized pension expense as follows:

Plan	Pension Expense
PERS 1	$ (31,007)
PERS 2/3	(6,197)
TOTAL	$ (37,204)

NOTE 4 – OTHER DISCLOSURES, continued

Deferred Outflows of Resources and Deferred Inflows of Resources

At March 31, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (7,218)
Contributions subsequent to the measurement date	14,568	-
TOTAL	$ 14,568	$ (7,218)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 30,148	$ (1,654)
Net difference between projected and actual investment earnings on pension plan investments	-	(55,777)
Changes of assumptions	62,137	(13,543)
Changes in proportion and differences between contributions and proportionate share of contributions	45,746	(9,399)
Contributions subsequent to the measurement date	31,355	-
TOTAL	$ 169,386	$ (80,373)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 30,148	$ (1,654)
Net difference between projected and actual investment earnings on pension plan investments	-	(62,995)
Changes of assumptions	62,137	(13,543)
Changes in proportion and differences between contributions and proportionate share of contributions	45,746	(9,399)
Contributions subsequent to the measurement date	45,923	-
TOTAL	$ 183,954	$ (87,591)

NOTE 4 – OTHER DISCLOSURES, continued

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending March 31:	PERS 1	PERS 2/3
2025	$ (4,911)	$ (20,256)
2026	(6,176)	(24,829)
2027	3,808	52,249
2028	61	22,487
2029	-	21,584
Thereafter	-	6,423

C. Leases

Authority as Lessor

At March 31, 2024, the Authority had one lease receivable in which it is acting as Lessor. The Authority rents building space for placement of communications equipment.

For this lease, the Authority assumed that all extensions would be exercised thru March 2036. During FY2024, the inflows of resources recognized from leases is $6,909 for principal and $4,491 for interest.

In addition, the Authority is lessor in a ground lease to the Component Unit. The Component Unit has prepaid $320,000 for a 99-year lease for land for Blue Thistle Villa Apartments. The lease term expires December 2122 with no options to extend. In the year ended March 31, 2024, the Authority recognized $808 in revenue related to this lease.

Future minimum lease receipts are as follows for years ending March 31:

Years ending March 31	Principal	Interest	Total
2025	$ 7,191	4,209	11,400
2026	7,484	3,916	11,400
2027	7,788	3,612	11,400
2028	8,106	3,294	11,400
2029	8,436	2,964	11,400
2030-2034	47,624	9,376	57,000
2035-2036	21,877	923	22,800
	$ 108,506	28,294	136,800

NOTE 4 – OTHER DISCLOSURES, continued

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, 2024, the Authority has one lease payable in which it is acting as Lessee for office equipment.

The Authority's schedule of future payments included in the measurement of the lease payable is as follows:

Years ending March 31	Principal	Interest	Total
2025	$ 5,523	938	6,461
2026	6,006	455	6,461
2027	2,118	37	2,155
2028	-	-	-
	$ 13,647	1,430	15,077

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. Related Parties

On June 12, 2023, the Authority formed Blue Thistle Villa LLLP, a Washington limited liability partnership, where the Authority is the general partner with 0.01% ownership, and the limited partner is NDC Corporate Equity Fund 20, L.P. with 99.99% ownership. Blue Thistle Villa LLLP was formed for the purpose of developing and operating 32 units of low-income housing in Kelso, Washington. The Authority will provide administrative and property management services to the partnership once the buildings are complete.

The Authority earned $670,000 in developer fees, of which $133,942 was received from the partnership during the fiscal year ended March 31, 2024. The Authority entered into an interlocal agreement with Vancouver Housing Authority to provide support for the development of the Component unit in exchange for 50% of the developer fee. Developer fee expense under this agreement was $335,000, $0 of which was paid during the fiscal year ended March 31, 2024.

The Authority loaned the partnership $10,000 during the fiscal year, to be repaid with available cash flow according to the partnership agreement. Interest on the loan is 1% compounding annually. Also during the fiscal year, the partnership paid the Authority $320,000 for a 99-year ground lease, with a term ending December 2122. Ground lease revenue recognized during the fiscal year ended March 31, 2024, was $808.

F. Commitments

General Partner Commitments Regarding the Component Unit

As general partner in the Blue Thistle Villa LLLP, the Authority provides the following guarantees to the partnership as designated in the Amended and Restated Limited Liability Limited Partnership Agreement:

NOTE 4 – OTHER DISCLOSURES, continued

- Completion of construction of the project on schedule, including contribution of capital required to fund costs that exceed the project budget. Any such capital required will not be considered an equity contribution or loan to the partnership.
- Funding of operating deficits of the partnership via non-interest bearing loans until the project has achieved and maintained a debt coverage ratio of 1.2 for three consecutive calendar years; however, operating reserves may be used first before the Authority makes a loan to the partnership. Partner loans are paid from net cash flow after all other loans and fees are paid.
- For the fifteen-year compliance period, the delivery of the projected tax credits to the limited partner. The Authority also will ensure that tax credits will not be recaptured and that all conditions necessary to qualify for the tax credits are met.
- An additional $190,000 sponsor loan from the Authority to the partnership will be made at completion of construction.

As of March 31, 2024, no outstanding liabilities exist related to general partner commitments.

G. Insurance Recoveries

During the year ended March 31, 2024, a public housing unit was damaged by fire. The Authority received $221,866 in insurance proceeds to repair the unit. As of the end of the fiscal year, $110,855 had been spent for repairs. Repairs will be completed in fiscal year 2025. The net carrying value of the impaired capital asset is $8,351.

H. Subsequent Events

Component Unit
The Component Unit has continued development of Blue Thistle Villa Apartments in calendar year 2024 and has accumulated a significant amount of new debt. Draws on the Key Bank loan through the date of these financial statements total $1.6 million. $3.9 million has been drawn on the Washington State Housing Trust Fund loan. It is expected that an additional $9.0 million will be drawn from these loans in the next year to finish the project. Project completion is expected in early 2025.

HOUSING AUTHORITY OF THE CITY OF KELSO

REQUIRED SUPPLEMENTARY INFORMATION – STATE SPONSORED PLANS

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PERS 1

AS OF JUNE 30

LAST TEN FISCAL YEARS

Year Ended June 30	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.002803%	$ 63,985	$ 548,626	11.66%	80.16%
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%

See Independent Auditors' Report.

HOUSING AUTHORITY OF THE CITY OF KELSO
REQUIRED SUPPLEMENTARY INFORMATION – STATE SPONSORED PLANS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS 2/3
AS OF JUNE 30
LAST TEN FISCAL YEARS

Year Ended June 30	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.003611%	$ (148,003)	$ 548,626	-26.98%	107.02%
2022	0.004938%	(183,140)	565,653	-32.38%	106.73%
2021	0.003328%	(426,357)	512,902	-83.13%	120.29%
2020	0.003999%	51,145	475,988	10.75%	97.22%
2019	0.004011%	38,960	438,705	8.88%	97.77%
2018	0.003585%	61,211	404,698	15.13%	95.77%
2017	0.004039%	140,336	368,512	38.08%	90.97%
2016	0.003566%	179,545	336,174	53.41%	85.82%
2015	0.003554%	126,985	318,438	39.88%	89.20%
2014	0.002893%	57,184	244,124	23.42%	93.29%

See Independent Auditors' Report.

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

Year Ended March 31	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered Payroll	Contributions as a percentage of covered payroll
2024	$ 20,189	$ (20,189)	$ -	$ 638,997	3.16%
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%

See Independent Auditors' Report.

HOUSING AUTHORITY OF THE CITY OF KELSO

REQUIRED SUPPLEMENTARY INFORMATION – STATE SPONSORED PLANS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

PERS 2/3

AS OF MARCH 31

LAST TEN FISCAL YEARS

Year Ended March 31	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered Payroll	Contributions as a percentage of covered payroll
2024	$ 40,640	$ (40,640)	$ -	$ 638,997	6.36%
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%

See Independent Auditors' Report.

NOTE 1 – Information Provided

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

NOTE 2 – Significant Factors

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

NOTE 3 – Covered Payroll

Covered payroll has been presented in accordance with GASB Statement No. 82, *Pensions Issues*. Covered payroll includes all payroll on which a contribution is based.

NOTE 4 – Change in Contribution Rate

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

PERS 1

From This Date	Through This Date	Rate
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	6/30/2023	10.39%
7/1/2023	8/31/2023	9.39%
9/1/2023	current	9.53% *

* Employer contribution rate includes an administrative expense rate of 0.20%

PERS 2/3

From This Date	Through This Date	Rate
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	6/30/2023	10.39%
7/1/2023	8/31/2023	9.39%
9/1/2023	current	9.53% *

* Employer contribution rate includes an administrative expense rate of 0.20%

See Independent Auditors' Report.

HOUSING AUTHORITY OF THE CITY OF KELSO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended March 31, 2024

Federal Agency and Department	Federal Program	Assistance Listing Number	Other Award Number	Expenditures From Direct Awards	Expenditures Total	Note
Department of Housing and Urban Development						
Office of Public and Indian Housing	Public and Indian Housing	14.850	WA020-000000124D	$ 65,788	65,788	2
Office of Public and Indian Housing	Public and Indian Housing	14.850	WA020-000000123D	160,288	160,288	2
			Total ALN 14.850	**226,076**	**226,076**	
Office of Public and Indian Housing	Resident Opportunity and Supportive Services - Service Coordinators	14.870	ROSS221727	28,040	28,040	2
Housing Voucher Cluster						
Office of Public and Indian Housing	Section 8 Housing Choice Vouchers	14.871	WA020VO	2,466,615	2,466,615	2
			Total Housing Voucher Cluster	**2,466,615**	**2,466,615** *	
Office of Public and Indian Housing	Public Housing Capital Fund	14.872	WA19P020501-19	195,306	195,306	2
Office of Public and Indian Housing	Public Housing Capital Fund	14.872	WA19P020501-20	72,698	72,698	2
Office of Public and Indian Housing	Public Housing Capital Fund	14.872	WA19P020501-21	121,489	121,489	2
Office of Public and Indian Housing	Public Housing Capital Fund	14.872	WA19P020501-22	14,698	14,698	2
			Total ALN 14.872	**404,191**	**404,191**	
Office of Public and Indian Housing	Family Self-Sufficiency Program	14.896	FSS23WA4691	50,635	50,635	2
Office of Public and Indian Housing	Family Self-Sufficiency Program	14.896	FSS24WA4961-01-01	18,920	18,920	2
			Total ALN 14.896	**69,555**	**69,555**	
			Total Department of Housing and Urban Development	**3,194,477**	**3,194,477**	
			Total Expenditures of Federal Awards	**$ 3,194,477**	**3,194,477**	

*** Denotes a major program**

See Independent Auditors' Report

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Authority's financial statements. The Authority uses the accrual basis of accounting.

NOTE 2 – PROGRAM COSTS AND SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – INDIRECT COST RATE

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

HA City of Kelso (WA020)

KELSO, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit   Fiscal Year End: 03/31/2024

	Project Total	14.EFA FSS Escrow Forfeiture Account	6.1 Component Unit Discretely Presented	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
111 Cash - Unrestricted	$1,069,524				$387,434	$379,132		$1,836,090		$1,836,090
112 Cash - Restricted - Modernization and Development	$111,011							$111,011		$111,011
113 Cash - Other Restricted	$21,150	$2,911			$226,854	$203,494		$454,409		$454,409
114 Cash - Tenant Security Deposits	$29,049				$12,561			$41,610		$41,610
115 Cash - Restricted for Payment of Current Liabilities	$28,150					$13,609		$41,759		$41,759
100 Total Cash	$1,258,884	$2,911	$0	$0	$626,849	$596,235	$0	$2,484,879	$0	$2,484,879
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects	$25,533			$18,920		$0	$1,490	$45,943		$45,943
124 Accounts Receivable - Other Government						$5,507		$5,507		$5,507
125 Accounts Receivable - Miscellaneous					$569,426			$569,426		$569,426
126 Accounts Receivable - Tenants	$8,864				$10,230			$19,094		$19,094
126.1 Allowance for Doubtful Accounts -Tenants	-$2,553				$0			-$2,553		-$2,553
126.2 Allowance for Doubtful Accounts - Other	$0			$0	$0	$0	$0	$0		$0
127 Notes, Loans, & Mortgages Receivable - Current					$7,191			$7,191		$7,191
128 Fraud Recovery						$1,672		$1,672		$1,672
128.1 Allowance for Doubtful Accounts - Fraud						-$1,558		-$1,558		-$1,558
129 Accrued Interest Receivable										
120 Total Receivables, Net of Allowances for Doubtful Accounts	$31,844	$0	$0	$18,920	$586,847	$5,621	$1,490	$644,722	$0	$644,722
131 Investments - Unrestricted										
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets	$51,168				$21,730	$3,881		$76,779		$76,779
143 Inventories										
143.1 Allowance for Obsolete Inventories										
144 Inter Program Due From					$67,014			$67,014	-$67,014	$0
145 Assets Held for Sale										
150 Total Current Assets	$1,341,896	$2,911	$0	$18,920	$1,302,440	$605,737	$1,490	$3,273,394	-$67,014	$3,206,380
161 Land	$64,138				$357,621	$2,100		$423,859		$423,859
162 Buildings	$5,670,049				$2,595,938			$8,265,987		$8,265,987
163 Furniture, Equipment & Machinery - Dwellings	$24,232							$24,232		$24,232
164 Furniture, Equipment & Machinery - Administration	$83,598							$83,598		$83,598
165 Leasehold Improvements					$23,561			$23,561		$23,561
166 Accumulated Depreciation	-$3,565,149				-$1,663,419			-$5,228,568		-$5,228,568
167 Construction in Progress	$23,280		$2,747,471					$2,770,751		$2,770,751
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	$2,300,148	$0	$2,747,471	$0	$1,313,701	$2,100	$0	$6,363,420	$0	$6,363,420
171 Notes, Loans and Mortgages Receivable - Non-Current					$111,315			$111,315		$111,315
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due										
173 Grants Receivable - Non Current										
174 Other Assets	$106,232		$345,477		$97,467	$28,211		$577,387		$577,387
176 Investments in Joint Ventures										
180 Total Non-Current Assets	$2,406,380	$0	$3,092,948	$0	$1,522,483	$30,311	$0	$7,052,122	$0	$7,052,122

HA City of Kelso (WA020)

KELSO, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 03/31/2024

	Project Total	14.EFA FSS Escrow Forfeiture Account	6.1 Component Unit Discretely Presented	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
200 Deferred Outflow of Resources	$132,038				$16,853	$35,064		$183,955		$183,955
290 Total Assets and Deferred Outflow of Resources	$3,880,314	$2,911	$3,092,948	$18,920	$2,841,776	$671,112	$1,490	$10,509,471	-$67,014	$10,442,457
311 Bank Overdraft										
312 Accounts Payable <= 90 Days	$109,947		$1,486,295		$359,219	$5,455		$1,960,916		$1,960,916
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable	$35,385							$35,385		$35,385
322 Accrued Compensated Absences - Current Portion	$9,198				$2,961	$1,945		$14,104		$14,104
324 Accrued Contingency Liability										
325 Accrued Interest Payable					$1,353			$1,353		$1,353
331 Accounts Payable - HUD PHA Programs										
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government										
341 Tenant Security Deposits	$29,049				$12,561			$41,610		$41,610
342 Unearned Revenue	$1,745				$171	$20,598		$22,514		$22,514
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					$88,239			$88,239		$88,239
344 Current Portion of Long-term Debt - Operating Borrowings										
345 Other Current Liabilities	$28,150					$13,609		$41,759		$41,759
346 Accrued Liabilities - Other										
347 Inter Program - Due To	$22,670			$18,920	$15,523	$8,411	$1,490	$67,014	-$67,014	$0
348 Loan Liability - Current						$0		$0		$0
310 Total Current Liabilities	$236,144	$0	$1,486,295	$18,920	$480,027	$50,018	$1,490	$2,272,894	-$67,014	$2,205,880
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			$588,285		$654,100			$1,242,385		$1,242,385
352 Long-term Debt, Net of Current - Operating Borrowings										
353 Non-current Liabilities - Other	$21,150					$3,796		$24,946		$24,946
354 Accrued Compensated Absences - Non Current	$21,462				$6,909	$4,539		$32,910		$32,910
355 Loan Liability - Non Current										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities	$45,926				$5,861	$12,196		$63,983		$63,983
350 Total Non-Current Liabilities	$88,538	$0	$588,285	$0	$666,870	$20,531	$0	$1,364,224	$0	$1,364,224
300 Total Liabilities	$324,682	$0	$2,074,580	$18,920	$1,146,897	$70,549	$1,490	$3,637,118	-$67,014	$3,570,104
400 Deferred Inflow of Resources	$62,871				$432,182	$195,796		$690,849		$690,849
508.4 Net Investment in Capital Assets	$2,300,148		$672,891		$655,270	$2,100	$0	$3,630,409		$3,630,409
511.4 Restricted Net Position	$217,244	$2,911			$240,413	$28,211	$0	$488,779		$488,779
512.4 Unrestricted Net Position	$975,369	$0	$345,477	$0	$367,014	$374,456	$0	$2,062,316		$2,062,316
513 Total Equity - Net Assets / Position	$3,492,761	$2,911	$1,018,368	$0	$1,262,697	$404,767	$0	$6,181,504	$0	$6,181,504
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$3,880,314	$2,911	$3,092,948	$18,920	$2,841,776	$671,112	$1,490	$10,509,471	-$67,014	$10,442,457

HA City of Kelso (WA020)

KELSO, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 03/31/2024

	Project Total	14.EFA FSS Escrow Forfeiture Account	6.1 Component Unit Discretely Presented	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$544,953				$348,538			$893,491	-$173,537	$719,954
70400 Tenant Revenue - Other					$808			$808		$808
70500 Total Tenant Revenue	$544,953	$0	$0	$0	$349,346	$0	$0	$894,299	-$173,537	$720,762
70600 HUD PHA Operating Grants	$386,588			$69,555		$2,466,615	$28,040	$2,950,798		$2,950,798
70610 Capital Grants	$243,680							$243,680		$243,680
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	$29,043				$10,624	$1,214		$40,881		$40,881
71200 Mortgage Interest Income										
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery						$394		$394		$394
71500 Other Revenue	$133,745	$2,683	$1,018,368		$684,044	$43,140		$1,881,980		$1,881,980
71600 Gain or Loss on Sale of Capital Assets	-$1,515				$13,434			$11,919		$11,919
72000 Investment Income - Restricted										
70000 Total Revenue	$1,336,494	$2,683	$1,018,368	$69,555	$1,057,448	$2,511,363	$28,040	$6,023,951	-$173,537	$5,850,414
91100 Administrative Salaries	$85,004				$237,838	$70,754		$393,596		$393,596
91200 Auditing Fees	$6,660					$43,740		$50,400		$50,400
91300 Management Fee										
91310 Book-keeping Fee										
91400 Advertising and Marketing										
91500 Employee Benefit contributions - Administrative	-$47,705				$58,557	$7,512		$18,364		$18,364
91600 Office Expenses	$11,471				$205,903	$28,419		$245,793		$245,793
91700 Legal Expense	$389				$2,482	$6,443		$9,314		$9,314
91800 Travel	$347				$23,986	$72		$24,405		$24,405
91810 Allocated Overhead	$360,258				-$475,774	$115,516		$0		$0
91900 Other	$4,574				$1,930	$1,508		$8,012		$8,012
91000 Total Operating - Administrative	$420,998	$0	$0	$0	$54,922	$273,964	$0	$749,884	$0	$749,884
92000 Asset Management Fee										
92100 Tenant Services - Salaries				$54,409			$18,400	$72,809		$72,809
92200 Relocation Costs										
92300 Employee Benefit Contributions - Tenant Services				$15,146			$8,840	$23,986		$23,986
92400 Tenant Services - Other		$782					$800	$1,582		$1,582
92500 Total Tenant Services	$0	$782	$0	$69,555	$0	$0	$28,040	$98,377	$0	$98,377
93100 Water	$33,802				$26,941			$60,743		$60,743
93200 Electricity	$5,786				$18,412			$24,198		$24,198
93300 Gas										

HA City of Kelso (WA020)

KELSO, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit | Fiscal Year End: 03/31/2024

	Project Total	14.EFA FSS Escrow Forfeiture Account	6.1 Component Unit Discretely Presented	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
93400 Fuel										
93500 Labor										
93600 Sewer	$62,468							$62,468		$62,468
93700 Employee Benefit Contributions - Utilities										
93800 Other Utilities Expense	$5,367							$5,367		$5,367
93000 Total Utilities	$107,423	$0	$0	$0	$45,353	$0	$0	$152,776	$0	$152,776
94100 Ordinary Maintenance and Operations - Labor	$181,826				$26,552			$208,378		$208,378
94200 Ordinary Maintenance and Operations - Materials and Other	$57,648				$12,002			$69,650		$69,650
94300 Ordinary Maintenance and Operations Contracts	$56,843				$34,131			$90,974		$90,974
94500 Employee Benefit Contributions - Ordinary Maintenance	$45,031				$7,228			$52,259		$52,259
94000 Total Maintenance	$341,348	$0	$0	$0	$79,913	$0	$0	$421,261	$0	$421,261
95100 Protective Services - Labor										
95200 Protective Services - Other Contract Costs	$796				$960			$1,756		$1,756
95300 Protective Services - Other										
95500 Employee Benefit Contributions - Protective Services										
95000 Total Protective Services	$796	$0	$0	$0	$960	$0	$0	$1,756	$0	$1,756
96110 Property Insurance	$26,888				$13,596	$3,582		$44,066		$44,066
96120 Liability Insurance										
96130 Workmen's Compensation					$10,482			$10,482		$10,482
96140 All Other Insurance					$12,555			$12,555		$12,555
96100 Total insurance Premiums	$26,888	$0	$0	$0	$36,633	$3,582	$0	$67,103	$0	$67,103
96200 Other General Expenses	$29,652				$349,228			$378,880		$378,880
96210 Compensated Absences	$7,357				$2,551	-$3,264		$6,644		$6,644
96300 Payments in Lieu of Taxes										
96400 Bad debt - Tenant Rents	$8,033				$16,300			$24,333		$24,333
96500 Bad debt - Mortgages										
96600 Bad debt - Other						$1,404		$1,404		$1,404
96800 Severance Expense										
96000 Total Other General Expenses	$45,042	$0	$0	$0	$368,079	-$1,860	$0	$411,261	$0	$411,261
96710 Interest of Mortgage (or Bonds) Payable					$22,485			$22,485		$22,485
96720 Interest on Notes Payable (Short and Long Term)										
96730 Amortization of Bond Issue Costs										
96700 Total Interest Expense and Amortization Cost	$0	$0	$0	$0	$22,485	$0	$0	$22,485	$0	$22,485
96900 Total Operating Expenses	$942,495	$782	$0	$69,555	$608,345	$275,686	$28,040	$1,924,903	$0	$1,924,903
97000 Excess of Operating Revenue over Operating Expenses	$393,999	$1,901	$1,018,368	$0	$449,103	$2,235,677	$0	$4,099,048	-$173,537	$3,925,511
97100 Extraordinary Maintenance										
97200 Casualty Losses - Non-capitalized										
97300 Housing Assistance Payments						$2,226,153		$2,226,153	-$173,537	$2,052,616
97350 HAP Portability-In						$38,041		$38,041		$38,041

HA City of Kelso (WA020)

KELSO, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 03/31/2024

	Project Total	14.EFA FSS Escrow Forfeiture Account	6.1 Component Unit Discretely Presented	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
97400 Depreciation Expense	$132,626				$69,754			$202,380		$202,380
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										
97700 Debt Principal Payment - Governmental Funds										
97800 Dwelling Units Rent Expense										
90000 Total Expenses	$1,075,121	$782	$0	$69,555	$678,099	$2,539,880	$28,040	$4,391,477	-$173,537	$4,217,940
10010 Operating Transfer In	$404,192							$404,192	-$404,192	$0
10020 Operating transfer Out	-$404,192							-$404,192	$404,192	$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	$0							$0		$0
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	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	$261,373	$1,901	$1,018,368	$0	$379,349	-$28,517	$0	$1,632,474	$0	$1,632,474
11020 Required Annual Debt Principal Payments	$0	$0	$0	$0	$0	$0	$0	$0		$0
11030 Beginning Equity	$3,231,388	$1,010	$0	$0	$883,348	$433,284	$0	$4,549,030		$4,549,030
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	$0				$0			$0		$0
11050 Changes in Compensated Absence Balance										
11060 Changes in Contingent Liability Balance										
11070 Changes in Unrecognized Pension Transition Liability										
11080 Changes in Special Term/Severance Benefits Liability										
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents										
11100 Changes in Allowance for Doubtful Accounts - Other										
11170 Administrative Fee Equity						$404,767		$404,767		$404,767
11180 Housing Assistance Payments Equity						$0		$0		$0
11190 Unit Months Available	1380				600	3696		5676		5676
11210 Number of Unit Months Leased	1340				422	3299		5061		5061
11270 Excess Cash	$843,882							$843,882		$843,882
11610 Land Purchases	$0							$0		$0
11620 Building Purchases	$243,680							$243,680		$243,680
11630 Furniture & Equipment - Dwelling Purchases	$0							$0		$0
11640 Furniture & Equipment - Administrative Purchases	$0							$0		$0
11650 Leasehold Improvements Purchases	$0							$0		$0
11660 Infrastructure Purchases	$0							$0		$0
13510 CFFP Debt Service Payments	$0							$0		$0
13901 Replacement Housing Factor Funds	$0							$0		$0

FINNEY, NEILL & COMPANY, P.S.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely-presented component unit of the Housing Authority of the City of Kelso (the "Authority"), as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 22, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

9757 Greenwood Avenue North • Seattle, WA 98103 • (206) 298-9811 • FAX: 298-9772

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Finney, Neill & Company, P.S.

August 22, 2024
Seattle, Washington

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Housing Authority of the City of Kelso's (the "Authority's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended March 31, 2024. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Housing Authority of the City of Kelso complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Finney, Neill & Company, P.S.

August 22, 2024
Seattle, Washington

HOUSING AUTHORITY OF THE CITY OF KELSO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended March 31, 2024

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued — Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _______ yes __X__ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _______ yes __X__ none reported

Noncompliance material to financial statements noted? _______ yes __X__ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _______ yes __X__ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _______ yes __X__ none reported

Type of auditors' report issued on compliance for major programs — Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? _______ yes __X__ no

Identification of major programs:

AL Numbers	Name of Federal Program
14.871	*Housing Voucher Cluster*

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

Auditee qualifies as low-risk auditee? _______ yes __X__ no

Section II – Financial Statement Findings
NONE

Section III –Federal Award Findings and Questioned Costs
NONE

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

Reference Number:	2023-001
Topic:	The Authority had inadequate internal controls for ensuring compliance with depository agreement requirements for its Section 8 Housing Choice Voucher program.
Assistance Listing No:	14.871 – Section 8 Housing Choice Vouchers
Federal Grantor Name:	U.S. Department of Housing and Urban Development (HUD)
Audit Finding:	While the Authority entered into a depository agreement with its financial institution, it did not have adequate internal controls to ensure the agreement was followed with respect to the agreement's requirement that the funds be placed in an interest-bearing account.
Corrective Action:	In December 2023, the Authority transferred all Housing Choice Voucher funds into an interest-bearing account.
Status:	Closed.