

Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

M E M O R A N D U M

TO: Tom Drake

FROM: Hani Morcos

DATE: April 12, 2012

SUBJ: Housing Authority of the City of Longview - distribution of audited financial statements

Please find enclosed the following items:

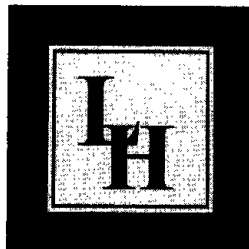
- 14 copies (1 unbound and 1 emailed to Tdrake@longviewha.org) of the September 30, 2011 audited financial statements, which include the September 30, 2011 Reports Required by GAO Government Auditing Standards and OMB Circular A-133 and Schedule of Expenditures of Federal Awards.
- 1 copy of the SAS 114 communication letter to those charged with governance which is to be shared with the board of commissioners.

Please call if we can be of any further assistance. Your business is appreciated!

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011



Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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Housing Authority of the City of Longview

Summary of Auditor's Results

For the Year Ended September 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses _____ Yes X No

Noncompliance material to financial statements noted: _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses X Yes _____ No

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X Yes _____ No

Identification of major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.415	Rural Rental Housing Loans
10.427	Rural Rental Assistance Payments
14.239	Home Investment Partnerships Program
14.251	Economic Development Initiative (EDI) - Special Project, Neighborhood Initiative Miscellaneous Grants

Housing Authority of the City of Longview

Summary of Auditor's Results - (Continued)

For the Year Ended September 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS - (Continued)

Dollar threshold used to distinguish between

Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee:

Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings were noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

One finding was noted.

Housing Authority of the City of Longview

Schedule of Federal Findings and Questioned Costs

For the Year Ended September 30, 2011

Finding 2011-1

Statement of Condition: During our tests of compliance over the Economic Development Initiative program, we determined that LHA exceeded 20 percent limit on the expenditure for planning, management, development and administration of the EDI grant.

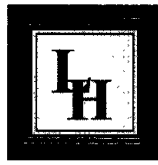
Criteria: Per the Consolidated Appropriations Act, 2010 (P.L.111-117), the federal program requires that funds to be used for planning, management development and administration must not exceed 20 percent of the total grant amount.

Cause: LHA did not monitor the limit over the use of funds.

Effect: LHA was not in compliance with the criteria set forth in the above mentioned program.

Recommendation: We recommend that LHA establish internal controls to ensure that its development staff monitor the restrictions on the use of federal funds. In addition, we recommend that LHA refund excess funds to the oversight agency.

Housing Authorities Response: We concur with the Auditors and appreciate their input. We have agreed to reimburse the excess amount claimed and internal control steps have been put in place to improve grant monitoring.



Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the business-type activities of the Housing Authority of the City of Longview, Authority (the Authority), as of and for the year ended September 30, 2011, and have issued our report thereon dated April 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of the City of Longview's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Longview's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Longview's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS- (CONTINUED)

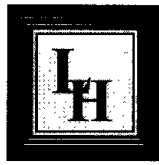
Compliance and Other Matters

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 and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate to the public as a reporting tool to help citizens assess government operations.

Louevige Huntley, PLLC

April 3, 2012



Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

We have audited the Housing Authority of the City of Longview (the Authority)'s compliance with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2011. The Authority's major federal programs are identified in the Summary of Auditor's Results. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-1. As described in item 2011-1 in the accompanying schedule of federal findings and questioned costs, the Authority did not comply with a requirement with respect to the EDI grant.

In our opinion, except for the item of noncompliance described in the preceding paragraph, the Authority has complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2011.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 - (CONTINUED)

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Longview's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses.

However, we identified certain a deficiency in internal control over compliance that we consider to be significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-1. 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 - (CONTINUED)

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on the response.

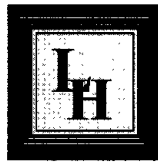
Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Housing Authority of the City of Longview, as of and for the year ended September 30, 2011 and issued our report thereon dated April 3, 2012 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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, the schedule of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate to the public as a reporting tool to help citizens assess government operations.

Loveridge Hunt & Co, PLLC

April 3, 2012



Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Longview, Authority (the Authority), as of and for the year ended September 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Housing Authority of the City of Longview, as of September 30, 2011, and the respective changes in financial position, and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS - (CONTINUED)

Management's Discussion and Analysis on pages 11 through 17 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report, dated April 3, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for the purpose of additional analysis. The accompanying Financial Data Schedule is supplemental information required by HUD. These schedules are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



April 3, 2012

FINANCIAL SECTION

HOUSING AUTHORITY OF THE CITY OF LONGVIEW
Management's Discussion and Analysis
September 30, 2011

The Housing Authority of the City of Longview, doing business as the Longview Housing Authority ("Authority"), management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Financial Highlights

- The Authority's overall cash position decreased by \$159 thousand (8.4%) during the year. Unrestricted cash and cash equivalents increased by \$25 thousand (3.7%). Unrestricted cash and equivalents were \$710 thousand at year end. Restricted cash and cash equivalents decreased by \$184 thousand (9.5%). Restricted cash and equivalents were \$1.8 million at year end.
- The Authority's net assets increased by \$427 thousand (see Notes to the Financial Statements Note 15) or 31% during the year. Net assets were \$1.8 million at year end.
- The Authority maintained average occupancy rate of 98% across all projects.
- The Authority revenues increased by \$605 million (5.0%) during the year. Revenues were \$12.6 million and \$12.0 million for FY2011 and FY2010, respectively.
- The total expenses of all Authority programs increased by \$699 thousand (5.8%). Total expenses were \$12.7 million and \$12.0 million for FY2011 and FY2010, respectively.

Authority Wide Financial Statements

The focus of Authority-wide financial statements is on the overall financial position and activities of the Housing Authority of the City of Longview. The Authority-wide financial statements are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire authority. There are three major sections to the Authority's financial statements included in this report.

The financial statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Assets", formerly known as equity. Assets and liabilities are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

HOUSING AUTHORITY OF THE CITY OF LONGVIEW
Management's Discussion and Analysis
September 30, 2011

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

The financial statement consists exclusively of a single Enterprise Fund and uses the full accrual basis of accounting. The enterprise method of accounting is similar to accounting utilized by the private sector accounting. Again, the items presented on the statement of revenues, expenses and changes in fund net assets are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the Authority. Thus, revenues are reported even when they may not be collected for several months after the end of the accounting periods and expenses are recorded even though they may not have used cash during the current period.

HOUSING AUTHORITY OF THE CITY OF LONGVIEW
Management's Discussion and Analysis
September 30, 2011

Condensed Comparative Financial Information

The following table¹ presents the condensed **Statement of Net Assets** compared to prior year.

Statement of Net Assets	9/30/2011	9/30/2010
Current and Other Assets	\$ 2,538,385	\$ 2,313,701
Non-current and Capital Assets	17,523,097	17,281,848
Total Assets	\$ 20,061,482	\$ 19,595,549
Current Liabilities	\$ 1,300,342	\$ 1,267,156
Long-Term Liabilities	16,961,353	16,955,132
Total Liabilities	18,261,695	18,222,288
Net Assets:		
Invested in Capital Assets, Net of Related Debt	(796,769)	(1,235,491)
Restricted Cash and Investments	1,578,502	1,835,325
Unrestricted	1,018,054	773,427
Total Net Assets	\$ 1,799,787	\$ 1,373,261

The Authority's current assets exceed current liabilities by \$1.1 million, for a current ratio of 1.85. The current ratio is a measure of the ability to pay debts as they become due.

The Authority had \$1.75 million in cash and investments that were restricted in use by various bond trust indentures, grant regulations and security deposits. These assets may only be used for bond debt service, capital replacements, property improvements or housing assistance payments. This amount decreased by \$184 thousand (9.5%) from a balance of \$1.94 million at the beginning of the fiscal year. This balance is made up of several accounts including: \$103 thousand in tenant security deposits, \$726 thousand in debt service reserves, \$499 thousand for excess Housing Assistance Payment reserves, \$79 thousand in escrow accounts, \$179 thousand in principal and interest payment deposits and \$168 thousand for required replacement reserves.

The Authority's net assets increased in FY2011 by \$427 thousand (31%). With respect to the total assets of \$20 million, 82% the Housing Authority's assets are real estate, buildings and improvements to those buildings. Those capital assets are used to provide apartments to low-income tenants and an administrative office for operations.

¹ For more detailed information see the Statement of Net Assets. 2010 revised see Notes to the Financial Statement Note 15.

HOUSING AUTHORITY OF THE CITY OF LONGVIEW
Management's Discussion and Analysis
September 30, 2011

The following table presents the condensed **Statement of Revenues, Expenses and Changes in Net Assets** compared to prior year².

Statement of Revenues, Expenses and Changes in Net Assets	9/30/2011	9/30/2010
Revenues		
Operating		
Tenant Revenue	\$ 2,161,528	\$ 2,118,919
Other	762,584	594,442
Non-Operating		
Government Operating Subsidies and Grants	9,722,956	9,323,861
Investment Income	1,492	5,979
Total Revenue	12,648,560	12,043,201
Expenses		
Operating		
Non-Operating		
Interest	732,082	750,088
Total Expenses	12,703,593	12,004,797
Excess (Deficiency) of Revenues over Expenses	(55,033)	38,404
Capital contributions	481,559	-
Change in net assets	426,526	38,404
Change in Accounting Policy	174,574	46,602
Net Assets, Beginning of Year	1,198,686	1,288,255
Net Assets, End of year	\$ 1,799,786	\$ 1,373,261

The Authority's total revenues increased during the year by \$605 thousand (5.0%). The majority of the change is the result of an increase of \$226 thousand for portability revenues (Housing Choice Vouchers from other housing authorities) and an increase in capital grants of \$482 thousand. Rental income increased 2.0% or \$40 thousand due to increased occupancy and rent increases over the year. Grants revenues in the "Non-operating Revenues and (Expenses)" increased by 4.2% or \$395 thousand.

Operating expenses increased 6.4% from the prior year. The increase of \$717 thousand is attributed to the following categories:

- Administration increased \$113 thousand or 8.3%,
- Tenant Services decreased \$21 thousand or 6.7%,
- Utilities decreased \$4 thousand or 1.1%,
- Ordinary Maintenance and Operations increased \$160 thousand or 20%,
- Housing Assistance Payments (for all programs) increased by \$437 thousand or 5.7% , and
- Other general expenses increased by \$37 thousand or 27.5%.

² 2010 revised see Notes to the Financial Statement Note 15.

HOUSING AUTHORITY OF THE CITY OF LONGVIEW
Management's Discussion and Analysis
September 30, 2011

Capital Asset and Long-Term Debt Administration

Capital Assets

As of the year end, the Authority had \$17 million invested in a variety of capital assets and construction work in progress as reflected in the following schedule, which represents a net increase of \$251 thousand from the end of last year. The following table also summarizes the changes in capital assets between fiscal years 2011 and 2010:

	FY2011	FY2010	Net Change
Land	\$ 1,911,180	\$ 1,528,780	\$ 382,400
Construction in progress	287,453	46,584	240,869
Buildings, improvements & fixtures	17,059,071	16,968,314	90,757
Leasehold improvements	2,727,053	2,727,053	-
Machinery, vehicles, & equipment	245,179	239,129	6,050
Less accumulated depreciation	(5,717,290)	(5,248,598)	(468,692)
Total capital assets (net)	\$ 16,512,646	\$ 16,261,262	\$ 251,384

Long-Term Debt

The Housing Authority's long-term debt consists of loans, notes and revenue bonds issued for the purpose of acquisition and improvement of real property to provide housing for low income tenants. At September 30, 2011, the total liabilities reported by the Authority are \$18.3 million of which \$17.0 million are classified as long-term and \$1.3 million are current liabilities. For the long term liabilities \$1.2 million (\$726 thousand in Restricted Investments and \$137 thousand in restricted Assets: Other Cash) have been set aside for debt service payments.

Payments of \$588 thousand were made on outstanding bonds and mortgages principal during the year. Please refer to Note 6 – CAPITAL ASSETS and Note 11 - LONG TERM DEBT AND LIABILITIES in the Notes to the Financial Statements for more detailed information.

Other Potentially Significant Matters

The Authority is in the process of redeveloping the Stratford Apartments. The renovations include the addition of an elevator, a solar hot water system and fire and safety upgrades. The twenty units will be remodeled and dedicated to housing homeless veterans in the Authority's jurisdiction. The Authority has applied for and received a \$489,000 Economic Development Initiative – Special Projects grant and a \$189,600 Home grant from the City of Longview.

The Authority is applying for tax credits to develop a thirty five unit apartment complex in Woodland. The Authority has applied for and been approved for funding from Clark County. The funding is in the form of a \$200,000 grant and a \$240,000 loan from the Counties Home funds.

The Authority has entered into a sales and purchase agreement to purchase a new administration building in Longview. The building was purchased for \$650,000 on December 8th, 2011.

HOUSING AUTHORITY OF THE CITY OF LONGVIEW
Management's Discussion and Analysis
September 30, 2011

Contacting the Housing Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information should be addressed to the Finance Director of the Longview Housing Authority. The Authority's offices are located at 1207 Commerce Ave., Longview, WA 98632. The telephone number is (360) 423-0140 x 16.

Housing Authority of the City of Longview
Statement of Net Assets
September 30, 2011

	Authority
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 710,203
Receivables (Net)	437,173
Inventory	774
Prepayments	15,246
Assets Held for Resale	218,991
Restricted Assets:	
Tenant Security Deposits	103,298
Other Cash	923,223
Total Current Assets	2,408,908
Noncurrent Assets	
Loans Receivable	284,175
Restricted Assets	
Investments	726,276
Capital Assets	
Land	1,911,180
Buildings	19,786,124
Equipment	245,179
Construction in Progress	287,453
Less Accumulated Depreciation	(5,717,290)
Total Capital Assets (Net)	16,512,646
Other Assets	129,477
Total Non-Current Assets	17,652,574
TOTAL ASSETS	\$ 20,061,482
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 149,847
Accrued Liabilities	395,029
Current Portion of Long-Term Debt	416,808
Tenant Security Deposits	103,299
Deferred Revenue	40,349
Other Current Liabilities	195,010
Total Current Liabilities	1,300,342
Noncurrent Liabilities	
Compensated Absences	68,746
Long-Term Debt	16,892,607
Total Noncurrent Liabilities	16,961,353
TOTAL LIABILITIES	18,261,695
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	(796,769)
Restricted Net Assets	1,578,502
Unrestricted Net Assets	1,018,054
TOTAL NET ASSETS	\$ 1,799,787

Housing Authority of the City of Longview
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2011

	Authority
OPERATING REVENUES	
Net Tenant Rental Revenue	\$ 2,024,705
Tenant Revenue - Other	136,823
Other Revenue	762,584
Total Operating Revenue	2,924,112
 OPERATING EXPENSES	
Administration	\$1,475,416
Tenant Services	290,635
Utilities	340,739
Ordinary Maintenance and Operations	971,139
Housing Assistance Payments	8,142,755
Depreciation and Amortization Expense	577,149
Other General Expenses	\$173,677
Total Operating Expenses	11,971,510
 OPERATING INCOME (LOSS)	 \$ (9,047,398)
 NONOPERATING REVENUES (EXPENSES)	
HUD Subsidies and Grant Revenue	\$ 7,914,639
Other Government Grants	1,808,317
Investment Income	1,492
Interest Expense	(732,082)
Total NonOperating Revenues (Expenses)	8,992,366
Income before Contributions, Transfers, Extraordinary and special items	(55,032)
 CAPITAL CONTRIBUTIONS	
HUD Capital Grant	481,559
 CHANGE IN NET ASSETS	 426,527
 BEGINNING TOTAL NET ASSETS - 09/30/2010	 \$1,198,686
Change in Accounting Policy	\$174,574
BEGINNING TOTAL NET ASSETS RESTATED - 09/30/2010	\$1,373,260
ENDING TOTAL NET ASSETS ENDING - 09/30/2011	\$1,799,787

Housing Authority of the City of Longview
Statement of Cash Flows
For the Year Ended September 30, 2011

	Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Tenants	\$ 2,151,060
Payments to Employees	(1,700,752)
Payments to Suppliers	(1,372,682)
Housing Assistance Payments	(8,135,112)
Other Receipts (Payments)	699,234
Net Cash Provided (Used) in Operating Activities	(8,358,252)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grant Receipts (Payments)	9,545,518
Other Receipts (Payments)	(102,571)
Net cash provided (used) by noncapital financing activities	9,442,947
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	394,714
Capital Contributions	481,559
Sale (Purchase) of Capital Assets	(785,451)
(Principal Payments on Capital Debt)	(582,052)
(Interest Payments on Capital Debt)	(754,158)
Net cash provided (used) by capital and related financing activities	(1,245,388)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale (Purchase) of Investments	(265)
Interest and Dividends	1,492
Net Cash Used in Investing Activities	1,227
Net Increase (Decrease) in Cash and Cash Equivalents	(159,466)
Cash at the Beginning of the Year	1,896,190
Cash at the End of the Year	\$ 1,736,724
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (9,047,398)
Adjustments to Reconcile Operating Income (Loss) to Net Cash:	
Depreciation Expense & Amortization	577,149
Changes in Assets and Liabilities:	
Decrease (Increase) in Receivables	(171,275)
Decrease (Increase) in Prepaid Expenses	7,642
Decrease (Increase) in Inventories	3,202
Increase (Decrease) in Accounts Payable	99,568
Increase (Decrease) in Other Payables	172,860
Total Adjustments	689,146
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (8,358,252)

Non-cash transactions that would have been reported in the capital and related financing section if the transaction had involved a cash exchange.

- a. Excludes \$98,174 of Bond Original Issue Discount which offsets outstanding debt.
- b. Excludes \$35,148 of capital assets financed by accounts payable.

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements
for the Year Ended September 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT POLICIES

The Authority was incorporated on July 24, 1975 by the City of Longview and operates under the laws of the state of Washington applicable to Housing Authorities. The purpose of this organization was to administer the Section 8 Rental Assistance Program in the City of Longview.

Since the founding of the Authority, the service area and programs of the organization has grown. The Authority currently serves the citizens of Longview and the unincorporated areas of Cowlitz, Lewis, Mason, Wahkiakum and Pacific Counties in Washington State, by providing affordable housing, housing subsidies, home ownership, veterans programs and self sufficiency opportunities.

The accounting policies of the Authority conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB approved Statement 34, Basic Financial Statements – and Management Discussion and Analysis - for State and Local Governments. This and consecutive statements are reflected in the accompanying financial statements (including notes to financial statements). The following is a summary of the most significant policies:

a. Reporting Entity

The Authority is a municipal corporation governed by an appointed six member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Authority has no component units.

b. Basis of Accounting And Presentation

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

The Authority has elected to report as a single-enterprise proprietary fund and uses the accrual basis of accounting. The measurement focus is on the flow of economic resources. The proprietary fund is composed of a number of programs. These programs are designed to provide low income individuals and families with housing.

These programs include federal funds from the Housing and Urban Development; Department of Agriculture, Rural Housing and the Veterans Administration. The

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements
for the Year Ended September 30, 2011

Authority also administers housing programs funded by the State and by the Longview-Kelso Consortium, some of which are indirectly funded by the federal government. Several apartment complexes have been purchased using Housing Revenue Bonds and loans and are also owned and managed by the Authority for the purpose of providing affordable housing stock in our community.

Proprietary funds are used to account for activities that are operated in a manner similar to private enterprise business. Under this method revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long term liabilities are accounted for in the fund.

The Authority applies GASB pronouncements and has not elected to apply Financial Accounting Standard Board (FASB) statements and Accounting Principles Board (APB) pronouncements issued after November 30, 1989.

c. Cash and Cash Equivalents

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

d. Receivables

Receivables consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Bad debt write offs are made monthly and subject to approval of the Board of Commissioners and are expensed at the end of each month. The Allowance for Doubtful Accounts is determined at the end of the year by evaluating the facts and circumstances of each account included in accounts receivable. On the financial statements, the receivables are presented in a net format after deducting the current allowance amount.

e. Inventories

The "Inventories" account includes any material dollar amount of rental property components on hand and not installed at a particular property as of the date of the Statement of Net Assets. Generally, components are ordered as needed for specific repairs and not maintained as inventory. Inventory is valued at cost and is valued using the "first in first out" (FIFO) method which approximates the market value.

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements
for the Year Ended September 30, 2011

f. Assets Held for Resale

Assets Held for Resale consists of real properties held by the SHARE Home Ownership and Section 8 Home Ownership programs. These programs are assisting low-income families in obtaining homeownership counseling, down payment and closing cost assistance, and help in purchasing and rehabilitating existing housing stock. The Authority takes title and inventories these properties during the rehabilitation phase of the program. These assets are valued at cost and tracked by specific asset.

g. Notes Receivable

Notes receivable consist of second mortgage loans made under a down payment assistance program for first time home buyers. These loans are 0% interest loans secured by a deed of trust and payable upon sale or transfer of title, satisfactory completion of residency requirements or change of use.

These loans are expected to be forgiven or repaid by the loan recipients at the sooner of the end of the compliance period or upon the sale or disposition of the home. These are classified as non-current because they are not expected to be repaid within one year. Because the loans receivable are secured by liens against real property there is generally no need to estimate uncollectible loans receivable.

h. Restricted Assets

In accordance with bond resolutions and federal contracts (and certain related agreements) separate restricted accounts are required to be established. The assets held in these accounts are restricted for specific uses, including debt service, maintenance of assets and other special reserve requirements. As titled in the Statement of Net Assets, restricted resources currently include the following:

- “Tenant security deposits” which includes security deposits held pursuant to residential rental agreements. They are included, while not all will be payable, in current period because they are payable from the “Tenant security deposits” account listed under restricted assets.
- “Investments” are funds held for debt service reserves. Bond covenants entered into by the Housing Authority require portions of the debt proceeds to be set aside.
- “Other Cash” includes excess Housing Assistance Payment reserves, escrow accounts, principal and interest payment deposits and required replacement reserves.

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements
for the Year Ended September 30, 2011

i. Capital Assets

The cost of normal maintenance and repairs, which do not add to the value of the asset or materially extend an asset's life, is expensed. A purchase of equipment or a building improvement costing \$3,000 or more, which is not deemed a repair, is recorded at historical cost and depreciated over its expected life.

Property, plant and equipment donated or sold at a bargain discounted price to the Authority is recorded at the fair market value determined at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest expense incurred during the construction phase is reflected in the capitalized value of the asset constructed.

Property, plant, residential buildings, and equipment are depreciated using the straight-line method, generally over the following estimated useful lives:

<u>Asset Categories</u>	<u>Years</u>
Buildings	40
Building improvements	15
Site improvements, sidewalks, paving, etc.	20
Vehicles-autos & light trucks	5
Office equipment-non computer	6
Computer & telecommunications equipment	5
Office furnishings	10
Other equipment, carpets, appliances	12

It is our policy that the original cost of unsegregated components of operating property that is retired or otherwise disposed of, plus the cost of installation, less salvage, is charged to accumulated depreciation and no gain or loss on the disposition is recognized. In the case of the sale of a significant operating unit or system, the original cost is removed from the capital asset accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

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

k. Investments

Investments are stated at cost, which approximates fair market value. For various risks related to the investments see Note 3 – Deposits and Investments.

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements
for the Year Ended September 30, 2011

l. Current Portion of Long Term Debt

Current portion of Long Term Debt includes all redemption amounts owed to bond holders within one year from the date of the statement. Bonds are also reported herein net of premium or discount; annual interest expense is adjusted by the amortization of the discount. Unamortized discounts are reported as an adjustment to the Long Term Debt reported on the Statement of Net Assets (see note 11).

m. Operating Revenues and Expenses

The authority reports operating revenues as defined in GASB Statement No. 9. Operating revenues result from fees and charges from providing services in connection with the ongoing operations of providing low income housing. Operating subsidies and grants are reported as non-operating revenues and are presented as cash flows from non-capital financing activities in the statement of cash flows. Operating expenses are those expenses that are directly incurred in the operation of providing low income housing.

n. Compensated Absences

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

Vacation pay, which cannot be carried over past the employee's anniversary date, is payable upon resignation, retirement or death. Sick leave may be carried over the years, but can only be taken for medical-related absences. Upon resignation, retirement, or death, sick leave is lost.

Note 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements
for the Year Ended September 30, 2011

Note 3 – DEPOSITS AND INVESTMENTS

a. Deposits

The Authority's deposits and certificates of deposit are entirely covered by the Federal Depository Insurance Commission (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). It is the policy of the Authority, when making deposits or investing in bank market rate savings or certificates of deposit, to use banks which are qualified public depositories as designated by the Washington Public Deposit Protection Commission (PDPC) pursuant to RCW 39.58. The PDPC is a risk sharing pool whereby member banks that are designated as "qualified public depositories", mutually insure public deposits against loss. As a result, the FDIC or PDPC insures all demand deposits and bank balances of the Authority against loss.

b. Investments

Available excess cash or demand deposits of the Authority are invested in accordance with RCW 35.82.070(6) and the Authority's policies. Investments consist of deposits with qualified public depositories, obligations of the U.S. Treasury and agencies, banker's acceptances, commercial paper, and repurchase agreements. All restricted cash and investments held in bond trust accounts are invested in accordance with the provisions of the various trust indentures. Certain investments may meet the criteria of cash and cash equivalents, but are treated as investments by the Authority because of their intended long term use.

As of year ended September 30, 2011 investments consisted of the following:

Investment	Value
Washington Local Govt Investment Pool	\$ 137
Cash	613,283
U.S. Treasuries	112,856
Total	<u>\$ 726,276</u>

Interest Rate Risk – The Authority's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – As noted above, state law limits the types of investments that can be made by the Authority to those identified in RCW 35.82.070(6).

Concentration of Credit Risk – The Authority places no limit on the amount that can be invested in any one investment.

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements
for the Year Ended September 30, 2011

Custodial Credit Risk – is the risk that in event of a failure of the counterparty to an investment transaction the Authority would not be able to recover the value of the investment of collateral securities. None of the Authority’s cash accounts or investments are exposed to custodial credit risk since all funds are either entirely covered by FDIC insurance, the Washington Public Deposit Protection Act or consists of investment in U.S. Treasury obligations or repurchase agreements secured by U.S. Treasury obligations.

Note 4 – ASSETS HELD FOR RESALE

Real assets are routinely held by the Authority as the result of home ownership activities. Assets held for resale activity for the year ended September 30, 2011 was as follows:

Project	Beginning Balance	Additions	Sales	Ending Balance
2	300	120,205	120,548	(43)
3	-	114,026	-	114,026
5	300	104,708	-	105,008
	<u>\$ 600</u>	<u>\$ 338,939</u>	<u>\$ 120,548</u>	<u>\$ 218,991</u>

Note 5 – Notes Receivable

The Authority has notes receivable that consist of second mortgage loans made under a down payment assistance program for first time home buyers. These loans are 0% interest loans secured by a deed of trust and payable upon sale or transfer of title, satisfactory completion of residency requirements or change of use.

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements
for the Year Ended September 30, 2011

Purpose	Orginal Amount	Issue Date	Maturity	Interest Rate	Amount Outstanding
Forgiveable Notes-Roulette	\$ 37,500	Dec/2008	Dec/2018	0%	\$ 30,000
Forgiveable Notes-Roberts, K	10,000	Jan/2009	Jan/2014	0%	6,000
Forgiveable Notes-Partain	36,750	Jun/2009	Jun/2019	0%	29,400
Forgiveable Notes-Roberts, C.	10,000	Sep/2009	Sep/2014	0%	8,000
Forgiveable Notes-Roberts, C.	36,750	Sep/2009	Sep/2019	0%	33,075
Forgiveable Notes-Chappelle	15,000	Mar/2010	Mar/2020	0%	13,500
Forgiveable Notes-Dotson	38,000	Mar/2010	Jan/2020	0%	34,200
	<u>184,000</u>				<u>154,175</u>
Notes - Miller	25,000	Feb/2009	Feb/2039	0%	25,000
Notes - Rafferty	25,000	Jul/2009	Jul/2039	0%	25,000
Notes - Gallager	25,000	Oct/2009	Oct/2039	0%	25,000
Notes - Brister	10,000	Jan/2010	Jan/2040	0%	10,000
Notes - Juve	25,000	Feb/2010	Feb/2040	0%	25,000
Notes - Sloan	10,000	Apr/2010	Apr/2040	0%	10,000
Notes - Bastin	10,000	Aug/2011	Aug/2041	0%	10,000
	<u>130,000</u>				<u>130,000</u>
	<u>\$ 314,000</u>				<u>\$ 284,175</u>

Notes receivable activity for the period ending 9/30/2011 was:

	Beginning Balance	Increases	Decreases	Ending Balance
Forgivable Notes	\$ 174,575	\$ -	\$ 20,400	\$ 154,175
Notes	120,000	10,000	-	130,000
	<u>\$ 294,575</u>	<u>\$ 10,000</u>	<u>\$ 20,400</u>	<u>\$ 284,175</u>

Note 6 – CAPITAL ASSETS

Major expenses (\$3,000 or more and a useful life of one year or more) for capital assets, including capital leases, and major repairs that increase useful lives are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

All capital assets are valued at historical cost or estimated historical cost, where historical cost is not known. Donations are recorded at the fair market value as determined by appraisal. Construction in progress is decreased when the construction is completed and the asset is placed in service. The decrease is equal to the increase in the class of assets that have been constructed.

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

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements
for the Year Ended September 30, 2011

Capital asset activity for the year ended September 30, 2011 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,528,780	\$ 382,400	\$ -	\$ 1,911,180
Construction in progress	46,584	240,869	-	287,453
Total capital assets not being depreciated	1,575,364	623,269	-	2,198,633
Capital assets being depreciated:				
Buildings/improvements	16,968,314	213,122	122,364	17,059,072
Furniture, Equipment & Machinery - Dwellings	14,301	-	-	14,301
Furniture, Equipment & Machinery - Administration	224,828	6,050	-	230,878
Leasehold Improvements	2,727,053	-	1	2,727,052
Total capital assets being depreciated	19,934,496	219,172	122,365	20,031,303
Less total accumulated depreciation	(5,248,598)	(577,149)	(108,457)	(5,717,290)
Total capital assets being depreciated, net	14,685,898	(357,977)	13,908	14,314,013
Total capital assets, net	\$ 16,261,262	\$ 265,292	\$ 13,908	\$ 16,512,646

Note 7 – AREAS OF OPERATIONS

When the City of Longview created the Authority, the Authority was authorized to operate within the limits of the City of Longview. Subsequently the Authority contracted with HUD to manage the Housing Choice Vouchers in Lewis County, Pacific County and Cowlitz County (excluding the cities of Kelso and Kalama). The Authority also has inter-local agreements with Castle Rock, Cathlamet, Kalama, Kelso, Mason County, Wahkiakum County, Winlock and Woodland to provide housing services in those communities.

The Authority also provides some management services through contract to the Joint Pacific County Housing Authority and the Mason County Housing Authority

Note 8 – SHORT TERM DEBT

Short term activities for the year ended September 30, 2011 were as follows:

Debt	Beginning Balance 10/1/2010	Issued	Redeemed	Ending Balance 9/30/2011	Purpose
Line of Credit	\$ -	\$ 343,104	\$ 263,754	\$ 79,350	Purchase/Sale of Share Home
Line of Credit	-	36,469	-	36,469	Pre development of Lilac Gardens
	\$ -	\$ 379,573	\$ 263,754	\$ 115,819	

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements
for the Year Ended September 30, 2011

Note 9 – LEASE COMMITMENTS

a. Operating Lease(s)

The Authority is committed under various leases for use of the Sylvester apartments, copiers and postage equipment. These leases are considered operating leases for accounting purposes. Lease expenses for the year ended September 30, 2011 amounted to \$17,860.

Future minimum rental commitments for these leases are as follows:

Fiscal Year Ended	Minimum Lease Commitment
2012	15,429
2013	13,761
2014	8,087
2015	988
2016	500
2017-2048	16,000
	<u>\$ 54,765</u>

b. Capital Lease(s)

The Authority has not entered into any lease agreements which qualify as capital leases for accounting purposes.

Note 10 - PAYABLES FROM RESTRICTED ASSETS

“Client deposits payable” includes security deposits held pursuant to residential rental agreements. They are included, while not all will be payable in current period, because they are payable from the “Cash-client deposits” account listed under restricted assets.

“Bond interest payable” and “Revenue bonds payable-current” include accrued bond debt service amounts, held by trustee, until the next bond payment date. These amounts are payable from cash or investments held in bond covenant accounts.

Note 11 - LONG TERM DEBT AND LIABILITIES

a. Revenue Bonds:

The Authority issues revenue bonds to finance the acquisition or construction of low-income housing units. Bonded indebtedness has also been entered into to advance refund several revenue bond issues. The revenue bonds are being repaid by the

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements
for the Year Ended September 30, 2011

Authority's revenues.

Governmental GAAP for Proprietary Funds requires that Original Issue Discount (OID) be carried as an adjustment to the bond debt owing and amortized over the life of the bonds, which is 30 years. The amount amortized each year is added to interest expense. The unamortized bond discount amounts as of 9/30/11 were as follows

Project	9/30/11 Balance of Bond Discount	FY2011 Amortization
OID- Stratford 1996 Issue	\$10,157	\$696
OID- Pooled 1998 Issue	\$88,017	\$5,177

The revenue bonds currently outstanding are as follows:

Purpose	Original Amount	Issue Date	Fiscal Year Maturity	Interest Rate	Amount Outstanding
Acquire Hawthorne House apartments.	\$ 940,000	October 12, 1995	2026	7.50%	\$ 670,000
Stratford Apartments advance refunding of 1990 bond issue and to fund improvements and debt service reserve.	530,000	May 1, 1996	2026	6.00% to 6.60%	385,000
Acquire Mint Place Apartments, advance refund 1992 bond issue, fund improvements and a debt service reserve.	9,090,000	October 1, 1998	2029	5.13%	6,930,000
Total	<u>\$ 10,560,000</u>				<u>\$ 7,985,000</u>

Revenue bond debt service requirements to maturity are as follows:

Year Ending 9/30/xxxx	Principal	Interest	Required Debt Service
2012	\$ 280,000	\$ 445,968	\$ 725,968
2013	295,000	430,873	725,873
2014	315,000	415,258	730,258
2015	335,000	397,744	732,744
2016	350,000	379,424	729,424
2017-2021	2,060,000	1,584,565	3,644,565
2022-2026	2,695,000	947,965	3,642,965
2027-2032	1,655,000	185,622	1,840,622
	<u>\$ 7,985,000</u>	<u>\$ 4,787,419</u>	<u>\$ 12,772,419</u>

There is \$726,012 shown in restricted investments of the Authority. This investment represents debt service reserve requirements as contained in the various indentures.

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements for the Year Ended September 30, 2011

b. Real Estate Mortgages

The Authority has long term loans which may be secured by capital assets. These loans were used to acquire capital assets that provide low income housing.

REAL ESTATE MORTGAGES

Purpose	Original Amount	Issue Date	Fiscal Year Maturity	Interest Rate	Amount Outstanding
Purchase Hemlock (4 plex)	85,500	4/6/2001	2031	8.25%	74,627
Refinance Harmony House	55,637	9/4/2009	2028	6.50%	52,188
Acquire single family residence	27,461	8/14/2008	2023	4.50%	23,680
Acquire land and construct 17 units of elderly housing*	850,500	8/11/1998	2048	1.00%	967,948
Acquire land and construct 17 units of elderly housing	250,000	4/30/1998	2014	2.00%	47,583
Acquire land and construct 17 units of elderly housing	188,691	3/4/1998	2028	3.25%	151,477
Purchase 61 units of senior housing	1,438,736	10/12/1995	2035	1.00%	1,265,036
Purchase 39 units of elderly/disabled housing	1,238,636	8/1/1995	2031	1.00%	950,550
Finance leasehold improvements for Sylvester Arms apartments	1,503,567	1/9/1994	2029	1.00%	1,466,218
	493,016	10/25/2005	2045	0.00%	493,015
Purchase 16 units of family housing	99,743	1/19/2006	2036	1.00%	95,104
	242,569	1/19/2006	2036	1.00%	231,287
	555,032	10/25/2005	2045	0.00%	555,034
Purchase 35 units of family housing	360,748	1/19/2006	2036	1.00%	343,969
	571,735	1/19/2006	2036	1.00%	545,143
Land Acquisition in Woodland	335,000	12/30/2010	2014	3.00%	335,000
Acquire single family residence	40,100	3/18/2011	2016	6.75%	39,732
Construction of 20 units of assisted housing	1,775,000	6/30/2008	2059	0.00%	1,775,000
	<u>\$ 10,111,671</u>				<u>\$ 9,412,591</u>

* The table reflects \$117,448 of accrued interest at the end of 9/30/2011.

Mortgage debt service requirements to maturity are as follows:

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements
for the Year Ended September 30, 2011

Year Ending 9/30/xxxx	Principal*	Interest	Required Debt Service
2012	\$ 136,809	\$ 287,335	\$ 424,144
2013	143,405	280,834	424,239
2014	493,555	274,367	767,922
2015	156,157	256,650	412,807
2016	204,889	249,992	454,881
2017-2021	945,669	1,088,093	2,033,762
2022-2026	1,047,548	819,942	1,867,490
2027-2031	1,071,354	555,617	1,626,971
2032-2036	1,015,209	303,839	1,319,048
2037-2041	700,633	154,334	854,967
2042-2046	652,259	50,921	703,180
2047-2051	1,128,751	1,213	1,129,964
2052-2056	-	-	-
2057-2061	1,775,000	-	1,775,000
	<u>\$ 9,471,238</u>	<u>\$ 4,323,137</u>	<u>\$ 13,794,375</u>

* Principal includes \$176,096 of accrued interest.

c. **Notes Payable**

The Authority has promissory notes that secure the second mortgage loans made under a down payment assistance program for first time home buyers (see note 5). These notes are for ten years with 0% interest loans and are forgivable upon compliance with the loan agreement.

Purpose	Original Amount	Issue Date	Maturity	Interest Rate	9/30/2011 Amount Outstanding
Self Help Housing Opportunity Program	\$ -	Aug/2011	Jul/2021	0%	\$ 10,000

d. **Changes in Long-Term Liabilities**

During the year ended September 30, 2011, the following changes occurred in long-term liabilities:

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements
for the Year Ended September 30, 2011

	Balance 10/1/2010	Additions	Reductions	Balance 9/30/2011	Within One Year
Revenue Bonds Payable	\$ 8,250,000	\$ -	\$ 265,000	\$ 7,985,000	\$ 265,000
Less Deferred amounts for OID	(104,047)	-	(5,873)	(98,174)	
Total Bonds Payable	8,145,953	-	259,127	7,886,826	265,000
Mortgages Payable	9,243,736	375,100	323,693	9,295,143	151,808
Notes Payable	-	10,000	-	10,000	-
Accrued Interest	107,063	10,385	-	117,448	-
Compensated Absences	64,653	4,093	-	68,746	7,562
Total Long Term Liabilities	\$ 17,561,405	\$ 399,578	\$ 582,820	\$ 17,378,163	\$ 424,370

e. Arbitrage

The Authority periodically monitors for the existence of any rebatable arbitrage interest associated with its tax-exempt debt. The rebate is based on the difference between the interest earnings from the investment of bond proceeds and the interest expense associated with the debt. As of September 30, 2011 the Authority estimates that no arbitrage rebate exists and that no liability exists.

Note 12 - PENSION PLANS

Substantially all (authority's) full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements
for the Year Ended September 30, 2011

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, which is increased 3 percent annually. Plan 1 members may also elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements for the Year Ended September 30, 2011

and is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance is granted at age 66 based upon years of service times the COLA amount (based on the consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military, if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

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

- With a benefit that is reduced by 3 percent for each year before age 65.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.
-

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions. Effective July 22, 2007, said refund (adjusted as needed for specified legal reductions) is increased from 100 percent to 200 percent of the accumulated contributions if the member's death occurs in the uniformed service to the United States while participating in Operation Enduring Freedom or Persian Gulf, Operation Iraqi Freedom.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is 1 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements for the Year Ended September 30, 2011

earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements
for the Year Ended September 30, 2011

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

There are 1,189 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	74,857
Terminated Plan Members Entitled to but not yet Receiving Benefits	28,074
Active Plan Members Vested	105,339
Active Plan Members Non-vested	53,896
Total	262,166

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Director of the Department of Retirement Systems sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 percent to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payrolls, as of September 1, 2011, are as follows:

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements
for the Year Ended September 30, 2011

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.25%**	7.25%	7.25%****
Employee	6.00%***	4.64%	*****

* The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 3.90% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both the authority and the employees made the required contributions. The authority's required contributions for the years ended September 30 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2011	\$ 1,817	\$ 55,607	\$ 13,889
2010	\$ 1,623	\$ 46,332	\$ 14,160
2009	\$ 2,293	\$ 64,217	\$ 20,209

Note 13 - CONTINGENCIES AND LITIGATION

The Authority has recorded in its Financial Statements all material liabilities. This includes an estimate for situations, if any, which are not yet resolved but where, based on available information, management believes it is probable that the Housing Authority will have to make payment. In the opinion of management, the Authority's insurance policies are adequate to pay all known or pending claims.

The Authority participates in a number of federal and state assisted programs. These grants are also subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement from our Authority for expenditures disallowed under the terms of the grants. Housing Authority management believes that losses attributable to such disallowance, if any, will be immaterial.

Note 14 - RISK MANAGEMENT

The Authority is not facing any type of risk and has no settlements that exceeded the insurance coverage traditionally insured with property and casualty insurance. We are unaware of any loss exposures that may need specialized coverage traditionally excluded in property and casualty insurance.

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

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements for the Year Ended September 30, 2011

California and Nevada. Thirty-six of the ninety members are Washington public housing entities.

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

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

Fidelity coverage is also offered, with limits of \$200,000 (with options up to \$500,000) for employee dishonesty, forgery or alteration and \$20,000 for theft with deductibles similar to the retention on Property.

Coverage limits for General Liability, as well as Errors and Omissions are \$2,000,000 per occurrence and \$2,000,000 annual aggregate. Property limits are offered on an agreed amount, based on each structure's value. Limits for Automobile Liability are covered at \$1,000,000/\$1,000,000.

HARRP self insures the full layer of coverage for liability lines. There is no purchased reinsurance above those limits. For Property, HARRP retains \$2,000,000 and purchases \$63,000,000 of excess insurance from St Paul/Travelers Insurance Company for a combined total of \$65,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

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

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

HOUSING AUTHORITY OF THE CITY OF LONGVIEW

Notes to the Financial Statements
for the Year Ended September 30, 2011

Note 15 – ACCOUNTING CHANGES

The Authority has changed its accounting policy concerning reporting Notes Receivable and Notes Payable. In previous years Note's that payments were expected to be forgiven were not reported. In 2011 this policy was revised to include in the financial reports all Notes Receivable and Notes Payable. The net effect of this change was an increase in Notes Receivable of \$174,575 in 2010 and \$154,175 in 2011. \$20,400 of Notes Receivable was expensed because home owners had met the terms of the notes for 2011.

Note 16 – SUBSEQUENT EVENTS

During 2011 the Authority declared Mint Place Apartments surplus. The apartment complex was sold for \$5.6 million and closed on October 7, 2011. The underlying bonds were retired with the sale proceeds. At the same time two additional properties (Woodside West and Blackstone) were refinanced with conventional mortgages.

Refinancing of two additional properties (Sylvester and Stratford) is being undertaken and is planned for during the second quarter of 2012 for Sylvester and fourth quarter of 2012 for Stratford.

On December 8th of 2011 the Agency acquired an additional property at 811 20th Ave. in Longview, WA for \$650,000. This building is intended to be use as an administrative office.

Housing Authority of the City of Longview

Schedule of Expenditures of Federal Awards For the year ended September 30, 2011

Grantor/ Pass-Through Grantor Program Title	CFDA#	Other Identification Number	Direct Federal Expenditures	In-Direct Federal Expenditures	Total Federal Expenditures
Department of Agriculture:					
Rural Rental Housing Loans	10.415	56-15-911012000-16/56-51-911012000-28	\$ 172,196	-	\$ 172,196
Rural Rental Assistance Payments	10.427	56-15-911012000-16/56-51-911012000-28	508,422	-	508,422
Total Department of Agriculture			680,618	-	680,618
Department of Housing & Urban Development:					
Community Development Block Grant	14.228	Comrad Quarters	-	4,356	4,356
City of Longview			-	80,575	80,575
Neighborhood Stabilization Program			-	84,931.00	84,931.00
City of Kelso			-	-	-
Home Investment Partnerships Program					
Longview/Kelso Consortium	14.239	Drug Court #102	-	11,490	11,490
Longview/Kelso Consortium		Domestic Violence #103	-	7,791	7,791
Washington Dept of Commerce		10-47101-116	-	222,155	222,155
Washington Dept of Commerce		10-47101-117	-	181,490	181,490
Clark County		TBRA	-	2,202	2,202
Longview/Kelso Consortium		TBRA	-	39,234	39,234
Community Frame Works		Shop	-	5,000	5,000
Longview/Kelso Consortium		Share Longview	-	76,000	76,000
Washington Dept of Commerce		Share	-	15,000	15,000
Longview/Kelso Consortium		Comrad Quarters	-	71,506	71,506
City of Kelso		Share	-	33,375	33,375
Total Home			-	665,243	665,243
Housing Opportunities for Persons with AIDS					
Washington Dept of Commerce	14.241	10-46201-06	-	72,220	72,220
EDI Special Projects	14.251	Stratford	329,478	-	329,478
Lower Income Housing Assistance Program	14.856	WA007MR0001	75,421	-	75,421
Housing Choice Vouchers	14.871	WA007VO	7,839,218	-	7,839,218
Total Department of Housing & Urban Development			8,244,117	822,394	9,066,511
Department of Veterans Affairs					
Veterans Per-Diem	64.024	08-90-WA	253,937	-	253,937
Total Federal Assistance			\$ 9,178,672	\$ 822,394	\$ 10,001,066

HOUSING AUTHORITY OF THE CITY OF LONGVIEW
Notes to the Schedule of Expenditures of Federal Awards
For the year ended September 30, 2011

Note 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the Authority’s financial statements. The Authority uses the accrual basis of accounting.

Note 2 – PROGRAM COSTS

Except as noted in the next paragraph the amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Authority’s portion, are more than shown.

The amounts shown on the schedule for the Housing Choice Voucher program (CFDA 14.871) represent amounts received by the Authority. Actual expenditures of the grant funds during the period were \$6,982,088.

Note 3 – FEDERAL LOANS

The Authority was approved by the U. S. Department of Agriculture and the U. S. Department of Housing and Urban Development to receive loans totaling \$5,727,167 to develop, acquire and renovate low income housing. The amount listed includes loans proceeds received and the outstanding loan balance.

Purpose	Original Amount	9/30/2011 Amount
Purchase 61 units of senior housing (Hawthorne House)	\$ 1,438,736	\$ 1,265,036
Purchase 39 units of elderly/disabled housing (Tulip Valley)	1,238,636	950,550
	493,015	493,015
Purchase 16 units of family housing (Columbia View)	{ 99,743	95,104
	242,569	231,287
	555,034	555,034
Purchase 35 units of family housing (Riverview)	{ 360,748	343,969
	571,735	545,143
Construction of 20 unist of assisted housing (Phoenix House)	1,775,000	1,775,000
Renovation of 35 senior housing (Sylvester)	1,565,717	1,466,218
	<u>\$ 8,340,933</u>	<u>\$ 7,720,356</u>

Note 4 – AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for this program (CFDA 14.241) is \$56,893 that was passed through to sub recipients that administered their own projects.

Housing Authority City of Longview (WA007)
Longview, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2011

	10,415 Rural Rental Housing Loans	10,427 Rural Rental Assistance Payments	14,228 Community Development Block Grants/State's Program	14,239 HOME Investment Partnerships Program	14,241 Housing Opportunities for Persons with AIDS	14,871 Housing Choice Vouchers	61,024 VA Homeless Providers Grant and Per Diem Program	8 Other Federal Program 1	1 Business Activities	Income Housing Assistance Program, Section 8, Moderate Rehabilitation	Subtotal	ELIM	Total
111 Cash - Unrestricted		\$528,414		\$42,427		\$137,389				\$1,973	\$710,203		\$710,203
112 Cash - Restricted - Modernization and Development										\$0			
113 Cash - Other Restricted		\$214,822		\$1,900		\$569,585			\$137,216	\$0	\$923,223		\$923,223
114 Cash - Tenant Security Deposits		\$36,748							\$66,550	\$0	\$103,298		\$103,298
115 Cash - Restricted for Payment of Current Liabilities										\$0			
100 Total Cash	\$0	\$779,984	\$0	\$43,927	\$0	\$706,974	\$0	\$0	\$203,866	\$1,973	\$1,736,724	\$0	\$1,736,724
121 Accounts Receivable - PHA Projects						\$2,742				\$0	\$2,742		\$2,742
122 Accounts Receivable - HUD Other Projects										\$0			
124 Accounts Receivable - Other Government		\$42,808		\$154,930	\$15,936	\$44	\$46,194	\$39,453	\$38,160	\$0	\$337,325		\$337,325
125 Accounts Receivable - Miscellaneous		\$25	\$575		\$242	\$1,101	\$1,100		\$71,140	\$0	\$74,163		\$74,163
126 Accounts Receivable - Tenants		\$488							\$6,347	\$0	\$6,835		\$6,835
128.1 Allowance for Doubtful Accounts - Tenants										\$0			
128.2 Allowance for Doubtful Accounts - Other										\$0			
127 Notes, Loans, & Mortgages Receivable - Current										\$0			
128 Fraud Recovery										\$0			
128.1 Allowance for Doubtful Accounts - Fraud										\$0			
128.2 Allowance for Doubtful Accounts - Fraud										\$0			
128 Accrued Interest Receivable										\$0			
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$41,057	\$575	\$154,930	\$16,178	\$20,984	\$47,294	\$39,453	\$114,732	\$0	\$437,173	\$0	\$437,173
131 Investments - Unrestricted										\$0			
132 Investments - Restricted										\$0			
135 Investments - Restricted for Payment of Current Liability										\$0			
142 Prepaid Expenses - Other		\$72,060							\$654,216	\$0	\$726,276		\$726,276
143 Inventories		\$99		\$54	\$1,796	\$404	\$10,429		\$2,461	\$3	\$15,246		\$15,246
143.1 Allowance for Obsolete Inventories										\$0			
144 Inter Program Due From		\$498							\$278	\$0	\$776		\$776
145 Assets Held for Sale										\$0			
150 Total Current Assets	\$0	\$895,697	\$575	\$218,991	\$17,974	\$728,332	\$57,723	\$39,453	\$1,304,073	\$1,976	\$3,463,705	-\$328,521	\$3,135,184
161 Land										\$0			
162 Buildings										\$0			
163 Furniture, Equipment & Machinery - Dwellings		\$5,597,699								\$0	\$14,301		\$14,301
164 Furniture, Equipment & Machinery - Administration		\$13,805				\$88,162			\$128,911	\$0	\$230,878		\$230,878
165 Leasehold Improvements									\$2,716,656	\$0	\$2,716,656		\$2,716,656
166 Accumulated Depreciation										\$0			
167 Construction in Progress										\$0			
168 Infrastructure										\$0			
160 Total Current Liabilities, Net of Accumulated Depreciation	\$0	\$4,620,904	\$0	\$0	\$0	\$29,069	\$0	\$241,629	\$11,021,044	\$0	\$16,512,646	\$0	\$16,512,646
171 Notes, Loans and Mortgages Receivable - Non-Current										\$0			
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due										\$0			
173 Grants Receivable - Non Current				\$130,000					\$154,175	\$0	\$284,175		\$284,175

174 Other Assets	\$11,530	\$11,530	\$0	\$129,477	\$0	\$129,477	\$1,129,477
176 Investments in Joint Ventures	\$0	\$0	\$0	\$0	\$0	\$0	\$16,926,298
180 Total Non-Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
190 Total Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
311 Bank Overdraft	\$0	\$0	\$0	\$0	\$0	\$0	\$0
312 Accounts Payable <= 90 Days	\$0	\$0	\$0	\$0	\$0	\$0	\$0
313 Accounts Payable >90 Days Past Due	\$0	\$0	\$0	\$0	\$0	\$0	\$0
321 Accounts Payable - Long Term	\$0	\$0	\$0	\$0	\$0	\$0	\$0
322 Accrued Compensated Absences - Current Portion	\$0	\$0	\$0	\$0	\$0	\$0	\$0
324 Accrued Contingency Liability	\$0	\$0	\$0	\$0	\$0	\$0	\$0
325 Accrued Interest Payable	\$0	\$0	\$0	\$0	\$0	\$0	\$0
331 Accounts Payable - HUD PFA Programs	\$0	\$0	\$0	\$0	\$0	\$0	\$0
332 Accounts Payable - PFA Projects	\$0	\$0	\$0	\$0	\$0	\$0	\$0
333 Accounts Payable - Other Government	\$0	\$0	\$0	\$0	\$0	\$0	\$0
341 Tenant Security Deposits	\$0	\$0	\$0	\$0	\$0	\$0	\$0
342 Deferred Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$0	\$0	\$0
344 Current Portion of Long-term Debt - Operating Borrowings	\$0	\$0	\$0	\$0	\$0	\$0	\$0
345 Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0
346 Accrued Liabilities - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
347 Inter Program - Due To	\$0	\$0	\$0	\$0	\$0	\$0	\$0
348 Loan Liability - Current	\$0	\$0	\$0	\$0	\$0	\$0	\$0
310 Total Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0
351 Long-term Debt, Net of Current Capital Projects/Mortgage Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0
352 Long-term Debt, Net of Current - Operating Borrowings	\$0	\$0	\$0	\$0	\$0	\$0	\$0
353 Non-current Liabilities - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
354 Accrued Compensated Absences - Non Current	\$0	\$0	\$0	\$0	\$0	\$0	\$0
355 Loan Liability - Non Current	\$0	\$0	\$0	\$0	\$0	\$0	\$0
356 FASB 5 Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0
357 Accrued Pension and OPEB Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0
300 Total Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0
508.1 Invested in Capital Assets, Net of Related Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0
509.2 Fund Balance Reserved	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.2 Unreserved, Designated Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.1 Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
512 Invested Net Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
512.2 Unreserved, Undesignated Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0
510 Total Equity/Net Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
600 Total Liabilities and Equity/Net Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Housing Authority City of Longview (WA007)
Longview, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2011

	10,415 Rural Rental Housing Loans	10,427 Rural Rental Assistance Payments	14,228 Community Development Block Grants/State's Program	14,239 HOME Investment Partnerships Program	14,241 Housing Opportunities for Persons with AIDS	14,871 Housing Choice Vouchers	64,024 VA Homeless Providers Grant and Per Diem Program	8 Other Federal Program 1	1 Business Activities	Income Housing Assistance Program, Section 8 Moderate Rehabilitation	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$418,478					\$7,839,218			\$1,608,228	\$0	\$2,024,705		\$2,024,705
70400 Tenant Revenue - Other	\$45,852								\$72,709	\$0	\$118,361		\$118,361
70500 Total Tenant Revenue	\$0	\$464,131	\$0	\$0	\$0	\$0	\$0	\$0	\$1,678,935	\$0	\$2,143,066	\$0	\$2,143,066
70600 HUD PHA Operating Grants				\$71,506				\$329,478		\$75,421	\$7,914,639		\$7,914,639
70610 Capital Grants			\$80,575							\$0	\$481,559		\$481,559
70710 Management Fee										\$0			
70720 Asset Management Fee										\$0			
70730 Book Keeping Fee										\$0			
70740 Front Line Service Fee										\$0			
70750 Other Fees										\$0			
70700 Total Fee Revenue				\$71,506		\$7,839,218		\$329,478		\$0	\$7,914,639		\$7,914,639
70800 Other Government Grants	\$172,196	\$508,422	\$4,356	\$593,737	\$72,220	\$44,303	\$253,937		\$159,146	\$0	\$1,808,317		\$1,808,317
71100 Investment Income - Unrestricted									\$437	\$0	\$437		\$437
71200 Mortgage Interest Income				\$124,255						\$0	\$124,255		\$124,255
71310 Proceeds from Disposition of Assets Held for Sale				\$119,705						\$0	\$119,705		\$119,705
71400 Fraud Recovery						\$18,462				\$0	\$18,462		\$18,462
71600 Other Revenues		\$5,462		\$9,306		\$58,432			\$72,288	\$0	\$132,486		\$132,486
71800 Gain or Loss on Sale of Capital Assets										\$0			
72000 Non-Interest Restricted										\$0			
70000 Total Revenue	\$172,196	\$976,277	\$84,931	\$678,099	\$72,220	\$8,487,415	\$253,937	\$329,478	\$2,562,599	\$75,421	\$13,695,573	-\$565,454	\$13,130,119
91100 Administrative Salaries		\$15,235	\$1,521	\$10,468	\$1,684	\$310,632	\$26,813		\$529,065	\$2,636	\$898,054		\$898,054
91200 Auditing Fees		\$8,509		\$535		\$5,717	\$39		\$16,100	\$53	\$30,953		\$30,953
91300 Management Fee		\$95,505		\$18,692		\$291,332	\$58,405		\$101,704	\$2,808	\$566,446	-\$565,454	\$992
91310 Book-keeping Fee										\$0			
91400 Advertising and Marketing		\$1,479		\$505	\$73	\$402	\$3,105		\$312	\$5	\$4,089		\$4,089
91500 Employee Benefit Contributions - Administrative		\$8,486	\$604	\$3,078	\$195	\$91,587	\$6,874		\$146,344	\$777	\$260,045		\$260,045
91600 Other Expenses	\$20,823	\$4,910	\$25	\$4,910	\$138	\$61,526	\$18,102		\$175,920	\$240	\$281,284		\$281,284
91700 Legal Expense										\$0			
91800 Travel										\$0			
91810 Allocated Overhead										\$0			
91900 Other										\$0			
91000 Total Operating - Administrative	\$0	\$150,037	\$2,150	\$34,778	\$1,944	\$761,186	\$115,439	\$0	\$968,821	\$6,506	\$2,040,871	-\$565,454	\$1,475,417
92000 Asset Management Fee				\$3,537		\$67,877	\$58,971		\$15,971	\$0	\$146,356		\$146,356
92100 Tenant Services - Salaries										\$0			
92200 Relocation Costs										\$0			
92300 Employee Benefit Contributions - Tenant Services				\$561		\$14,741	\$28,343		\$4,627	\$0	\$48,272		\$48,272
92400 Tenant Services - Other				\$38,004		\$40	\$34,357		\$23,405	\$0	\$95,807		\$95,807
92500 Total Tenant Services	\$0	\$0	\$0	\$42,102	\$0	\$82,858	\$121,671	\$0	\$44,004	\$0	\$290,635	\$0	\$290,635

