



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

April 7, 2025

Board of Commissioners
Housing Authority of the City of Renton
Renton, 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 Renton for the fiscal year ended December 31, 2021. The Housing Authority contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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HOUSING AUTHORITY OF THE CITY OF RENTON

Financial Statements and Independent Auditors' Report

Year Ended December 31, 2021



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HOUSING AUTHORITY OF THE CITY OF RENTON

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HOUSING AUTHORITY OF THE CITY OF RENTON

List of Principal Officials

The following table lists the Board Members as of December 31, 2021:

| | |
|-----------------------|-----------------|
| Chairperson..... | Ryan Runge |
| Vice-Chairperson..... | Merna Wheeler |
| Commissioner..... | Gerald A. Marsh |
| Commissioner..... | Maxine Anderson |
| Commissioner..... | Johnnie Barnes |

In addition to the above Commissioners, the Administrator of Housing Authority of the City of Renton was Mark Gropper, who served as the Executive Director.

INDEPENDENT AUDITORS' REPORT

To the Governing Body of
Housing Authority of the City of Renton

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of the business-type activities and aggregate discretely presented component units Housing Authority of the City of Renton (Authority), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of the Authority as of December 31, 2021, and the changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following discretely presented component units: (1) Sunset Oaks, LLLP; (2) Golden Cedars, LLLP; (3) Renton Crest, LLLP; and (4) Sunset Court, LLLP.

Collectively, these entities represent 100 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those financial statements, which were prepared in accordance with *Accounting Standards Codification* as issued by the Financial Accounting Standards Board, were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for discretely presented component units, is based solely on the report of the other auditors.

BASIS FOR OPINION

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

The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.



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 Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

(1) Exercise professional judgment and maintain professional skepticism throughout the audit; (2) 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; (3) 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 Authority's internal control. Accordingly, no such opinion is expressed; (4) 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; (5) Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority'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 and pension schedules, as listed in the table of contents, 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 opinions on the financial statements that collectively comprise the Authority's financial statements.

The schedule of expenditures of federal awards, required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

In addition, the accompanying combining schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2024, on our consideration of the Authority's internal control over financial reporting and 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.

March 21, 2024
Redlands, CA

HOUSING AUTHORITY OF THE CITY OF RENTON
Management's Discussion and Analysis (Required Supplemental Information – Unaudited)

The Housing Authority of the City of Renton's (Authority, we, us, our) Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of our financial activity, (c) identify changes in our financial position and its resulting ability to address the next and subsequent year challenges, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with our financial statements.

FINANCIAL HIGHLIGHTS

- Cash including cash equivalents totaled over \$23M.
- Authority assets at fiscal year-end exceeded liabilities by \$48M.
- Accounting entries, including prior period adjustments totaled over \$70M which affected the overall totals in assets, liabilities, and net position categories from the prior year.
- The Authority paid area and out-of-area landlords \$15.4M for HUD's Housing Choice Voucher Program. This also included a new Emergency Housing Voucher (EHV) Program to assist individuals and families who are at risk or experienced homelessness, or victims of domestic violence, sexual assault, or human trafficking. EHV payments for the year totaled \$338K.
- The Authority purchased an apartment building (95 Burnett) located in downtown Renton, Washington consisting of 106 units, for \$41.6M

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report consists of two parts: Management's Discussion and Analysis and the basic financial statements. The Authority follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Authority. While detailed sub-fund information is not presented, separate accounts are maintained for each program of the Authority.

The financial statements include a statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows and notes to the financial statements. The statement of net position provides a record or snapshot of the assets and liabilities at the close of the fiscal year. It presents the financial position of the Authority on a full accrual historical cost basis. The statement of revenues, expenses and changes in net position presents the results of the business activities over the course of the fiscal year. The statement of cash flows is related to the other financial statements by the way it links changes in assets and liabilities to the effects on cash and cash equivalents over the course of the fiscal year. The notes to the financial statements provide useful information regarding the Authority's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies, and subsequent events.

Certain reclassifications of amounts previously reported have been made to the following tables to maintain consistency between periods presented. The reclassifications had no impact on previously reported net position.

HOUSING AUTHORITY OF THE CITY OF RENTON
Management's Discussion and Analysis (Required Supplemental Information – Unaudited)

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position

The following table reflects the Statement of Net Position compared to prior year.

| | | | Change | |
|----------------------------------|-----------------------|-----------------------|------------------------|----------------|
| | 2021 | 2020 | Dollar | Percentage |
| Cash and equivalents | \$ 23,346,588 | \$ 27,970,814 | \$ (4,624,226) | (16.5%) |
| Other current assets | 3,340,361 | 3,649,379 | (309,018) | (8.5%) |
| Total current assets | 26,686,949 | 31,620,193 | (4,933,244) | (15.6%) |
| Net capital assets | 69,164,073 | 29,351,023 | 39,813,050 | >100% |
| Other non-current assets | 18,030,529 | 106,283,227 | (88,252,698) | (83.0%) |
| Total non-current assets | 87,194,602 | 135,634,250 | (48,439,648) | (35.7%) |
| Total assets | 113,881,551 | 167,254,443 | (53,372,892) | (31.9%) |
| Deferred outflows of resources | 267,648 | 320,073 | (52,425) | (16.4%) |
| Total | \$ 114,149,199 | \$ 167,574,516 | \$ (53,425,317) | (31.9%) |
| | | | | |
| Current liabilities | \$ 2,100,225 | \$ 1,384,080 | \$ 716,145 | 51.7% |
| Non-current liabilities | 60,798,519 | 81,199,012 | (20,400,493) | (25.1%) |
| Total liabilities | 62,898,744 | 82,583,092 | (19,684,348) | (23.8%) |
| Deferred inflows of resources | 2,513,973 | 295,372 | 2,218,601 | >100% |
| Net investment in capital assets | 10,291,298 | 22,889,787 | (12,598,489) | (55.0%) |
| Restricted net position | 2,551,847 | 21,640,134 | (19,088,287) | (88.2%) |
| Unrestricted net position | 35,893,337 | 40,166,131 | (4,272,794) | (10.6%) |
| Total net position | 48,736,482 | 84,696,052 | (35,959,570) | (42.5%) |
| Total | \$ 114,149,199 | \$ 167,574,516 | \$ (53,425,317) | (31.9%) |

The following is an explanation of the changes between fiscal years as shown in the table above (numbers in thousands):

- Total assets decreased \$53,425 (-31.9%)
- Total liabilities decreased \$19,684 (-23.8%)
- Deferred inflows of resources increased \$2,218 (>100%)
- Total net position decreased \$35,959 (-42.5%)

Significant factors in year-over-year changes are based on a few key items.

The change in assets included the purchase of the 95 Burnett apartment building, included in net capital assets, which resulted in a \$39,813 categorical increase. In addition, the other non-current assets saw a decrease of \$88,252 due to notes receivable from low-income tax credit partnerships, being adjusted off the statement from the prior year, and disclosed in a footnote due to the probability of collection. See note 06 – Note Receivable for more information.

HOUSING AUTHORITY OF THE CITY OF RENTON

Management's Discussion and Analysis (Required Supplemental Information – Unaudited)

The \$19,684 decrease in total liabilities resulted from an accounting correction of a prior period of \$70,620 - see note 14 Prior Year Restatement, and the direct borrowing (with accrued interest) increase of \$51,240 for the 95 Burnett apartment building – see note 08 Long-Term Liabilities.

Deferred inflows of resources increased by \$2,218. This was mainly due to a difference between projected & actual investment earnings, see note 09 Pension Plan for more detail.

Total net position decreased \$35,959. This was due to the accounting change for discount on bonds issued for \$8,850 for the 95 Burnett property, and a prior year adjustment for Rental Assistance Demonstration conversions of \$27,804, see note 14 Prior Year Restatement.

Revenues, Expenses, and Changes in Net Position

The following schedule compares the revenues and expenses for the current and previous fiscal year.

| | | | Change | |
|---|-----------------------|----------------------|------------------------|-----------------|
| | 2021 | 2020 | Dollar | Percentage |
| Net rental revenue | \$ 1,718,482 | \$ 618,922 | \$ 1,099,560 | >100% |
| Operating grants and subsidies | 8,662,497 | 8,793,688 | (131,191) | (1.5%) |
| Other operating revenues | 11,543,533 | 23,949,208 | (12,405,675) | (51.8%) |
| Total operating revenues | 21,924,512 | 33,361,818 | (11,437,306) | (34.3%) |
| Depreciation expense | (1,076,684) | (432,330) | (644,354) | >100% |
| Housing assistance payments | (15,423,677) | (15,695,678) | 272,001 | (1.7%) |
| Other operating expenses | (4,213,310) | (5,282,188) | 1,068,878 | (20.2%) |
| Total operating expenses | (20,713,671) | (21,410,196) | 696,525 | (3.3%) |
| Operating income (loss) | 1,210,841 | 11,951,622 | (10,740,781) | 89.9% |
| Investment income | 119,340 | 2,311,373 | (2,192,033) | (94.8%) |
| Interest expense | (2,100,468) | (146,674) | (1,953,794) | >100% |
| Other non-operating items | 1,367,903 | (253,593) | 1,621,496 | (>100%) |
| Income (loss) before contributions and other items | 597,616 | 13,862,728 | (13,265,112) | 95.7% |
| Special items | (8,850,000) | - | (8,850,000) | (>100%) |
| Net operating transfers | - | - | - | 0.0% |
| Capital contributions | - | - | - | 0.0% |
| Change in net position | \$ (8,252,384) | \$ 13,862,728 | \$ (22,115,112) | >100% |

HOUSING AUTHORITY OF THE CITY OF RENTON

Management's Discussion and Analysis (Required Supplemental Information – Unaudited)

The following is an explanation of the changes between fiscal years as shown in the table above (numbers in thousands):

Change in net position decreased \$22,115. This was mainly due to a decrease in other operating revenues by \$12,405 which was a result of a reduction of developer fee revenue and grants for renovating real estate. In addition, the special items category of \$8,850 included the expensing of the discount on bonds issued in 2021.

CAPITAL ASSETS

As of year-end, we had \$69,164,073 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (additions, deductions and depreciation) of \$39.8 million from the end of last year.

| | 2021 | 2020 | Change | |
|----------------------------|----------------------|----------------------|----------------------|-----------------|
| | | | Dollar | Percentage |
| Land | \$ 17,313,935 | \$ 15,542,641 | \$ 1,771,294 | 11% |
| Construction in progress | 2,044,505 | 773,323 | 1,271,182 | >100% |
| Buildings and improvements | 53,365,400 | 15,518,142 | 37,847,258 | >100% |
| Equipment and furnishings | 755,195 | 755,195 | - | 0% |
| Accumulated depreciation | (4,314,962) | (3,238,278) | (1,076,684) | 33% |
| Net capital assets | \$ 69,164,073 | \$ 29,351,023 | \$ 39,813,050 | >100% |

The change in Capital Assets is presented in detail in the Notes to Financial Statements.

DEBT ADMINISTRATION

The Authority had the following amounts of debt outstanding:

| | 2021 | 2020 | Change | |
|------------|---------------|--------------|---------------|------------|
| | | | Dollar | Percentage |
| Total Debt | \$ 58,872,775 | \$ 6,720,838 | \$ 52,151,937 | >100% |

HOUSING AUTHORITY OF THE CITY OF RENTON

Management's Discussion and Analysis (Required Supplemental Information – Unaudited)

ECONOMIC FACTORS

Significant economic factors affecting us are as follows:

- Federal funding by the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflation, recession, and employment trends, which can affect resident incomes and therefore the amount of rental income.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Michael Bishop, Chief Executive Officer for the Housing Authority of the City of Renton, at PO Box 2316, Renton, WA 98056.

HOUSING AUTHORITY OF THE CITY OF RENTON

Statement of Net Position
December 31, 2021

| Assets and deferred outflows of resources | BUSINESS ACTIVITIES | DISCRETE COMPONENTS |
|--|--------------------------------|--------------------------------|
| Operating cash | \$ 22,836,958 | \$ 7,773,360 |
| Restricted cash | 509,630 | 269,600 |
| Total cash and equivalents | <u>23,346,588</u> | <u>8,042,960</u> |
| Net accounts receivable | 3,232,827 | 1,055,257 |
| Accrued interest receivable | 22 | - |
| Prepaid expenses and other current assets | 107,512 | 161,322 |
| Total current assets | <u>26,686,949</u> | <u>9,259,539</u> |
| Capital assets, at cost | | |
| Land | 17,313,935 | 5,367,191 |
| Construction-in-progress | 2,044,505 | - |
| Buildings and improvements | 53,365,400 | 217,239,227 |
| Equipment and furnishings | 755,195 | 6,665,703 |
| Total acquisition costs | <u>73,479,035</u> | <u>229,272,121</u> |
| Less: Accumulated depreciation | <u>(4,314,962)</u> | <u>(18,188,477)</u> |
| Net capital assets | 69,164,073 | 211,083,644 |
| Investment in joint ventures and partnerships | 25,300 | - |
| Net pension asset | 2,219,353 | - |
| Other long-term assets | 15,785,876 | 3,117,480 |
| Total non-current assets | <u>87,194,602</u> | <u>214,201,124</u> |
| Total assets | <u>113,881,551</u> | <u>223,460,663</u> |
| Deferred outflows related to pension | 267,648 | - |
| Total deferred outflows of resources | <u>267,648</u> | <u>-</u> |
| Total assets and deferred outflows of resources | <u>\$114,149,199</u> | <u>\$223,460,663</u> |

See accompanying notes.

HOUSING AUTHORITY OF THE CITY OF RENTON

Statement of Net Position

December 31, 2021

| Liabilities, deferred inflows of resources, and net position | BUSINESS ACTIVITIES | DISCRETE COMPONENTS |
|---|--------------------------------|--------------------------------|
| Accounts payable | \$ 183,209 | \$ 234,880 |
| Unearned revenues | 116,052 | 233,665 |
| Deposits held in trust, contra | 82,636 | 314,887 |
| Other current liabilities | 450,225 | 1,096,002 |
| Accrued wages payable | 114,884 | - |
| Accrued vacations payable, current portion | 29,228 | - |
| Accrued interest payable | - | 522,211 |
| Debt, current portion | 1,123,991 | - |
| Total current liabilities | <u>2,100,225</u> | <u>2,401,645</u> |
| Accrued vacations payable, net of current | 263,049 | - |
| Long-term accrued interest payable | 327,000 | 6,741,217 |
| Debt, net of current | 57,748,784 | 165,214,624 |
| Other long-term liabilities | 2,459,686 | 3,205,240 |
| Total non-current liabilities | <u>60,798,519</u> | <u>175,161,081</u> |
| Total liabilities | <u>62,898,744</u> | <u>177,562,726</u> |
| Deferred inflows related to pension | 2,513,973 | - |
| Total deferred inflows of resources | <u>2,513,973</u> | <u>-</u> |
| Net investment in capital assets | 10,291,298 | 45,869,020 |
| Restricted net position | 2,551,847 | - |
| Unrestricted net position | 35,893,337 | 28,917 |
| Total net position | <u>48,736,482</u> | <u>45,897,937</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$114,149,199</u> | <u>\$223,460,663</u> |

See accompanying notes.

HOUSING AUTHORITY OF THE CITY OF RENTON
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended December 31, 2021

| | BUSINESS ACTIVITIES | DISCRETE COMPONENTS |
|--|------------------------------|-----------------------------|
| Tenant rental revenue, net of collection losses | \$ 1,718,482 | \$ 8,022,347 |
| Operating grants and subsidies | 8,662,497 | - |
| Other revenue | 11,543,533 | 171,337 |
| Total operating revenues | <u>21,924,512</u> | <u>8,193,684</u> |
| Administrative | 2,392,414 | 1,884,496 |
| Tenant services | 252,253 | 93,878 |
| Utilities | 146,353 | 538,837 |
| Ordinary maintenance and operations | 1,236,086 | 1,469,968 |
| Insurance premiums | 83,031 | 294,356 |
| Other general expenses | 103,173 | 997,561 |
| Housing assistance payments | 15,423,677 | - |
| Depreciation | 1,076,684 | 6,851,471 |
| Total operating expenses | <u>20,713,671</u> | <u>12,130,567</u> |
| Operating income (loss) | 1,210,841 | (3,936,883) |
| Investment income | 119,340 | 2,551 |
| Gains (losses) on disposition of assets | 1,367,903 | - |
| Interest expense | (2,100,468) | (5,045,396) |
| Total non-operating revenues (expenses) | <u>(613,225)</u> | <u>(5,042,845)</u> |
| Income (loss) before contributions and other items | 597,616 | (8,979,728) |
| Special items gains (losses) | (8,850,000) | - |
| Capital contributions | - | 56,549,227 |
| Change in net position | <u>\$ (8,252,384)</u> | <u>\$ 47,569,499</u> |
| Net position, beginning of year | \$ 84,696,052 | \$ (1,671,562) |
| Change in net position | (8,252,384) | 47,569,499 |
| Prior-period restatements | (27,707,186) | - |
| Net position, end of year | <u>\$ 48,736,482</u> | <u>\$ 45,897,937</u> |

See accompanying notes.

HOUSING AUTHORITY OF THE CITY OF RENTON

Statement of Cash Flows
Year Ended December 31, 2021

| | BUSINESS ACTIVITIES |
|---|--------------------------------|
| Cash receipts from tenants | \$ 1,744,078 |
| Cash receipts from grants | 8,149,699 |
| Cash payments for Housing Assistance payments | (15,423,677) |
| Cash payments to suppliers for goods and services | (2,249,572) |
| Cash payments for wages and benefits | (3,590,047) |
| Other cash payments and receipts | 10,774,783 |
| Net cash from operating activities | <u>(594,736)</u> |
| Acquisition and construction of capital assets | (39,521,831) |
| Payments of interest | (159,273) |
| Payments of debt issuance costs | (1,619,641) |
| Proceeds from additional borrowings | 52,151,937 |
| Net cash from capital and related financing activities | <u>10,851,192</u> |
| Receipts of interest on cash deposits | 8,135 |
| Receipts of interest on notes receivable | 111,183 |
| Net cash from investing activities | <u>119,318</u> |
| Net change in cash and equivalents | 10,375,774 |
| Cash at beginning of period | 12,970,814 |
| Cash at end of period | <u>\$ 23,346,588</u> |
| <i>Reconciliation of cash to the statement of net position:</i> | |
| Cash and equivalents - operating | \$ 22,836,958 |
| Restricted cash and equivalents | 509,630 |
| Total cash and equivalents | <u>\$ 23,346,588</u> |

See accompanying notes.

HOUSING AUTHORITY OF THE CITY OF RENTONStatement of Cash Flows
Year Ended December 31, 2021

| | BUSINESS ACTIVITIES |
|--|--------------------------------|
| Reconciliation of operating income (loss) to net cash from operating activities: | |
| Operating income (loss) | \$ 1,210,841 |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: | |
| Depreciation | 1,076,684 |
| Pension | (1,009,420) |
| (Discounts) premiums on bonds issued | (8,850,000) |
| Changes in operating assets and liabilities: | |
| Accounts receivable | 385,804 |
| Prepaid expenses and other assets | 7,068,101 |
| Accounts payable | (844,173) |
| Accrued wages and benefits | (28,600) |
| Deposits held in trust, contra | 48,946 |
| Unearned revenues | 87,554 |
| Other liabilities | 259,527 |
| Net cash from operating activities | <u>\$ (594,736)</u> |

See accompanying notes.

NOTE 01 - NATURE OF BUSINESS AND ORGANIZATION

The Housing Authority of the City of Renton (Authority, we, us, our) was incorporated in 1941, as a municipal corporation that derives its powers from Washington State (State) Law as reflected in the Revised Code of Washington (RCW), Chapter 35.82.

The Authority was created for the acquisition, development, modernization, operation, and administration of affordable housing programs. The primary purpose of the Authority is to provide safe, decent, sanitary, and affordable housing to low-income and elderly families in the City of Renton, Washington, and to operate its housing programs in accordance with federal and State laws and regulations.

Commissioners of the Authority are appointed by the Mayor of the City of Renton. The Board consists of five commissioners.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low-income housing programs in the United States. Accordingly, HUD has contracted with us to administer certain HUD funds.

Our primary operations are comprised of the Housing Choice Voucher Program. The Housing Choice Voucher Program is designed to aid very low-income families in obtaining decent, safe, and sanitary rental housing. We administer contracts with independent landlords that own property and rent that property to families that have applied for housing assistance. We subsidize the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable us to structure a lease that sets the participants' rent at 30% of household income.

Reporting Entity

As described in GASB Statement No. 34, paragraph 134, the Authority is considered a primary government and meets the definition of a special purpose government ("SPG"). The Authority is a legally separate entity that is engaged in only business-type activities. Business-type activities are defined as activities that are financed in whole or in part by fees charged to external parties for goods or services. SPGs engaged only in business-type activities are required to present only the financial statements required for proprietary funds, which includes Management's Discussion and Analysis ("MD&A"), basic financial statements, and Required Supplemental Information ("RSI"). All inter-program activities have been eliminated in these financial statements.

We are an independent agency, with operations separate from those of the City of Renton (City). Our obligations, including loans through direct borrowing or the sale of bonds, are not obligations of the City. The City provides us no funding. Additionally, the City does not hold title to any of our assets, nor does it have any right to our surpluses. The City does not have the ability to exercise influence over our daily operations or approve our budgets.

Management applied the criteria of GASB Statement No. 14, *The Financial Reporting Entity*, Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*, Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14* to determine whether the component units should be reported as blended or discretely presented component units. The criteria included whether the Authority appoints the voting majority of the governing board, there is a financial benefit/burden relationship, the Authority is able to impose its will, the component unit is fiscally dependent on the Authority, the component unit's governing body is substantially the same as the Authority, and management of the Authority have operational responsibility for the activities of the component unit. These criteria were used to determine the following:

HOUSING AUTHORITY OF THE CITY OF RENTON

Notes to Financial Statements

Discrete Component Units - Reports for discrete component units are issued under a separate cover. They may be obtained at the Housing Authority of the City of Renton, PO Box 2316, Renton, WA 98056.

Sunset Court, LLLP. - This is a legally separate entity formed January 2017, in Washington State as a limited liability limited partnership between the Authority (General Partner), RBC-Sunset Court, LLC (Investment Limited Partner), and RBC Tax Manager II, Inc (Special Limited Partner. The purpose of this partnership is to develop and manage the 50-unit project Sunset Court Apartments. The Project qualifies for the federal low-income housing tax credit program as described in Internal Revenue Code Section 42. This partnership is reported as of and for the year ended December 31, 2021, in the accompanying audited financial statements.

Golden Cedars, LLLP. - This is a legally separate entity formed January 2017, in Washington State as a limited liability limited partnership between the Authority (General Partner), RBC-Golden Cedars, LLC (Investment Limited Partner), and RBC Tax Manager II, Inc (Special Limited Partner. The purpose of this partnership is to develop and manage the 369-unit multifamily apartments in a total of seven (7) buildings in three scattered sites. The Project qualifies for the federal low-income housing tax credit program as described in Internal Revenue Code Section 42. This partnership is reported as of and for the year ended December 31, 2021, in the accompanying audited financial statements.

Renton Crest, LLLP. - This is a legally separate entity formed January 2017, in Washington State as a limited liability limited partnership between the Authority (General Partner) and U.S. Bancorp Community Development Corporation (Limited Partner). The purpose of this partnership is to develop and manage the 274-unit multifamily apartments in a total of twenty-five (25) buildings in six scattered sites. The Project qualifies for the federal low-income housing tax credit program as described in Internal Revenue Code Section 42. This partnership is reported as of and for the year ended December 31, 2021, in the accompanying audited financial statements.

Sunset Oaks, LLLP. - This is a legally separate entity formed September 2018, in Washington State as a limited liability limited partnership between the Authority (General Partner), RBC-Sunset Oaks, LLC (Investment Limited Partner), and RBC Tax Manager II, Inc (Special Limited Partner. The purpose of this partnership is to develop and manage the 60-unit project Sunset Oaks Apartments. The Project qualifies for the federal low-income housing tax credit program as described in Internal Revenue Code Section 42. This partnership is reported as of and for the year ended December 31, 2021, in the accompanying audited financial statements.

NOTE 02 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Accrual Basis of Accounting**

The financial statements are presented using the accrual basis of accounting with an economic resources measurement focus. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. As permitted by accounting principles generally accepted in the United States of America (GAAP), the Authority has elected to apply all relevant Government Accounting Standards Board (GASB) pronouncements.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from grant agreements, providing services, and producing and delivering goods in connection with the ongoing principal operations. The principal operating revenues of the Authority include program specific grants, rental income from tenants of the various housing projects. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles as applied to governmental units required management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Investments

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits at financial institutions, investments in Money Market funds, Local Government Investment Pool with the State of Washington Treasury and Certificates of Deposit. All of the Authority's investments are reported at fair value.

Restricted Cash

Restricted cash consists of cash and investments that are held in trust, reserves, and escrows, as well as other cash and investments that are restricted for specific purposes.

Accounts Receivable from Tenants

Accounts receivable consisted of all amounts earned at year-end and not yet received. Allowances for uncollectible accounts are based upon historical trends and periodic aging of accounts receivable. In accordance with Governmental Accounting Standards Board Statement No. 34, revenues in proprietary funds should be reported as net of all related allowances, which include amounts pertaining to uncollectible accounts. Therefore, the increase and decrease in the estimate of uncollectible accounts should be reported net of revenue instead of bad debt expense. The Authority's bad debt expense charged against revenue was \$- for the year ended December 31, 2021.

Accounts Receivable from HUD and Other Governments

The amounts reported as accounts receivable from HUD or due from other governments represent reimbursable costs or grant subsidies earned that have not been received as of year-end; these amounts are considered fully collectible.

Inventory

Inventory is expensed when purchased.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation of exhaustible capital assets is charged as an expense against operations utilizing the straight-line method. Accumulated depreciation is reported on the Statement of Net Position. The estimated useful lives for each major class of depreciable fixed assets are as follows: Building 40 years, site and building improvements 15 years, vehicles, computers, and other equipment 5 years.

Impairment of Capital Assets

The Authority reviews its capital assets for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. As of December 31, 2021, there has been no impairment of the capital assets.

Tenant Security Deposits

Security deposits consist of amounts held in trust with the Authority for tenants to secure apartment leases.

Provision for Uncollectible Notes

A note receivable is considered impaired when, based on current information, it is probable that all amounts of principal and interest due will not be collected according to the terms of the note agreement. Uncollectible notes are charged to the allowance account in the period such determination is made.

Currently, an allowance for the total balance of notes receivable has been made.

Compensated Absences

Compensated absences are absences for which employees will be paid, e.g., sick leave, vacation, and other approved leave. In accordance with GASB Statement No.16, *Accounting for Compensated Absences*, we accrue the liability for those absences for which the employee had earned the rights to the benefits. Accrued amounts are based on the current salary rates. Full-time, permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Authority. Vacation and sick pay are recorded as an expense and related liability in the year earned by employees. Our policy provides that at termination or retirement, employees with the required length of service may receive cash payment for all unused vacation up to 30 days plus the amount accrued during the employee's last year of employment, and up to 960 hours of unused sick leave calculated at 50%.

Unearned Revenue

Unearned revenues consist of rental payments made by tenants in advance of their due date, and/or rental subsidies received in advance of the period earned.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to the net pension liability resulted from Authority contributions to the employee pension plan subsequent to the measurement date of the actuarial valuation for the pension plan, the difference between actual and expected, the effect of changes in actuarial assumptions, and the effect of the Authority's change in proportion. The deferred outflows related to the net pension liability will be deferred and amortized as detailed in Note 08 to the financial statements.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until then. The deferred inflow of resources related to the net pension liability results from and the difference between actual and expected experience and difference between projected and actual earnings on pension plan investments, the effect of changes in actuarial assumptions, the change in the Authority's proportionate share of pension contributions and the effect of the change in the Authority's proportion. These amounts are deferred and amortized as detailed in Note 8 to the financial statements.

Leasing Activities

We are the lessor of dwelling units to eligible residents. The rents under the leases are determined generally by the residents' income as adjusted for eligible deductions regulated by HUD, although the residents may opt for a flat rent. Leases may be cancelled at any time or renewed annually. We may cancel the leases only for a cause. Revenues associated with these leases are reported in the accompanying financial statements and related schedules within dwelling rent revenue.

Pension Plan

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

Internal Activity and Balances

All transfers, intercompany charges and other interfund activity balances have been eliminated from the basic financial statements in accordance with GASB pronouncements.

Income Taxes

We are not subject to federal or state income taxes.

Investment Policy

The Authority's investment policies require that all investments be made in accordance with the stated objectives of capital preservation, optimum liquidity, and return, while conforming to all applicable statutes and regulations.

Fair Value

GASB Statement No. 72, establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value as follows: Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date; Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for an asset or liability either directly or indirectly; and Level 3 Inputs – unobservable inputs for an asset or liability.

The Authority has no investments stated at fair value.

Investments Authorized by US Department of Housing and Urban Development

All deposits of the Authority are made in board-designated official depositories and are secured in accordance with HUD regulations. The annual contribution contract authorizes the Authority to invest in the following types of securities: Obligations of the Federal Government which are backed by the full faith and credit of the Federal Government; Obligations of any agency or instrumentality of the Federal Government if the payment of interest and principal on such obligations is fully guaranteed by the Federal Government; and Obligations of the Federal Intermediate Credit Banks, the Federal Home Loan Banks, the Federal National Mortgage Association, the Bank for Cooperatives, and the Federal Land Banks which mature no later than 18 months after the date of purchase.

Investment in State Investment Pool

The Authority invests a portion of its funds with the Washington State Local Government Investment Pool (LGIP) managed by the State Treasurer's office. The investments in this pool comprise repurchase agreements, government securities, and Certificates of Deposits. The LGIP operates in a manner consistent with the Security and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. As such, the LGIP uses amortized cost to approximate fair value.

The LGIP has a minimum transaction amount for both deposits and withdrawals of \$5,000. There is no maximum transaction amount, but the LGIP requests at least one day advance notice for any transaction in the amount of \$10 million or more. For transactions less than \$10 million, LGIP requires notification the same business day and transactions are limited to one transaction each business day.

The Office of the State Treasurer prepares a standalone LGIP financial report. A copy of the report is available online at <http://www.tre.wa.gov>.

Subsequent Events

We have evaluated subsequent events through March 21, 2024, the date the consolidated financial statements were available to be issued.

NOTE 03 - RESTRICTED CASH

The following schedule presents the breakdown of restricted cash as of year-end:

| | |
|--|--------------------------|
| Emergency Housing Voucher advance funding | \$ 94,500 |
| Tenant security deposits | <u>82,636</u> |
| Restricted cash with offsetting liabilities | <u>177,136</u> |
| Cash balances associated with the EHV HAP equity | 292,725 |
| Cash balances associated with the MSV HAP equity | <u>39,769</u> |
| Restricted cash reflected in restricted net position | <u>332,494</u> |
| Total restricted cash and equivalents | <u>\$ 509,630</u> |

NOTE 04 - ACCOUNTS RECEIVABLE

Accounts receivable as of year-end were comprised of the following:

| | |
|--|----------------------------|
| Receivables from other housing authorities for port-in HAP | \$ 552,171 |
| Receivables from HUD | 576,108 |
| Receivables from other governments | 252,010 |
| Tenant receivables | 180,143 |
| Fraud recovery receivables | 2,146 |
| Other receivables | <u>1,670,249</u> |
| Net accounts receivable | <u>\$ 3,232,827</u> |

NOTE 05 - INVESTMENTS IN PARTNERSHIPS AND JOINT VENTURES

The Authority has an equity interest in Golden Cedars, LLLP (0.009%), Renton Crest, LLLP (0.01%), Sunset Oaks, LLLP (0.009%), and Sunset Court, LLLP (0.009%). The balance of this investment is reported on the accompanying statement of net position for those equity interest is \$25,300 as of December 31, 2021.

HOUSING AUTHORITY OF THE CITY OF RENTON

Notes to Financial Statements

NOTE 06 - NOTES RECEIVABLE

Notes receivable as of year-end were comprised of the following:

| | Date of Note(s); Interest Rate(s); Maturity | Amount of Original Note(s) | Principal |
|--|--|-------------------------------|---------------------|
| Golden Cedars LLLP* | 2017; 2.64% -3.25%; 2067 | \$ 47,000,000 | \$ 47,000,000 |
| Renton Crest LLLP* | 2019 - 2021; 2.89%; 2069 | 41,882,798 | 41,882,798 |
| Sunset Court LLLP* | 2017; 3.75%; 2067 | 5,000,000 | 4,753,883 |
| Sunset Oak LLLP* | 2020; 6.75%; 2062 | 6,500,000 | 50,000 |
| | | <u>\$ 100,382,798</u> | <u>93,686,681</u> |
| Allowance for amounts not expected to be collected | | | <u>(93,686,681)</u> |
| Net notes with discrete component units | | | <u><u>\$ -</u></u> |

*Notes are considered impaired, it is probable that all amounts of principal and/or interest due will not be collected according to the terms of the note agreement. Therefore an allowance has been deemed necessary.

NOTE 07 - CAPITAL ASSETS

A summary of the land, structures and equipment for the year is as follows:

| | 12/31/20 | Additions | Deletions | 12/31/21 |
|----------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|
| Non-Depreciable | | | | |
| Land | \$ 15,542,641 | \$ 2,199,697 | \$ (428,403) | \$ 17,313,935 |
| Construction in process | <u>773,323</u> | <u>1,271,182</u> | <u>-</u> | <u>2,044,505</u> |
| | <u>16,315,964</u> | <u>3,470,879</u> | <u>(428,403)</u> | <u>19,358,440</u> |
| Depreciable | | | | |
| Buildings and improvements | 15,518,142 | 37,847,258 | - | 53,365,400 |
| Equipment and furnishings | <u>755,195</u> | <u>-</u> | <u>-</u> | <u>755,195</u> |
| | <u>16,273,337</u> | <u>37,847,258</u> | <u>-</u> | <u>54,120,595</u> |
| Total acquisition costs | 32,589,301 | 41,318,137 | (428,403) | 73,479,035 |
| Accumulated depreciation | <u>(3,238,278)</u> | <u>(1,076,684)</u> | | <u>(4,314,962)</u> |
| Net capital assets | <u><u>\$ 29,351,023</u></u> | <u><u>\$ 40,241,453</u></u> | <u><u>\$ (428,403)</u></u> | <u><u>\$ 69,164,073</u></u> |

Construction-in-progress as of December 31, 2021, was comprised primarily of pre-development and development costs for the Sunset Gardens property that is qualified as an low-income housing tax credit project.

HOUSING AUTHORITY OF THE CITY OF RENTON

Notes to Financial Statements

NOTE 08 - LONG-TERM LIABILITIES

Changes in long-term liabilities are summarized below:

| | 12/31/20 | Additions | Reductions | 12/31/21 |
|------------------------------------|---------------------|-------------|---------------------|---------------------|
| Miscellaneous | \$ 2,650,384 | \$ - | \$ (190,698) | \$ 2,459,686 |
| Other long-term liabilities | \$ 2,650,384 | \$ - | \$ (190,698) | \$ 2,459,686 |
| Compensated absences | \$ 297,199 | \$ - | \$ (34,150) | \$ 263,049 |
| Direct borrowings | 6,570,336 | 51,178,448 | - | 57,748,784 |
| Accrued interest payable | 265,048 | 61,952 | - | 327,000 |
| Net pension obligation | 1,061,093 | - | (1,061,093) | - |

Notes from Direct Borrowings:

Notes from direct borrowings were comprised of the following as of year-end:

| | Principal | Interest Payable |
|---|---------------------|-------------------|
| Banner Bank loan, in the original amount of \$1,950,000 issued 2014, bears variable interest (currently 4.05%), with monthly required payments of \$10,490. The loan matures August 2024 and is secured by the Rolling Hills Townhomes. | \$ 1,577,859 | \$ - |
| Washington Community Reinvestment Association loan, in the original amount of \$725,000 issued 2015, bears interest at 4.375%, with monthly required payments of \$1,341. The loan matures February 2022 and is secured by the Kirkland Avenue Townhomes. | 633,169 | - |
| HOME loan with King County, in the original amount of \$1,950,000 issued 2011, bears 1% simple interest, with annual required payments of \$5,000 (starting 2013). The loan is subject to a 50 year affordability period, maturing December 2063, and is secured by the Glenwood Townhomes. | 1,950,000 | 155,000 |
| HOME loan with King County, in the original amount of \$950,000 issued 2014, bears 1% simple interest, with annual required payments of \$30,000 (starting 2045). The loan is subject to a 50 year affordability period, maturing December 2064, and is secured by the Kirkland Avenue Townhomes. | 950,000 | 76,000 |
| Washington Department of Commerce loan, in the original amount of \$328,000 issued 7/1/1991, bears no interest, with quarterly required payments of principal of \$4,100. The loan is subject to an affordability period and is secured by 44 Local Apartments. | 1,200,000 | 96,000 |
| Total Direct Borrowings | \$ 6,311,028 | \$ 327,000 |

HOUSING AUTHORITY OF THE CITY OF RENTON

Notes to Financial Statements

Notes from Bonds:

Notes from bonds were comprised of the following as of year-end:

| | Bond Series; Date of Issue; Interest Rate(s); Maturity | Amount of Original Issue | Principal |
|--|---|-------------------------------------|-----------------------------|
| Multifamily Housing Revenue Bond | 2021; July 14, 2021; Variable (0.03% -1.85%); 2036 | \$ 26,000,000 | \$ 26,000,000 |
| Multifamily Tax-Exempt Mortgage-Backed Bond | 2021; July 14, 2021; 0.03% -1.85%; 2036 | <u>26,700,000</u> | <u>26,561,747</u> |
| Total Bonds | | <u>\$ 52,700,000</u> | <u>\$ 52,561,747</u> |

Expected payments of principal and interest due in future years are as follows for the years ending December 31:

| | Principal | Interest | Total |
|-----------|-----------------------------|-----------------------------|-----------------------------|
| 2022 | \$ 1,123,991 | \$ 558,893 | \$ 1,682,884 |
| 2023 | 504,857 | 629,221 | 1,134,078 |
| 2024 | 1,897,907 | 657,959 | 2,555,866 |
| 2025 | 467,185 | 644,461 | 1,111,646 |
| 2026 | 481,887 | 675,293 | 1,157,180 |
| 2027-2031 | 2,644,418 | 3,947,927 | 6,592,345 |
| 2032-2036 | 47,652,530 | 4,200,437 | 51,852,967 |
| 2037-2041 | - | 25,000 | 25,000 |
| 2042-2046 | - | 185,000 | 185,000 |
| 2047-2051 | - | 425,000 | 425,000 |
| 2052-2056 | 72,000 | 311,000 | 383,000 |
| 2057-2061 | 193,500 | 194,000 | 387,500 |
| 2062-2066 | 3,834,500 | 833,500 | 4,668,000 |
| | <u>\$ 58,872,775</u> | <u>\$ 13,287,691</u> | <u>\$ 72,160,466</u> |

NOTE 09 - PENSION PLAN

The Authority participates in a cost sharing multiple-employer defined benefit plan, specifically the Public Employees' Retirement System (PERS), through DRS which covers substantially all regular full-time employees of the Authority. DRS acts as a common investment and administrative agent for participating public entities with the State of Washington and reports information to the Authority in accordance with reporting standards established by the Governmental Accounting Standards Board (GASB).

As of December 31, 2021, the Authority's proportionate share of the net pension liability, pension expense and deferred inflows of resources and deferred outflows of resources for the above plan is as follows:

| | Net Pension Liability (Asset) | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense (Credit) |
|-----|--|---|--|---|
| DRS | <u>\$ (2,219,353)</u> | <u>\$ 267,648</u> | <u>\$ 2,513,973</u> | <u>\$ (638,634)</u> |

Comprehensive Plan Information

Information regarding the following items for the Plan is publicly available in a separate comprehensive annual financial report. A copy of the DRS annual financial report may be online at [https:// www.drs.wa.gov/](https://www.drs.wa.gov/).

- Plan description and benefits provided;
- Contribution rates;
- Actuarial methods and assumptions; and
- Plan asset target allocations and expected returns.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected & actual experience | \$ 119,146 | \$ 30,073 |
| Effect of changes in assumptions | 3,585 | 174,213 |
| Effect of changes in proportionate share | - | - |
| Differences between projected & actual investment earnings | - | 2,309,687 |
| Contributions subsequent to measurement date | 144,917 | |
| | <u>\$ 267,648</u> | <u>\$ 2,513,973</u> |

The deferred outflow of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability next year.

HOUSING AUTHORITY OF THE CITY OF RENTON

Notes to Financial Statements

The deferred inflows of resources and outflows of resources will be recognized in pension expense as follows:

| | |
|------------|------------------------------|
| 2021 | \$ (629,474) |
| 2022 | (586,889) |
| 2023 | (560,729) |
| 2024 | (609,099) |
| 2025 | (6,616) |
| Thereafter | 1,565 |
| | <u><u>\$ (2,391,242)</u></u> |

Changes of Assumptions

The following presents the Authority's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

| | 1% Decrease | Current Rate | 1% Increase |
|-----|--------------|----------------|----------------|
| DRS | \$ (300,574) | \$ (2,219,353) | \$ (3,807,462) |

NOTE 10 - NET POSITION

Net investment in capital assets was comprised of the following as of year-end:

| | |
|---|-----------------------------|
| Land | \$ 17,313,935 |
| Construction in progress | 2,044,505 |
| Buildings and improvements | 53,365,400 |
| Equipment and furnishings | 755,195 |
| Less: | |
| Accumulated depreciation | (4,314,962) |
| Short term capital debt obligations | (1,123,991) |
| Long term capital debt obligations | <u>(57,748,784)</u> |
| Net investment in capital assets | <u>\$ 10,291,298</u> |

HOUSING AUTHORITY OF THE CITY OF RENTON

Notes to Financial Statements

Restricted net position was comprised of the following as of year-end:

| | |
|---|----------------------------|
| Restricted cash and equivalents | \$ 509,630 |
| Net pension asset | 2,219,353 |
| Less: | |
| Tenant security deposit, contra | (82,636) |
| Emergency Housing Voucher advance funding | <u>(94,500)</u> |
| Restricted net position | <u>\$ 2,551,847</u> |

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Government Examinations

We have received funds from Federal grant programs. It is possible that at some future date, it may be determined that we were not in compliance with applicable grant requirements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although we do not expect such disallowed amounts, if any, to materially affect the financial statements.

Construction Contracts

During the normal course of business, the Authority is engaged in various construction contracts for rehabilitation and modernization of various properties owned by the Authority.

NOTE 12 - BUSINESS RISK AND CONCENTRATIONS

Risk Management

We are exposed to all common perils associated with the ownership and rental of real estate properties. A risk management program has been established to minimize loss occurrence and to transfer risk through various levels of insurance. Property, casualty, employee dishonesty and public official's liability forms are used to cover the respective perils. Insurance for these perils are underwritten by a housing authority insurance pool: Housing Authority Risk Retention Pool (HARRP).

HARRP is an unincorporated association organized under the intergovernmental cooperation laws of the States of Washington, Oregon, California, and Nevada, to manage the self-insurance program of housing authorities and community development cooperatives.

Also, commercial carriers insure all other common perils such as business, auto, flood (where applicable), and other miscellaneous policies.

Concentration – Major Contributor

For the year ended December 31, 2021, approximately 38% of operating revenues reflected in the financial statements are from HUD. The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to

change by an act of Congress, or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Our policy is to manage this exposure to declines in fair values by limiting the weighted average maturity of its investments portfolio.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is our policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies of the United States of America.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, our deposits may not be returned. Our policy for custodial credit risk requires collateral to be held in our name by its agent or by the bank's trust department.

Deposits

Bank deposits are held with financial institutions and are entirely insured or collateralized. All deposits in excess of the FDIC insurance limit of \$250,000 are covered by the Public Deposit Protection Commission of the State of Washington, which is a multiple financial institution collateral pool, established under RCW Chapter 39.58. All deposits are either insured or registered and held by the Authority or its agent in the Authority's name.

NOTE 13 - RELATED-PARTY TRANSACTIONS

Sunset Oaks, LLLP, Golden Cedars, LLLP, Renton Crest, LLLP, and Sunset Court, LLLP are managed by the Authority who is the General Partner. The Authority had the following related party transactions with the Partnerships:

Developer fees receivable

Pursuant to the various Development Agreements with the Partnerships, the Authority earned development fees for services relating to the development of the various Projects. The unpaid development fees are unsecured. As of December 31, 2021, the outstanding balance of the development fees receivable was \$15,547,765.

Management fees

Pursuant to the Partnership Agreements, the Authority earns partnership management and property management fees. The fees accrue, without interest, and are payable from available cash flow as further defined in the Partnership Agreements. For the year ended December 31, 2021, the fees charged were \$189,702.

Operational advances

As part of the operational management of the Partnerships, the Authority will at times cover the cost of certain expenses and then receive reimbursement from the Partnerships at a later date. As of year-end the Authority had advanced the Partnerships \$1,644,889.

Note receivables

See Note 06 for detail on notes receivable from discrete component units. In addition, the Authority is reporting \$7,221,117 in accrued interest receivable on those notes as of December 31, 2021, all of which has an offsetting allowance as the amounts are unlikely to be collected.

NOTE 14 - PRIOR YEAR RESTATEMENT

During the fiscal year ended December 31, 2021, multiple restatements to beginning net position were required. Below is a description of the item and effect on beginning net position:

Partnership transactions – correction of an error

It was discovered that \$96,944 of operational advances as well as other related party transactions with discrete component units had not been reconciled between the entities and the Authority. The correction resulted in an increase to the beginning net position of \$96,944.

RAD conversion – correction of an error and change in accounting treatment

During the audit it was noted that the Authority was reporting \$70,620,000 as a deferred gain liability related to the Rental Assistance Demonstration conversions of its Public Housing portfolio. Additionally, the Authority reported \$93,643,019 in notes receivable from the conversions along with \$4,737,449 in accrued interest on those notes. HUD guidance on these transactions requires the Authority to record a non-operating gain during the year of conversion instead of deferring the gain and reporting a liability. Furthermore, the notes and interest are not expected to be collected but instead will factor into the purchase price of the components by the Authority from the Investing Partners at the end of the tax credit allocation period, therefore an allowance was deemed necessary by management. The correction and change in accounting treatment resulted in a decrease to the beginning net position of \$27,804,130.

HOUSING AUTHORITY OF THE CITY OF RENTON
Pension Schedules (Required Supplemental Information – Unaudited)

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

| Measurement date June 30: | 2014 | 2015 | 2016 | 2017 |
|---|--------------|--------------|--------------|----------------|
| Proportionate share of net pension liability (asset) | \$ 1,497,308 | \$ 1,985,315 | \$ 2,445,028 | \$ 1,922,354 |
| Proportion of pension liability (asset) - PERS 1 | 0.019598% | 0.020163% | 0.020698% | 0.020863% |
| Proportion of pension liability (asset) - PERS 2/3 | 0.025233% | 0.026045% | 0.026484% | 0.026835% |
| Plan fiduciary net position as a percentage of the total pension liability - PERS 1 | 61.19% | 59.10% | 57.03% | 61.24% |
| Plan fiduciary net position as a percentage of the total pension liability - PERS 2/3 | 93.29% | 89.20% | 85.82% | 90.97% |
| Covered payroll | \$ 2,193,971 | \$ 2,326,624 | \$ 2,506,936 | \$ 2,650,234 |
| Proportionate share of the net pension liability as a percentage of covered payroll | 68.25% | 85.33% | 97.53% | 72.54% |
| Measurement date June 30: | 2018 | 2019 | 2020 | 2021 |
| Proportionate share of net pension liability (asset) | \$ 1,390,487 | \$ 1,075,213 | \$ 1,061,094 | \$ (2,219,353) |
| Proportion of pension liability (asset) - PERS 1 | 0.020919% | 0.021082% | 0.020450% | |
| Proportion of pension liability (asset) - PERS 2/3 | 0.026721% | 0.027234% | 0.026514% | |
| Plan fiduciary net position as a percentage of the total pension liability - PERS 1 | 63.22% | 67.12% | 66.64% | 88.74% |
| Plan fiduciary net position as a percentage of the total pension liability - PERS 2/3 | 95.77% | 97.77% | 97.22% | 120.29% |
| Covered payroll | \$ 2,791,676 | \$ 2,579,766 | \$ 2,979,088 | \$ 2,799,006 |
| Proportionate share of the net pension liability as a percentage of covered payroll | 49.81% | 41.68% | 35.62% | n/a |

HOUSING AUTHORITY OF THE CITY OF RENTON
Pension Schedules (Required Supplemental Information – Unaudited)

SCHEDULE OF PENSION PLAN'S CONTRIBUTIONS

| Reporting date December 31: | 2014 | 2015 | 2016 | 2017 |
|--|-----------|------------|------------|------------|
| Contractually required contribution | \$ 91,229 | \$ 105,380 | \$ 121,619 | \$ 134,382 |
| Actual contributions made to plan(s) | 91,229 | 105,380 | 121,619 | 134,382 |
| Contribution deficiency (excess) | - | - | - | - |
| Covered payroll | 2,193,971 | 2,326,624 | 2,506,936 | 2,650,234 |
| Contributions as a percentage of covered payroll | 4.16% | 4.53% | 4.85% | 5.07% |

| Reporting date December 31: | 2018 | 2019 | 2020 | 2021 |
|--|------------|------------|------------|------------|
| Contractually required contribution | \$ 143,529 | \$ 154,579 | \$ 142,811 | \$ 203,871 |
| Actual contributions made to plan(s) | 143,529 | 154,579 | 142,811 | 203,871 |
| Contribution deficiency (excess) | - | - | - | - |
| Covered payroll | 2,791,676 | 2,579,766 | 2,979,088 | 2,799,006 |
| Contributions as a percentage of covered payroll | 5.14% | 5.99% | 4.79% | 7.28% |

NOTES TO PENSION SCHEDULES

Changes in benefits:

There were no changes to benefit terms for pension plans.

Changes in assumptions:

In 2015, the assumptions were as follows: economic inflation rate was 3%, salary inflation rate was 3.75%, discount rate was 7.5%, mortality rates used were based on the RP-2000 Combined Health Table and Combined Disabled Table and projected using 100% Scale BB, and assumptions were based on the results of the Office of the State Actuaries' (OSA) 200-2012 Experience Study.

In 2018, the assumptions were changed for the following: economic inflation rate was 2.75%, salary inflation rate was 3.5%, and the discount rate was 7.4%.

In 2020, mortality rates used were based on PubG.H-2010 table and projected using long-term rates of the MP-2017 generational improvement scale and the assumption for the Experience Study used was changed to the OSA's 2013-2018 Experience Study Report and 2019 Economic Experience Study.

HOUSING AUTHORITY OF THE CITY OF RENTON

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

| Program Title | ALN | Cluster Title | Award Type | Pass-Through No. | Expenditures | Amounts Passed Through to Sub-Recipients |
|---|--------|---------------|------------|------------------|---------------------|--|
| Section 8 Housing Choice Vouchers | 14.871 | HVC | Direct | | \$ 7,701,886 | \$ - |
| Emergency Housing Vouchers | 14.871 | HVC | Direct | | 338,641 | - |
| Mainstream Vouchers | 14.879 | HVC | Direct | | 235,032 | - |
| Emergency Rental Assistance Payments | 21.023 | | Indirect | [1] | 238,855 | - |
| Emergency Rental Assistance Payments | 21.023 | | Indirect | [2] | 10,000 | - |
| Total Federal Financial Assistance | | | | | \$ 8,524,414 | \$ - |
| <i>Federal Grantor:</i> | | | | | | Expenditures |
| US Department of Housing and Urban Development | | | | | | \$ 8,275,559 |
| US Department of Treasury | | | | | | 248,855 |
| Total Federal Financial Assistance | | | | | | \$ 8,524,414 |
| <i>Cluster Title:</i> | | | | | | Expenditures |
| Housing Voucher Cluster | | | | | | \$ 8,275,559 |
| <i>Award Type:</i> | | | | | | Expenditures |
| Direct | | | | | | \$ 8,275,559 |
| Indirect | | | | | | 248,855 |
| Total Federal Financial Assistance | | | | | | \$ 8,524,414 |
| <i>Pass-Through Identifying No. Disclosure:</i> | | | | | | |
| [1] City of Renton | | | | | | |
| [2] King County | | | | | | |

NOTE 01 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the Authority under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of our operations, it is not intended to and does not present our financial position, changes in net positions, or cash flows.

NOTE 02 - INDIRECT COST RATE

We have elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

HOUSING AUTHORITY OF THE CITY OF RENTON

Condensed Combining Schedules – Discrete Components
Year Ended December 31, 2021

CONDENSED STATEMENTS OF NET POSITION

| | GOLDEN CEDARS LLLP | RENTON CREST LLLP | SUNSET OAKS LLLP |
|---|-----------------------|----------------------|----------------------|
| Cash and equivalents | \$ 5,404,636 | \$ 2,065,196 | \$ 128,689 |
| Other current assets | 535,709 | 453,304 | 101,947 |
| Total current assets | 5,940,345 | 2,518,500 | 230,636 |
| Net capital assets | 95,293,929 | 75,351,241 | 23,083,724 |
| Other non-current assets | 297,546 | 1,052,607 | 1,695,106 |
| Total Assets | \$ 101,531,820 | \$ 78,922,348 | \$ 25,009,466 |
| Current liabilities | \$ 539,663 | \$ 416,096 | \$ 909,180 |
| Non-current liabilities | 79,421,832 | 60,833,470 | 23,477,388 |
| Total liabilities | 79,961,495 | 61,249,566 | 24,386,568 |
| Net investment in capital assets | 21,200,346 | 18,893,064 | (258,715) |
| Restricted | - | - | - |
| Unrestricted | 369,979 | (1,220,282) | 881,613 |
| Total net position | 21,570,325 | 17,672,782 | 622,898 |
| Total Liabilities and Net Position | \$ 101,531,820 | \$ 78,922,348 | \$ 25,009,466 |

| | SUNSET COURT LLLP | TOTAL |
|---|----------------------|-----------------------|
| Cash and equivalents | \$ 444,439 | \$ 8,042,960 |
| Other current assets | 125,619 | 1,216,579 |
| Total current assets | 570,058 | 9,259,539 |
| Net capital assets | 17,354,750 | 211,083,644 |
| Other non-current assets | 72,221 | 3,117,480 |
| Total Assets | \$ 17,997,029 | \$ 223,460,663 |
| Current liabilities | 536,706 | 2,401,645 |
| Non-current liabilities | 11,428,391 | 175,161,081 |
| Total liabilities | 11,965,097 | 177,562,726 |
| Net investment in capital assets | 6,034,325 | 45,869,020 |
| Restricted | - | - |
| Unrestricted | (2,393) | 28,917 |
| Total net position | 6,031,932 | 45,897,937 |
| Total Liabilities and Net Position | \$ 17,997,029 | \$ 223,460,663 |

HOUSING AUTHORITY OF THE CITY OF RENTON

Condensed Combining Schedules – Discrete Components
Year Ended December 31, 2021

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

| | GOLDEN CEDARS LLLP | RENTON CREST LLLP | SUNSET OAKS LLLP |
|---|-----------------------|----------------------|---------------------|
| Operating revenues | \$ 4,758,364 | \$ 2,485,964 | \$ 127,075 |
| Operating expenses | 5,779,032 | 4,896,227 | 402,372 |
| Operating income (loss) | (1,020,668) | (2,410,263) | (275,297) |
| Non-operating revenues (expenses) | (2,291,303) | (2,281,661) | (51,905) |
| Income (loss) before contributions and other items | (3,311,971) | (4,691,924) | (327,202) |
| Contributions, transfers, and other items | 31,609,042 | 23,990,085 | 950,100 |
| Change in Net Position | \$ 28,297,071 | \$ 19,298,161 | \$ 622,898 |
| Net position, beginning of year | \$ (6,726,746) | \$ (1,625,379) | \$ - |
| Change in net position | 28,297,071 | 19,298,161 | 622,898 |
| Prior-period restatements | - | - | - |
| Net Position, End of Year | \$ 21,570,325 | \$ 17,672,782 | \$ 622,898 |

| | SUNSET COURT LLLP | TOTAL |
|---|----------------------|----------------------|
| Operating revenues | \$ 822,281 | \$ 8,193,684 |
| Operating expenses | 1,052,936 | 12,130,567 |
| Operating income (loss) | (230,655) | (3,936,883) |
| Non-operating revenues (expenses) | (417,976) | (5,042,845) |
| Income (loss) before contributions and other items | (648,631) | (8,979,728) |
| Contributions, transfers, and other items | - | 56,549,227 |
| Change in Net Position | \$ (648,631) | \$ 47,569,499 |
| Net position, beginning of year | \$ 6,680,563 | \$ (1,671,562) |
| Change in net position | (648,631) | 47,569,499 |
| Prior-period restatements | - | - |
| Net Position, End of Year | \$ 6,031,932 | \$ 45,897,937 |

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*

The Governing Body of
Housing Authority of the City of Renton

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of Renton (Authority), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 21, 2024.

The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) **2021-001** that we consider to be significant deficiencies.



REPORT ON COMPLIANCE AND OTHER MATTERS

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

AUTHORITY'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Their response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

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

Smith Marion : 

March 21, 2024
Redlands, CA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

The Governing Body of
Housing Authority of the City of Renton

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

OPINION ON EACH MAJOR FEDERAL PROGRAM

We have audited Housing Authority of the City of Renton's (Authority) compliance with the types of compliance requirements identified as subject to audit 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 December 31, 2021. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

BASIS FOR OPINION ON EACH MAJOR FEDERAL PROGRAM

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the Authority 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 Authority's compliance with the compliance requirements referred to above.

RESPONSIBILITIES OF MANAGEMENT FOR COMPLIANCE

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



AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF COMPLIANCE

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect 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 Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

(1) Exercise professional judgment and maintain professional skepticism throughout the audit; (2) 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; and (3) 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.

OTHER MATTERS

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item(s) **2021-002** and **2021-003**. Our opinion on each major federal program is not modified with respect to these matters. Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item(s) **2021-002** and **2021-003**, to be a significant deficiency.

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

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

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.

March 21, 2024
Redlands, CA

HOUSING AUTHORITY OF THE CITY OF RENTONSchedule of Findings and Questioned Costs
Year Ended December 31, 2021**SECTION I - SUMMARY OF AUDITORS' RESULTS****Financial Statements:**

1. Type of Auditor Report on the financial statements:
2. Internal control over financial reporting:
- a. Material weakness(es) identified? Yes No
- b. Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None noted
3. Noncompliance material to financial statements? Yes No

Federal Awards:

4. Type of auditors' report on compliance for major programs:
5. Internal control over major programs:
- a. Material weakness(es) identified? Yes No
- b. Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None noted
6. Audit findings noted which are required to be reported in accordance with 2 CFR Section 200.516(a)? Yes No
7. Identification of Major Programs:

| ALN | Program(s) Name |
|----------|-------------------------|
| Multiple | Housing Voucher Cluster |

8. The Dollar Threshold Used to Distinguish Between Type A and Type B Programs:
9. Auditee qualified as a low-risk auditee? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2021-001 Significant Audit Adjustments Due to Lack of Familiarity with Current Accounting Standards – Significant Deficiency

Criteria: In accordance with Generally Accepted Accounting Principles (GAAP), it is essential for organizations to stay current with relevant accounting standards and notices, including those from the Governmental Accounting Standards Board (GASB), Public and Indian Housing (PIH) Notices, and the Department of Housing and Urban Development (HUD) accounting briefs, to ensure the accuracy and reliability of financial statements.

Condition and Context: During the fiscal year ending December 31, 2021, it was found that the auditee's accounting/finance department had not kept abreast of the latest accounting standards and best practices. This lack of knowledge led to material audit adjustments across various financial statement areas, including assets, liabilities, revenues, and expenses. The adjustments were required to correct material misstatements that substantially impacted the financial statements' integrity.

Cause: The material misstatements can be attributed to a combination of oversight, inadequate internal controls, and insufficient staff training within the accounting/finance department, leading to a failure in applying current and relevant accounting standards effectively.

Effect or Potential Effect: The failure to adhere to current accounting standards and best practices led to widespread misstatements, undermining the reliability and accuracy of the auditee's financial reports. These misstatements potentially affect the auditee's decision-making processes, financial planning, and compliance reporting.

Recommendation: To address these issues, it is recommended that the auditee undertake comprehensive training for its accounting and finance personnel in current accounting standards and best practices. Additionally, the auditee should consider implementing more robust internal control mechanisms to ensure compliance with these standards. Regular reviews and updates of financial policies and procedures should be instituted to reflect the latest accounting guidelines. Engaging an external consultant specializing in public housing authority accounting could further reinforce the understanding and implementation of these standards.

Responsible Official's Response: The auditee acknowledges the findings and the need for corrective action. With the recent change in management, there is a commitment to ensuring that the new accounting and finance team is adequately trained. The auditee is dedicated to overhauling its internal control systems and procedures to prevent future occurrences of similar misstatements.

SECTION III -FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2021-002 Housing Voucher Cluster – Special Tests – HQS Enforcement – Noncompliance and Significant Deficiency in Internal Controls

Criteria: HUD requires that all units under the Housing Choice Vouchers Program meet specific Housing Quality Standards (HQS). In cases of failed inspections, timely re-inspections are mandatory, and if compliance is not achieved, abatement of Housing Assistance Payments (HAP) or voucher cancellation is required.

Condition: During the audit, it was noted that in one instance, a unit that failed its HQS inspection did not undergo a subsequent re-inspection. Consequently, the required abatement of HAP or cancellation of the housing voucher was not executed.

Cause: The non-compliance appears to stem from oversight or procedural lapses in the enforcement of HQS within the Housing Voucher Cluster program. This may be due to inadequate training, monitoring, or failure to adhere to established protocols.

Effect or Potential Effect: This non-compliance undermines the integrity of the Housing Choice Vouchers Program and may lead to tenants living in substandard conditions. It also represents a risk of improper use of federal funds and can impact the credibility and effectiveness of the program.

Questioned Costs: The exact monetary impact needs further investigation to determine the amount of HAP that should have been abated for the period of non-compliance.

Context: This finding represents a potentially systemic issue within the Housing Voucher Cluster program, as it was identified in 20% of the sampled cases. It highlights a need for more rigorous enforcement and monitoring of HQS compliance.

Recommendations: Implement more stringent procedures for monitoring HQS compliance, including timely re-inspections and enforcement of HAP abatement or voucher cancellation. Enhance training for staff involved in the HQS process to ensure a thorough understanding of compliance requirements. Establish a system of regular audits to identify and rectify lapses in HQS enforcement promptly.

Responsible Official's Response: The auditee acknowledges the deficiency in enforcing Housing Quality Standards (HQS) as highlighted in the finding. In response to this issue, the management commits to implementing a comprehensive corrective action plan.

Finding 2021-003 AL Number and Title: Various—Housing Voucher Cluster – Reporting – Noncompliance and Significant Deficiency

Criteria: HUD regulations and federal requirements mandate timely submission of the Financial Assessment Subsystem for Public Housing Agencies (FASSPHA), the Data Collection Form (SF-SAC) for the Single Audit, and the Section Eight Management Assessment Program (SEMAP) reports. These submissions are critical for ensuring compliance, enabling oversight, and facilitating the allocation of federal funding.

Condition: It was identified during the audit that the Authority did not meet the prescribed deadlines for submitting the FASSPHA, SF-SAC, and SEMAP reports to federal agencies. This delay in reporting has been noted for the first time in the current audit period.

HOUSING AUTHORITY OF THE CITY OF RENTON

Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

Cause: The failure to meet reporting deadlines can be attributed to a combination of factors, including major staff turnover, which led to a loss of institutional knowledge and expertise critical for the preparation and submission of these reports. Additionally, a change in auditor who had been instrumental in ensuring timely submissions in the past, with the new auditor becoming unreachable, further exacerbating the situation. These challenges were compounded by inefficiencies in the Authority's internal processes for report preparation and submission.

Effect or Potential Effect: The failure to submit these reports on time undermines the Authority's compliance with federal regulations, potentially affecting its eligibility for future funding and leading to reputational damage. It may also delay financial and operational decisions by HUD that depend on the analysis of these reports.

Questioned Costs: None.

Context: This lapse was identified against a backdrop of the Authority traditionally maintaining a good track record with reporting. The recent delays mark a departure from their usual compliance practices and have occurred amidst organizational changes and challenges, including staff turnover and procedural adjustments within the finance department.

Recommendation: To mitigate this issue, it is recommended that the Authority: (1) Prioritize the recruitment and training of new staff to fill critical roles, ensuring they are well-versed in HUD reporting requirements; (2) Establish a contingency plan for maintaining continuity of operations in the event of key personnel turnover or unavailability; and (3) Revise and streamline internal reporting processes to improve efficiency and reliability in meeting HUD's reporting deadlines.

Responsible Official's Response and Corrective Action Planned: Management acknowledges the audit findings and is committed to taking corrective actions.

HOUSING AUTHORITY OF THE CITY OF RENTON

Status of Prior Audit Findings
Year Ended December 31, 2021

Financial Statement Findings:

| Prior Year Findings No. | Findings Title | Status/ Current Year Finding No. |
|--------------------------------|--|---|
| 2020-001 | Inadequate controls over Schedule of Expenditures and Federal Awards reporting | Resolved |

Federal Award Findings and Question Costs:

| Prior Year Findings No. | Findings Title | Status/ Current Year Finding No. |
|--------------------------------|--|---|
| 2020-002 | Inadequate controls over Housing Voucher Cluster | Repeated; 2021-002 |



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CORRECTIVE ACTION PLAN

Name of auditee: Housing Authority of the City of Renton

Name of audit firm: Smith Marion & Co., Inc.

Period covered by the audit: Year ended December 31, 2021

CAP Prepared by

Name: Michael Bishop

Position: CEO

Telephone Number: (425) 226-1850

Current Findings on the Schedule of Findings, Questioned Costs, and Recommendations.

1. Finding 2021-001

a. Comments on the Finding and Each Recommendation:

We concur with the finding and agree with the recommendations.

b. Action(s) Taken or Planned on the Finding

In response to the finding, regarding significant audit adjustments due to a lack of familiarity with current accounting standards, the new management at the Authority has initiated a robust corrective action plan. Key to this plan is the comprehensive training of our accounting and finance team in the latest GASB standards, PIH Notices, and HUD accounting briefs, spearheaded by our CEO, with an anticipated completion date of March 2024. Alongside this, our contracted Fee Accountant and CEO are tasked with revising and strengthening our internal control systems to enhance compliance, aiming to finalize these improvements by March 2024.

The new management acknowledges the lapses of the previous team and is committed to addressing these deficiencies through these measures. We will rigorously document all actions undertaken and consistently report on our progress. The goal is to ensure that our financial reporting is accurate, transparent, and in full compliance with the relevant accounting standards. This commitment underscores our dedication to maintaining the highest standards of financial integrity and reliability in our operations.



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2. Finding 2021-002

a. Comments on the Finding and Each Recommendation:

We concur with the finding and agree with the recommendations.

b. Action(s) Taken or Planned on the Finding

In response to this finding regarding non-compliance in Housing Quality Standards (HQS) enforcement, the new management team at the Authority has developed a focused corrective action plan. This plan includes comprehensive staff training on HUD regulations and HQS compliance, with a completion target of March 2024. Concurrently, our CEO and Director of Programs Administration will oversee the revision and implementation of enhanced HQS monitoring procedures, aiming for completion by March 2024. This involves updating inspection protocols, instituting regular internal audits for compliance, and establishing clear procedures for re-inspections, HAP abatement, and voucher cancellations.

Recognizing the oversight of the previous management, the new team is committed to rectifying these issues and ensuring ongoing compliance. We will maintain thorough documentation of all actions taken and provide regular updates on the progress. The HCV Coordinator will be responsible for ongoing compliance monitoring and reporting, ensuring that the program adheres to HUD's Housing Quality Standards and effectively serves its participants. This approach reaffirms our dedication to upholding the integrity and effectiveness of the Housing Voucher Cluster programs.

3. Finding 2021-003

a. Comments on the Finding and Each Recommendation:

Management agrees with both the finding and recommendations.

b. Action(s) Taken or Planned on the Finding

The management overseeing the process has been completely replaced to ensure a fresh perspective and unwavering dedication to implementing robust internal controls.

To address the shortcomings identified in Finding 2021-003, the Authority commits to a targeted action plan aimed at ensuring timely compliance with reporting requirements. Central to our approach is the engagement of a fee accountant, recognized for expertise in HUD reporting and public housing financial management. This specialist will be tasked with overseeing and streamlining our reporting processes. By leveraging this expertise, we aim to quickly rectify past reporting lapses and ensure future submissions are timely and compliant with HUD requirements. The new fee accountant will conduct a comprehensive review of our current reporting mechanisms, identify bottlenecks, and implement best practices tailored to our operations.

This decisive action, centered around the expertise of the newly appointed fee accountant, demonstrates our commitment to enhancing our financial management practices and aligning with HUD's reporting expectations. Through these measures, we anticipate not only meeting HUD's deadlines but also setting a new standard for operational excellence within our Authority.