HOUSING AUTHORITY OF THE CITY OF LONGVIEW

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Loveridge Hunt & Co., PLLC

CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

Housing Authority of the City of Longview

Summary of Auditor's Results

For the Year Ended September 30, 2012

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 ______ 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:

CFDA Number(s)	Name of Federal Program or Cluster
64.024	VA Homeless Providers Grant and Per Diem Program
14.251	Economic Development Initiative (EDI) - Special Project, Neighborhood Initiative and Miscellaneous Grants
14.871	Section 8 Housing Choice Vouchers

Housing Authority of the City of Longview

Summary of Auditor's Results - (Continued)

For the Year Ended September 30, 2012

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	__X__ 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, 2012

Finding 2012-1

Information on the federal program: The annual appropriation of funds to the Department of Housing and Urban Development ("HUD") and the accompanying Conference Report or Congressional Record accompanying the appropriation set forth grants in a specified amount to designated organizations for the activities specified by Congress. In accordance with the agreement with HUD, Housing Authority of the City of Longview ("LHA") requested an Economic Development Initiative appropriation for the rehabilitation of the Stratford Arms Building.

Criteria: Per USC 40 USC 3141-3144, 3146, and 3147; 29 CFR part 29, the subject entity shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act. All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of $2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor.

Condition: During our tests of compliance over the Economic Development Imitative program, we did not obtain evidence to ensure proper wages paid to employees of contractors.

Questioned Costs: There is no question cost because the appropriate prevailing wages were paid to the contractors.

Context: Management did not perform adequately the site interviews with employees of contractors to ensure the appropriate prevailing wages were paid as indicated by the contractor in wage certification reports.

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

Cause: LHA did not follow its procurement policy and inadequate training was provided to the individual designated by LHA who oversaw the construction project.

Recommendation: We recommend that LHA establish internal controls to ensure that its development staff receives adequate training and follow LHA's policy by reviewing the prevailing wages regularly.

Continued on page 4.

Views of responsible offices and planned corrective actions: Upon realization of the issue the Housing Authority of the City of Longview retrained all staff on the procurement policies and procedures. All open construction contracts are being reviewed to insure full compliance with the Authority's policies and procedures.

Additionally all new staff will receive procurement and other training prior to beginning their regular duties.

Housing Authority of the City of Longview

Schedule of Prior Federal Findings and Questioned Costs

For the Year Ended September 30, 2012

The following presents the status of the federal finding reported in the September 30, 2011 audit. The status listed below is the representation of the Housing Authority. Loveridge Hunt & Co., PLLC has reviewed the status.

Finding 2011-1: During our tests of compliance over the Economic Development Imitative program, we determined that LHA exceeded 20 percent limit on the expenditure for planning, management, development and administration of the EDI grant.

CFDA Number/Federal Program/Granting Agency: 14.251

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.

Status: Fully corrected

Corrective Action Taken: The Housing Authority has reimbursed 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, 2012, and have issued our report thereon dated February 22, 2013. 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

Management of the Authority is responsible for establishing and maintaining effective 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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.

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

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 previously.

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 2012-1.

However, we noted other matters involving the internal control over compliance, which we have reported to management in a separate letter dated February 22, 2013.

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

February 22, 2013

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, 2012. 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.

As described in item 2012-1 in the accompanying schedule of federal findings and questioned costs, the Authority did not comply with a requirement regarding Davis-Bacon Act that are applicable to the Economic Development Imitative program. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

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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)

In our opinion, except for the item of noncompliance described in the preceding paragraph, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

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.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance that we consider to be significant deficiency described in the accompanying schedule of findings and questioned costs as item 2012-1 to be a significant deficiency.

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, 2012 and issued our report thereon dated February 22, 2013 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.

We noted certain matters that we reported to management of the Authority in a separate letter dated February 22, 2013.

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

February 22, 2013

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, 2012, 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, 2012, 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.

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Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 14 through 20 be presented to supplement the basic financial statements. Such statements, although not a part of the basic financial statements, are required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in a appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which considered of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with Government Auditing Standards, we have also issued our report, dated February 22, 2013, 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 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, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lovelace Hunt & Co, Pllc

February 22, 2013

FINANCIAL SECTION

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 increased by $134 thousand (7.7%) during the year. Unrestricted cash and cash equivalents increased by $218 thousand (31%). Unrestricted cash and equivalents were $928 thousand at year end. Restricted cash and cash equivalents decreased by $84 thousand (8.2%). Restricted cash and equivalents were $942 thousand at year end.

- The Authority's net assets increased by $1.2 million or 66% during the year. Net assets were $3.0 million at year end.

- The Authority maintained average occupancy rate of 96% across all projects.

- The Authority revenues increased by $178 thousand (1.4%) during the year. Revenues were $12.8 million and $12.6 million for FY2012 and FY2011, respectively. The Authority also received $284 thousand in capital grants during the year. This is a decrease of $198 thousand (41%) from the previous year.

- The total expenses of all Authority programs decreased by $781 thousand (6.2%). Total expenses were $12.0 million and $12.7 million for FY2012 and FY2011, 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 Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Position", formerly known as "Net Assets". Assets and liabilities are classified as "Current" (convertible into cash within one year), and "Non-current".

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

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

Unrestricted: Consists of Net Position that does not meet the definition of “Net Assets Invested in Capital Assets, Net of Related Debt”, or “Restricted”.

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Position (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 Position is the “Change in Net Position”, 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.

Condensed Comparative Financial Information

The following table presents the condensed **Statement of Net Position** compared to prior year.

Statement of Net Position	9/30/2012	9/30/2011
Current Assets	$ 2,047,528	$ 2,408,908
Non-current and Capital Assets	14,382,091	17,523,097
Total Assets	$ 16,429,619	$ 19,932,005
Current Liabilities	$ 1,399,708	$ 1,300,342
Long-Term Liabilities	12,042,841	16,831,876
Total Liabilities	13,442,549	18,132,218
Net Assets:		
Invested in Capital Assets,		
Net of Related Debt	1,691,947	(796,769)
Restricted Cash and Investments	986,893	1,578,502
Unrestricted	308,230	1,018,054
Total Net Position	$ 2,987,070	$ 1,799,787

The Authority's current assets exceed current liabilities by $648 thousand, for a current ratio of 1.46. The current ratio is a measure of the ability to pay debts as they become due.

The Authority had $1.1 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 $698 thousand (40%) from a balance of $1.8 million at the beginning of the fiscal year. The restricted cash and investments balance is made up of several accounts including: $68 thousand in tenant security deposits, $113 thousand in debt service reserves, $572 thousand for excess Housing Assistance Payment reserves, $54 thousand in escrow accounts, $69 thousand in principal and interest payment deposits and $179 thousand for required replacement reserves.

The Authority's net assets increased in FY2012 by $1.2 million (66%). With respect to the total assets of $16 million, 85% 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.

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

Statement of Revenues, Expenses and Changes in Net Position	9/30/2012	9/30/2011
Revenues		
Operating		
Tenant Revenue	$ 1,299,200	$ 2,161,528
Other	745,387	762,584
Non-Operating		
Government Operating Subsidies and Grants	9,573,108	9,722,956
Gain on Sale of Fixed Assets	1,208,346	-
Investment Income	492	1,492
Total Revenue	12,826,533	12,648,560
Expenses		
Operating	11,365,459	11,971,510
Non-Operating		
Interest and Other	557,481	732,082
Total Expenses	11,922,940	12,703,592
Excess (Deficiency) of Revenues over Expenses	903,593	(55,032)
Capital contributions	283,691	481,559
Change in net assets	1,187,284	426,527
Net Assets, Beginning of Year	1,799,786	1,373,260
Net Assets, End of year	$ 2,987,070	$ 1,799,787

The Authority's total revenues increased during the year by $178 thousand (1.4%). Capital contributions decreased by $198 thousand (41%). Most of the increase in revenue is a result of new housing programs for veterans. Capital grants of $284 thousand is less than last year as a result of the completion of housing construction and rehabilitation activities. Rental income decreased 40% or $862 thousand due to the sale of 103 rental units. Those units were declared surplus by the Board of Commissioners in 2010 and sold in October of 2012. Grants revenues in the "Non-operating Revenues and (Expenses)" decreased by 1.6% or $150 thousand. The decrease results from the termination of several tenant based rental programs.

Operating expenses decreased 5.1% from the prior year. The decrease of $606 thousand is attributed to the sale of 103 rental units and is reflected in the following categories:

- Administration increased $77 thousand or 5.3%,
- Tenant Services increased $15 thousand or 5.2%,
- Utilities decreased $41 thousand or 12%,
- Ordinary Maintenance and Operations decreased $333 thousand or 34%,
- Housing Assistance Payments (for all programs) decreased by $133 thousand or 1.6% , and
- Depreciation and Amortization decreased by $138 thousand or 24%.

Capital Asset and Long-Term Debt Administration

Capital Assets

As of the year end, the Authority had $14 million invested in a variety of capital assets and construction work in progress as reflected in the following schedule, which represents a net decrease of $2.5 million from the end of last year. The following table also summarizes the changes in capital assets between fiscal years 2012 and 2011:

	FY2012	FY2011	Net Change
Land	$ 1,751,389	$ 1,911,180	$ (159,791)
Construction in progress	1,232,422	287,453	944,969
Buildings, improvements & fixtures	12,279,928	17,059,071	(4,779,143)
Leasehold improvements	2,727,052	2,727,053	(1)
Machinery, vehicles, & equipment	246,189	245,179	1,010
Less accumulated depreciation	(4,267,497)	(5,717,290)	1,449,793
Total capital assets (net)	$ 13,969,483	$ 16,512,646	$ (2,543,163)

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, 2012, the total liabilities reported by the Authority are $13 million of which $12 million are classified as long-term and $1.4 million are current liabilities. For the long term liabilities $182 thousand ($113 thousand in Restricted Investments and $69 thousand in restricted Assets: Other Cash) have been set aside for debt service payments.

Payments of $7.0 million were made on outstanding bonds and mortgages principal during the year. Please refer to Note 12 - 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, fire and safety upgrades, energy efficient windows, air conditioning and an on-site laundry facility. 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. Additionally the Washington State Department of Commerce has committed an additional $800 thousand for the renovations.

The Authority received a tax credit allocation 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 anticipates construction to begin in 2013 or 2014.

The Authority has entered into a sales and purchase agreement to purchase four duplexes in the city of Woodland. This project is for family housing and has eight two bedroom units. The Authority anticipates closing in January of 2013.

The City of Longview has committed an additional $60 thousand for the Authority's blighted neighborhood program. The Authority will use these funds to purchase and rehabilitate substandard housing in designated areas.

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 820 11th Ave., Longview, WA 98632. The telephone number is (360) 423-0140 x 16.

Housing Authority of the City of Longview
Statement of Net Position
September 30, 2012

	Authority
ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 928,090
Receivables (Net)	156,105
Inventory	3,728
Prepayments	17,172
Restricted Assets:	
Tenant Security Deposits	68,396
Other Cash	874,037
Total Current Assets	2,047,528
Noncurrent Assets	
Loans Receivable	299,752
Restricted Assets	
Investments	112,856
Capital Assets	
Land	1,751,389
Buildings	15,006,980
Equipment	246,189
Construction in Progress	1,232,422
Less Accumulated Depreciation	(4,267,497)
Total Capital Assets (Net)	13,969,483
Other Assets	-
Total Non-Current Assets	14,382,091
TOTAL ASSETS	$ 16,429,619
LIABILITIES	
Current Liabilities	
Accounts Payable	$ 409,037
Accrued Liabilities	210,120
Current Portion of Long-Term Debt	301,101
Tenant Security Deposits	68,396
Deferred Revenue	22,674
Other Current Liabilities	388,380
Total Current Liabilities	1,399,708
Noncurrent Liabilities	
Compensated Absences	66,406
Long-Term Debt	11,976,435
Total Noncurrent Liabilities	12,042,841
TOTAL LIABILITIES	13,442,549
NET POSITION	
Invested in Capital Assets, Net of Related Debt	1,691,947
Restricted	986,893
Unrestricted	308,230
TOTAL NET POSITION	2,987,070
TOTAL NET POSITION AND LIABILITIES	$ 16,429,619

The notes to the financial statements are an integral part of this statement.

Housing Authority of the City of Longview
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended September 30, 2012

	Authority
OPERATING REVENUES	
Net Tenant Rental Revenue	$ 1,225,685
Tenant Revenue - Other	73,515
Other Revenue	745,387
Total Operating Revenue	2,044,587
OPERATING EXPENSES	
Administration	1,553,077
Tenant Services	305,822
Utilities	299,773
Ordinary Maintenance and Operations	637,850
Housing Assistance Payments	8,009,654
Depreciation and Amortization Expense	438,993
Other General Expenses	$120,290
Total Operating Expenses	11,365,459
OPERATING (LOSS)	$ (9,320,872)
NONOPERATING REVENUES (EXPENSES)	
HUD Subsidies and Grant Revenue	$ 7,821,380
Other Government Grants	1,751,728
Gain on Sale of Fixed Assets	1,208,346
Investment Income	492
Interest Expense	(557,481)
Total NonOperating Revenues (Expenses)	10,224,465
Income before Contributions, Transfers, Extraordinary and special items	903,593
CAPITAL CONTRIBUTIONS	
HUD Capital Grant	283,691
CHANGE IN NET POSITION	1,187,284
BEGINNING TOTAL NET POSITION - 10/01/2011	$1,799,786
ENDING TOTAL NET POSITION - 09/30/2012	$2,987,070

Housing Authority of the City of Longview
Statement of Cash Flows
For the Year Ended September 30, 2012

	Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Tenants	$ 1,244,884
Payments to Employees	(1,692,374)
Payments to Suppliers	(684,547)
Housing Assistance Payments	(8,011,580)
Other Receipts (Payments)	684,964
Net Cash Provided (Used) in Operating Activities	(8,458,653)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grant Receipts (Payments)	9,830,914
Other Receipts (Payments)	437,679
Net cash provided (used) by noncapital financing activities	10,268,593
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	2,486,351
Capital Contributions	283,691
Sale (Purchase) of Capital Assets	3,181,013
(Principal Payments on Capital Debt)	(7,457,366)
(Interest Payments on Capital Debt)	(783,742)
Net cash provided (used) by capital and related financing activities	(2,290,053)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale (Purchase) of Investments	613,420
Interest and Dividends	492
Net Cash Used in Investing Activities	613,912
Net Increase (Decrease) in Cash and Cash Equilalents	133,799
Cash at the Beginning of the Year	1,736,724
Cash at the End of the Year	$ 1,870,523
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Operating (Loss)	$ (9,320,872)
Adjustments to Reconcile Operating (Loss) to Net Cash:	
Depreciation Expense & Amortization	438,993
Changes in Assets and Liabilities:	
Decrease (Increase) in Receivables	7,685
Decrease (Increase) in Prepaid Expenses	(1,926)
Decrease (Increase) in Inventories	(2,954)
Increase (Decrease) in Accounts Payable	500,658
Increase (Decrease) in Other Payables	(80,237)
Total Adjustments	862,219
NET CASH (USED IN) OPERATING ACTIVITIES	$ (8,458,653)

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 $100,289 of Debt Issue Costs which offsets outstanding debt.

b. Excludes $260,980 of capital outlays financed through accounts payable.

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. The following is a summary of the most significant policies:

This year is the first year the authority has implemented GASB 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

a. <u>Reporting Entity</u>

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. <u>Basis of Accounting And Presentation</u>

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 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.

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.

Note 1 - SUMMARY OF SIGNIFICANT POLICIES – (CONTINUED)

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.

Note 1 - SUMMARY OF SIGNIFICANT POLICIES – (CONTINUED)

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:

Asset Categories	Years
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 un-segregated 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.

Note 1 - SUMMARY OF SIGNIFICANT POLICIES – (CONTINUED)

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 12).

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.

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, 2012 investments consisted of the following:

Investment	Value
Money Market	112,856
Total	$ 112,856

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.

Note 3 – DEPOSITS AND INVESTMENTS – (CONTINUED)

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, 2012 was as follows:

Project	Beginning Balance	Additions	Sales	Ending Balance
3	114,026	14,803	128,829	-
5	105,008	662	105,670	-
	$ 219,034	$ 15,465	$ 234,499	$ -

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.

Note 5 – NOTES RECEIVABLE – (CONTINUED)

Purpose	Orgital Amount	Issue Date	Maturity	Interest Rate	Amount Outstanding
Forgiveable Notes-Roulette	$ 37,500	Dec/2008	Dec/2018	0%	$ 23,437
Forgiveable Notes-Roberts, K	10,000	Jan/2009	Jan/2014	0%	2,667
Forgiveable Notes-Partain	36,750	Jun/2009	Jun/2019	0%	24,806
Forgiveable Notes-Roberts, C.	10,000	Sep/2009	Sep/2014	0%	4,000
Forgiveable Notes-Roberts, C.	36,750	Sep/2009	Sep/2019	0%	25,725
Forgiveable Notes-Chappelle	15,000	Mar/2010	Mar/2020	0%	11,250
Forgiveable Notes-Dotson	38,000	Mar/2010	Jan/2020	0%	27,867
	184,000				119,752
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
Notes - Johnson	10,000	Mar/2012	Mar/2042	0%	10,000
Notes - Rogers	10,000	Apr/2012	Apr/2042	0%	10,000
Notes - McLean	30,000	Sep/2012	Sep/2042	0%	30,000
	180,000				180,000
	$ 364,000				$ 299,752

Notes receivable activity for the period ending 9/30/2012 was:

	Beginning Balance	Increases	Decreases	Ending Balance
Forgivable Notes	$ 154,175	$ -	$ 34,423	$ 119,752
Notes	130,000	50,000	-	180,000
	$ 284,175	$ 50,000	$ 34,423	$ 299,752

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.

Note 6 – CAPITAL ASSETS – (CONTINUED)

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.

Capital asset activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,911,180	$ 230,400	$ 390,191	$ 1,751,389
Construction in progress	287,453	1,138,805	193,836	1,232,422
Total capital assets not being depreciated	2,198,633	1,369,205	584,027	2,983,811
Capital assets being depreciated:				
Buildings/improvements	17,059,072	563,755	5,342,899	12,279,928
Furniture, Equipment & Machinery - Dwellings	14,301	-	-	14,301
Furniture, Equipment & Machinery - Administration	230,878	22,088	21,078	231,888
Leasehold Improvements	2,727,052	-	-	2,727,052
Total capital assets being depreciated	20,031,303	585,843	5,363,977	15,253,169
Less total accumulated depreciation	(5,717,290)	(438,993)	(1,888,786)	(4,267,497)
Total capital assets being depreciated, net	14,314,013	146,850	3,475,191	10,985,672
Total capital assets, net	$ 16,512,646	$ 1,516,055	$ 4,059,218	$ 13,969,483

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, Wahkiakum County, Winlock and Woodland to provide housing services in those communities.

The Authority also provides some management services though contract to the Joint Pacific County Housing Authority.

Note 8 - CONSTRUCTION IN PROGRESS

Construction in progress represents expenses to date on projects whose authorizations total $1,534,733. The committed balance of $1,534,733 is fully funded.

Note 9 – SHORT TERM DEBT

Short term activities for the year ended September 30, 2012 were as follows:

Debt	Beginning Balance 10/1/2011	Issued	Redeemed	Ending Balance 9/30/2012	Purpose
Line of Credit	$ 79,350	$ -	$ 79,350	$ -	Purchase/Sale of Share Home
Construction Loan	-	300,000	300,000	-	Construction Loan
Line of Credit	-	250,000	-	250,000	Operations Loan
Line of Credit	36,469	84,507	36,469	84,507	Pre development of Lilac Gardens
	$ 115,819	$ 634,507	$ 415,819	$ 334,507	

Note 10 – 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, 2012 amounted to $15,985.

Future minimum rental commitments for these leases are as follows:

Fiscal Year Ended	Minimum Lease Commitment
2013	17,061
2014	11,815
2015	3,928
2016	2,950
2017	500
2018-2048	15,500
	$ 51,754

b. Capital Lease(s)

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

Note 11 - 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 12 - LONG TERM DEBT AND LIABILITIES

a. Revenue Bonds:

The Authority issues revenue bonds to finance the acquisition or construction of low-income housing units. The revenue bonds are being repaid by the Authority's revenues.

Governmental GAAP for Proprietary Funds requires that Original Issue Discounts and Debt Issuance Costs be carried as an adjustment to the debt owing and amortized over the life of the debt. The amount amortized each year is added to interest expense. The unamortized amounts are reported net of the outstanding debt. As of 9/30/12 the unamortized balance is $110,168.

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%	$ 645,000
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%	370,000
Acquire Mint Place Apartments, advance refund 1992 bond issue, fund improvements and a debt service reserve. Sold property 10/2011.	9,090,000	October 1, 1998	2029	5.13%	-
Total	$ 10,560,000				$ 1,015,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending 9/30/xxxx	Principal	Interest	Required Debt Service
2013	45,000	65,848	110,848
2014	50,000	62,908	112,908
2015	55,000	59,475	114,475
2016	55,000	55,880	110,880
2017	60,000	52,093	112,093
2018-2022	365,000	194,163	559,163
2023-2027	385,000	57,474	442,474
	$ 1,015,000	$ 547,841	$ 1,562,841

There is $112,856 shown in restricted investments of the Authority. This investment represents debt service reserve requirements as contained in the various indentures.

Note 12 - LONG TERM DEBT AND LIABILITIES – (CONTINUED)

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.

Purpose	Original Amount	Issue Date	Fiscal Year Maturity	Interest Rate	Amount Outstanding
Purchase Hemlock (4 plex)	85,500	4/6/2001	2031	8.25%	73,015
Refinance Harmony House	55,637	9/4/2009	2028	6.50%	50,479
Acquire single family residence	27,461	8/14/2008	2023	4.50%	22,211
Acquire land and construct 17 units of elderly housing*	850,500	8/11/1998	2048	1.00%	977,628
Acquire land and construct 17 units of elderly housing	250,000	4/30/1998	2014	2.00%	28,848
Acquire land and construct 17 units of elderly housing	188,691	3/4/1998	2028	3.25%	144,674
Purchase 61 units of senior housing	1,438,736	10/12/1995	2035	1.00%	1,245,602
Purchase 39 units of elderly/disabled housing	1,238,636	8/1/1995	2031	1.00%	915,234
Finance leasehold improvements for Sylvester Arms apartments	1,503,567	1/9/1994	2029	1.00%	1,428,496
Purchase 16 units of family housing	493,016	10/25/2005	2045	0.00%	493,015
	99,743	1/19/2006	2036	1.00%	94,116
	242,569	1/19/2006	2036	1.00%	228,885
Purchase 35 units of family housing	555,032	10/25/2005	2045	0.00%	555,034
	360,748	1/19/2006	2036	1.00%	340,397
	571,735	1/19/2006	2036	1.00%	539,481
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%	38,132
Construction of 20 units of assisted housing	1,775,000	6/30/2008	2059	0.00%	1,775,000
Refinance Blackstone Apts	609,167	10/7/2011	2021	6.50%	597,000
Refinance Woodside West Apts	622,681	10/7/2011	2021	6.50%	610,244
Refinance Sylvester Apts	772,166	6/19/2012	2022	6.50%	767,502
	$ 12,115,684				$ 11,259,994

* The table reflects $127,128 of accrued interest at the end of 9/30/2012.

Mortgage debt service requirements to maturity are as follows:

Note 12 - LONG TERM DEBT AND LIABILITIES – (CONTINUED)

Year Ending 9/30/xxxx	Principal*	Interest	Required Debt Service
2013	178,151	408,055	586,206
2014	530,587	398,817	929,404
2015	195,699	378,921	574,620
2016	239,227	367,796	607,023
2017	215,688	354,722	570,410
2018-2022	2,324,399	1,539,610	3,864,009
2023-2027	1,157,200	894,848	2,052,048
2028-2032	1,223,781	589,734	1,813,515
2033-2037	1,106,101	288,631	1,394,732
2038-2042	733,660	139,619	873,279
2043-2047	1,580,546	32,499	1,613,045
2048-2052	40,550	406	40,956
2053-2057	-	-	-
2058-2062	1,775,000	-	1,775,000
	$ 11,300,589	$ 5,393,658	$ 16,694,247

* Principal includes $176,096 of accrued interest.

Note 12 - LONG TERM DEBT AND LIABILITIES – (CONTINUED)

c. Notes Payable

The Authority has taken out consumer loans in support of construction activities and for the purchase of vehicles.

Purpose		Orginal Amount	Issue Date	Maturity	Interest Rate		9/30/2012 Amount Outstanding
Community Frameworks*	$	15,000	Mar/2009	Feb/2019	-	$	15,000
Construction Loan**		75,000	Feb/2011	Dec/2012	-		75,000
Auto Loan		12,830	Sep/2012	Sep/2016	6.00%		12,830
	$	102,830				$	102,830

Loan debt service requirements to maturity are as follows:

Year Ending 9/30/xxxx		Principal		Interest		Required Debt Service
2013		77,926		690		78,616
2014		3,106		510		3,616
2015		3,298		318		3,616
2016		3,501		115		3,616
	$	87,831	$	1,633	$	89,464

* 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.

** Community Frameworks provided a no interest loan for predevelopment expenses in connection with the Lilac Place development in Woodland, WA.

d. Changes in Long-Term Liabilities

During the year ended September 30, 2012, the following changes occurred in long-term liabilities:

Note 12 - LONG TERM DEBT AND LIABILITIES – (CONTINUED)

	Balance 10/1/2011	Additions	Reductions	Balance 9/30/2012	Within One Year
Revenue Bonds Payable	$ 7,985,000	$ -	$ 6,970,000	$ 1,015,000	$ 45,000
Less Deferred amounts for OID	(98,174)	-	(98,174)	-	-
Total Bonds Payable	7,886,826	-	6,871,826	1,015,000	45,000
Mortgages Payable	9,295,143	2,004,014	166,290	11,132,867	178,152
Notes Payable	10,000	92,830	-	102,830	77,949
Accrued Interest	117,448	9,680	-	127,128	-
Compensated Absences	68,746	5,870		74,616	8,210
Total Long Term Liabilities	$ 17,378,163	$ 2,112,394	$ 7,038,116	$ 12,452,441	$ 309,311

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, 2012 the Authority estimates that no arbitrage rebate exists and that no liability exists.

There are a number of other limitations and restrictions contained in the various bond, mortgage and note indentures. The Authority is in compliance with all significant limitations and restrictions.

The Authority has pledged future rental revenue, net of operating expenses, to repay $1,015,000 in housing revenue bonds issued between 1995 and 1998; $11,300,589 in mortgages issued between 1994 and 2012 and $87,830 in notes issued in 2011 and 2012. The bonds and mortgages are payable solely from rental revenue, the notes are payable from rental and service revenues and are payable through 2032. Annual principal and interest payments on the bonds, mortgages and notes are expected to require less than 25 percent of net revenues. The total principal and interest remaining to be paid on the bonds, mortgages and notes is $18,346,552. Principal and interest paid for the current year and net revenues were $877,644 and $3,931,669 respectively.

Note 13 - PENSION PLANS

Substantially all 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 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

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in the Judicial Retirement System); employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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.

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 exercised 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.

Note 13 - PENSION PLANS – (CONTINUED)

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) was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may 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 and is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may 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 members can receive credit for military service. 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.

Note 13 - PENSION PLANS – (CONTINUED)

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.

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 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 contributions and 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.

Note 13 - PENSION PLANS – (CONTINUED)

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.

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 1,197 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	$ 76,899
Terminated Plan Members Entitled to but not yet Receiving Benefits	28,860
Active Plan Members Vested	105,521
Active Plan Members Non-vested	51,005
Total	**$ 262,285**

Note 13 - PENSION PLANS – (CONTINUED)

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS 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 Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. 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 payroll, as of September 30, 2012, are as follows:

	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 10.80% for Plan 1 and 7.25% 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 4.64% 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
2012	$ 1,888	$ 79,932	$ 15,970
2011	$ 1,817	$ 55,607	$ 13,889
2010	$1,623	$ 46,332	$ 14,160

Note 14 - 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 15 – 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, 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).

Note 15 – RISK MANAGEMENT – (CONTINUED)

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.

Note 16 – SUBSEQUENT EVENTS

The Authority has entered into a Purchase and Sales agreement to acquire four duplexes in Woodland, WA. The project is being funded in part with a loan from the Washington Community Reinvestment Association. The closing date on the purchase is schedule for January 30, 2013.

The Washington Department of Commerce has made a commitment of $800,000 for the rehabilitation of 20 housing units in Longview, WA, providing a total of 24 beds for homeless veterans, including households with children. This project is anticipated to begin in early 2013.

The City of Longview has made a commitment of $60,000 for blighted property redevelopment in Longview. This project is anticipated to begin in December of 2012.

The line of credit for "Operating Loan and Pre development of Lilac Gardens" of $334,507 was paid in full October 1st, 2012. The "Construction Loan" of $75,000 was paid in full December 20th, 2012.

Housing Authority of the City of Longview

Schedule of Expenditures of Federal Awards
For the year ended September 30, 2012

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	$ 172,395	$ -	$ 172,395
Rural Rental Assistance Payments	10.427	56-15-911012000-16/56-51-911012000-28	500,815	-	500,815
Total Department of Agriculture			673,210	-	673,210
Department of Housing & Urban Development:					
Community Development Block Grant	14.228				
City of Longview		2011-EN #138		4472	4,472
City of Longview		2012-EN #144		400	400
Cowlitz County		Landlord Incentive	-	6,430	6,430
Neighborhood Stablizaton Program					
City of Kelso			-	4,146	4,146
Total CDBG			-	15,448.00	15,448.00
Home Investment Partnerships Program	14.239				
City of Longview		2005-EN #102	-	6,256	6,256
City of Longview		2010-EN #123	-	34,090	34,090
City of Longview		2010-EN #128	-	76,471	76,471
City of Longview		Blighted Property #135	-	79,998	79,998
Washington Dept of Commerce		10-47101-116	-	207,365	207,365
Washington Dept of Commerce		10-47101-117	-	159,735	159,735
Clark County		#2010-HOME-10H2	-	63,390	63,390
Longview/Kelso Consortium		Share Longview	-	5,000	5,000
Washington Dept of Commerce		Share	-	40,000	40,000
Total Home			-	672,305	672,305
Housing Opportunities for Persons with AIDS	14.241	10-46201-06			
Washington Dept of Commerce			-	67,812	67,812
EDI Special Projects	14.251	Stratford	127,222	-	127,222
Lower Income Housing Assistance Program	14.856	WA007MR0001	84,007	-	84,007
Housing Choice Vouchers	14.871	WA007VO	7,737,373	-	7,737,373
Total Department of Housing & Urban Development			7,948,602	755,565	8,704,167
Department of Veterans Affairs					
Veterans Transitional Housing	64.024	VA260-P-1019	83,713	-	83,713
Veterans Per-Diem	64.024	08-90-WA	272,401	-	272,401
			356,114	-	356,114
Total Federal Assistance			$ 8,894,213	$ 755,565	$ 9,733,491

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

HOUSING AUTHORITY OF THE CITY OF LONGVIEW
Notes to the Schedule of Expenditures of Federal Awards
For the year ended September 30, 2012

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 $7,735,213.

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 $7,607,884 to develop, acquire and renovate low income housing. The amount listed includes loans proceeds received and the outstanding loan balance.

Purpose	Orginal Amount	9/30/2012 Amount
Purchase 61 units of senior housing (Hawthorne House)	$ 1,438,736	$ 1,245,602
Purchase 39 units of elderly/disabled housing (Tulip Valley)	1,238,636	915,234
Purchase 16 units of family housing (Columbia View)	99,743	94,116
	242,569	228,885
Purchase 35 units of family housing (Riverview)	360,748	340,397
	571,735	539,481
Course of Construction Loan (Stratford)	300,000	-
Community Frameworks	15,000	15,000
Construction of 20 unist of assisted housing (Phoenix House)	1,775,000	1,775,000
Renovation of 35 senior housing (Sylvester)	1,565,717	1,428,496
	$ 7,607,884	$ 6,582,211

Note 4 – AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for this program (CFDA 14.241) is $50,602 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: 09/30/2012

	10.415 Rural Rental Housing Loans	14.228 Community Development Block Grants/State's Program	14.241 Housing Opportunities for Persons with AIDS	10.427 Rural Rental Assistance Payments	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	64.024 VA Homeless Providers Grant and Per Diem Program	8 Other Federal Program 1	1 Business Activities	14.856 Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat	Subtotal	ELIM	Total
111 Cash - Unrestricted				$662,351	$66,229	$118,868	$11,966		$61,871	$6,805	$928,090		$928,090
112 Cash - Restricted - Modernization and Development										$0			
113 Cash - Other Restricted				$231,563		$625,177			$17,297	$0	$874,037		$874,037
114 Cash - Tenant Security Deposits				$37,666					$30,730	$0	$68,396		$68,396
115 Cash - Restricted for Payment of Current Liabilities										$0			
100 Total Cash	$0	$0	$0	$931,580	$66,229	$744,045	$11,966	$0	$109,898	$6,805	$1,870,523	$0	$1,870,523
121 Accounts Receivable - PHA Projects						$3,325				$0	$3,325		$3,325
122 Accounts Receivable - HUD Other Projects										$0			
124 Accounts Receivable - Other Government		$6,830			$27,047	$42	$33,566		$16,805	$0	$84,290		$84,290
125 Accounts Receivable - Miscellaneous		$4,146	$208			$2,666	$1,100		$45,714	$0	$53,834		$53,834
126 Accounts Receivable - Tenants				$205					$10,895	$0	$11,100		$11,100
126.1 Allowance for Doubtful Accounts -Tenants				-$85					-$762	$0	-$847		-$847
126.2 Allowance for Doubtful Accounts - Other		$0	$0		$0	$0	$0		$0	$0	$0		$0
127 Notes, Loans, & Mortgages Receivable - Current										$0			
128 Fraud Recovery						$4,403				$0	$4,403		$4,403
128.1 Allowance for Doubtful Accounts - Fraud						$0				$0	$0		$0
129 Accrued Interest Receivable										$0			
120 Total Receivables, Net of Allowances for Doubtful Accounts	$0	$10,976	$208	$120	$27,047	$10,436	$34,666	$0	$72,652	$0	$156,105	$0	$156,105
131 Investments - Unrestricted										$0			
132 Investments - Restricted				$72,060					$40,796	$0	$112,856		$112,856
135 Investments - Restricted for Payment of Current Liability										$0			
142 Prepaid Expenses and Other Assets				$11,194			$1,458		$4,520	$0	$17,172		$17,172
143 Inventories				$537					$3,191	$0	$3,728		$3,728
143.1 Allowance for Obsolete Inventories				$0					$0	$0	$0		$0
144 Inter Program Due From									$278,819	$0	$278,819	-$278,819	$0
145 Assets Held for Sale										$0			
150 Total Current Assets	$0	$10,976	$208	$1,015,491	$93,276	$754,481	$48,090	$0	$509,876	$6,805	$2,439,203	-$278,819	$2,160,384
161 Land				$572,737					$1,178,652	$0	$1,751,389		$1,751,389
162 Buildings				$5,597,699					$6,682,228	$0	$12,279,927		$12,279,927
163 Furniture, Equipment & Machinery - Dwellings									$14,301	$0	$14,301		$14,301
164 Furniture, Equipment & Machinery - Administration				$13,805		$73,134	$16,038		$128,911	$0	$231,888		$231,888
165 Leasehold Improvements						$10,397			$2,716,656	$0	$2,727,053		$2,727,053
166 Accumulated Depreciation				-$1,727,645		-$66,267	-$1,604		-$2,471,981	$0	-$4,267,497		-$4,267,497
167 Construction in Progress									$1,232,422	$0	$1,232,422		$1,232,422
168 Infrastructure										$0			
160 Total Capital Assets, Net of Accumulated Depreciation	$0	$0	$0	$4,456,596	$0	$17,264	$14,434	$0	$9,481,189	$0	$13,969,483	$0	$13,969,483

171 Notes, Loans and Mortgages Receivable - Non-Current					$180,000				$119,752	$0	$299,752		$299,752
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due										$0			
173 Grants Receivable - Non Current										$0			
174 Other Assets										$0			
176 Investments in Joint Ventures										$0			
180 Total Non-Current Assets	$0	$0	$0	$4,456,596	$180,000	$17,264	$14,434	$0	$9,600,941	$0	$14,269,235	$0	$14,269,235
190 Total Assets	$0	$10,976	$208	$5,472,087	$273,276	$771,745	$62,524	$0	$10,110,817	$6,805	$16,708,438	-$278,819	$16,429,619
311 Bank Overdraft										$0			
312 Accounts Payable <= 90 Days				$12,015	$1,507				$397,022	$0	$410,544		$410,544
313 Accounts Payable >90 Days Past Due					$39					$0	$39		$39
321 Accrued Wage/Payroll Taxes Payable		$1,825		$17,678		$34,316	$16,054		$90,275	$228	$160,376		$160,376
322 Accrued Compensated Absences - Current Portion				$643		$1,004	$293		$6,224	$6	$8,170		$8,170
324 Accrued Contingency Liability										$0			
325 Accrued Interest Payable				$21,349					$18,332	$0	$39,681		$39,681
331 Accounts Payable - HUD PHA Programs										$0			
332 Account Payable - PHA Projects										$0			
333 Accounts Payable - Other Government										$0			
341 Tenant Security Deposits				$37,666					$30,730	$0	$68,396		$68,396
342 Deferred Revenues				$7,479					$15,195	$0	$22,674		$22,674
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds				$103,172			$2,951		$194,978	$0	$301,101		$301,101
344 Current Portion of Long-term Debt - Operating Borrowings										$0			
345 Other Current Liabilities						$53,123			$750	$0	$53,873		$53,873
346 Accrued Liabilities - Other									$347	$0	$347		$347
347 Inter Program - Due To		$6,234	$2,872		$32,114		$1,664		$235,935	$0	$278,819	-$278,819	$0
348 Loan Liability - Current									$334,507	$0	$334,507		$334,507
310 Total Current Liabilities	$0	$8,059	$2,872	$200,002	$33,660	$88,443	$20,962	$0	$1,324,295	$234	$1,678,527	-$278,819	$1,399,708
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				$4,936,928	$15,000		$9,879		$7,014,628	$0	$11,976,435		$11,976,435
352 Long-term Debt, Net of Current - Operating Borrowings										$0			
353 Non-current Liabilities - Other										$0			
354 Accrued Compensated Absences - Non Current				$5,199	$312	$8,124	$2,370		$50,354	$47	$66,406		$66,406
355 Loan Liability - Non Current										$0			
356 FASB 5 Liabilities										$0			
357 Accrued Pension and OPEB Liabilities										$0			
350 Total Non-Current Liabilities	$0	$0	$0	$4,942,127	$15,312	$8,124	$12,249	$0	$7,064,982	$47	$12,042,841	$0	$12,042,841
300 Total Liabilities	$0	$8,059	$2,872	$5,142,129	$48,972	$96,567	$33,211	$0	$8,389,277	$281	$13,721,368	-$278,819	$13,442,549
508.1 Invested In Capital Assets, Net of Related Debt		$0	$0	-$583,504	-$15,000	$17,264	$1,604		$2,271,583	$0	$1,691,947		$1,691,947
511.1 Restricted Net Assets		$0	$0	$303,623	$0	$625,177	$0		$58,093	$0	$986,893		$986,893
512.1 Unrestricted Net Assets	$0	$2,917	-$2,664	$609,839	$239,304	$32,737	$27,709	$0	-$608,136	$6,524	$308,230		$308,230
513 Total Equity/Net Assets	$0	$2,917	-$2,664	$329,958	$224,304	$675,178	$29,313	$0	$1,721,540	$6,524	$2,987,070	$0	$2,987,070
600 Total Liabilities and Equity/Net Assets	$0	$10,976	$208	$5,472,087	$273,276	$771,745	$62,524	$0	$10,110,817	$6,805	$16,708,438	-$278,819	$16,429,619

Housing Authority City of Longview (WA007)

Longview, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133 Fiscal Year End: 09/30/2012

	10.415 Rural Rental Housing Loans	14.228 Community Development Block Grants/State's Program	14.241 Housing Opportunities for Persons with AIDS	10.427 Rural Rental Assistance Payments	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	64.024 VA Homeless Providers Grant and Per Diem Program	8 Other Federal Program 1	1 Business Activities	14.856 Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue				$419,453					$806,232	$0	$1,225,685		$1,225,685
70400 Tenant Revenue - Other				$45,893					$25,178	$0	$71,071		$71,071
70500 Total Tenant Revenue	$0	$0	$0	$465,346	$0	$0	$0	$0	$831,410	$0	$1,296,756	$0	$1,296,756
70600 HUD PHA Operating Grants						$7,737,373				$0	$7,737,373		$7,737,373
70610 Capital Grants					$156,469			$127,222		$0	$283,691		$283,691
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										$0	$0	$0	$0
70800 Other Government Grants	$172,395	$15,448	$67,812	$500,815	$520,836	$45,914	$356,114		$72,394	$84,007	$1,835,735		$1,835,735
71100 Investment Income - Unrestricted				$137		$0			$231	$0	$368		$368
71200 Mortgage Interest Income										$0			
71300 Proceeds from Disposition of Assets Held for Sale					$218,549					$0	$218,549		$218,549
71310 Cost of Sale of Assets					-$234,441					$0	-$234,441		-$234,441
71400 Fraud Recovery						$2,444				$0	$2,444		$2,444
71500 Other Revenue					$12,388	$586,652	$886		$676,231	$0	$1,276,157	-$514,878	$761,279
71600 Gain or Loss on Sale of Capital Assets						-$4,240			$1,212,586	$0	$1,208,346		$1,208,346
72000 Investment Income - Restricted				$124					$0	$0	$124		$124
70000 Total Revenue	$172,395	$15,448	$67,812	$966,422	$673,801	$8,368,143	$357,000	$127,222	$2,792,852	$84,007	$13,625,102	-$514,878	$13,110,224
91100 Administrative Salaries		$8,248	$904	$14,342	$6,753	$268,623	$72,047		$541,227	$2,284	$914,428		$914,428
91200 Auditing Fees				$9,543	$570	$5,827	$238		$15,250	$54	$31,482		$31,482
91300 Management Fee				$95,658	$14,274	$289,226	$63,783		$50,866	$2,808	$516,615	-$514,878	$1,737
91310 Book-keeping Fee										$0			
91400 Advertising and Marketing										$0			
91500 Employee Benefit contributions - Administrative		$3,721	$219	$8,981	$2,571	$99,244	$36,736		$155,008	$834	$307,314		$307,314
91600 Office Expenses		$147	$76	$22,874	$2,711	$52,554	$24,641		$194,936	$177	$298,116		$298,116
91700 Legal Expense										$0			
91800 Travel										$0			
91810 Allocated Overhead										$0			
91900 Other										$0			
91000 Total Operating - Administrative	$0	$12,116	$1,199	$151,398	$26,879	$715,474	$197,445	$0	$957,287	$6,157	$2,067,955	-$514,878	$1,553,077
92000 Asset Management Fee										$0			
92100 Tenant Services - Salaries					$870	$59,028	$52,455		$16,364	$0	$128,717		$128,717
92200 Relocation Costs										$0			
92300 Employee Benefit Contributions - Tenant Services					$196	$12,061	$12,190		$4,771	$0	$29,218		$29,218
92400 Tenant Services - Other		$55		$89	$43,000	$15	$69,111		$35,616	$0	$147,886		$147,886
92500 Total Tenant Services	$0	$55	$0	$89	$44,066	$71,104	$133,756	$0	$56,751	$0	$305,821	$0	$305,821
93100 Water				$34,190					$22,235	$0	$56,425		$56,425
93200 Electricity				$29,006					$46,536	$0	$75,542		$75,542
93300 Gas									$6,706	$0	$6,706		$6,706
93400 Fuel										$0			

93500 Labor										$0			
93600 Sewer				$59,066					$44,028	$0	$103,094		$103,094
93700 Employee Benefit Contributions - Utilities										$0			
93800 Other Utilities Expense				$38,007					$19,999	$0	$58,006		$58,006
93000 Total Utilities	$0	$0	$0	$160,269	$0	$0	$0	$0	$139,504	$0	$299,773	$0	$299,773
94100 Ordinary Maintenance and Operations - Labor				$84,366					$116,125	$0	$200,491		$200,491
94200 Ordinary Maintenance and Operations - Materials and Other				$12,208					$55,591	$0	$67,799		$67,799
94300 Ordinary Maintenance and Operations Contracts				$142,142					$139,611	$0	$281,753		$281,753
94500 Employee Benefit Contributions - Ordinary Maintenance				$40,171					$41,627	$0	$81,798		$81,798
94000 Total Maintenance	$0	$0	$0	$278,887	$0	$0	$0	$0	$352,954	$0	$631,841	$0	$631,841
95100 Protective Services - Labor									$4,477	$0	$4,477		$4,477
95200 Protective Services - Other Contract Costs				$1,532						$0	$1,532		$1,532
95300 Protective Services - Other										$0			
95500 Employee Benefit Contributions - Protective Services										$0			
95000 Total Protective Services	$0	$0	$0	$1,532	$0	$0	$0	$0	$4,477	$0	$6,009	$0	$6,009
96110 Property Insurance				$18,548	$517	$4,885	$511		$18,568	$48	$43,077		$43,077
96120 Liability Insurance										$0			
96130 Workmen's Compensation										$0			
96140 All Other Insurance										$0			
96100 Total insurance Premiums	$0	$0	$0	$18,548	$517	$4,885	$511	$0	$18,568	$48	$43,077	$0	$43,077
96200 Other General Expenses				$1,774	$1	$36,818	$91		$14,031	$0	$52,715		$52,715
96210 Compensated Absences										$0			
96300 Payments in Lieu of Taxes				$13,897					$597	$0	$14,494		$14,494
96400 Bad debt - Tenant Rents				$2	$51	$2,755			$4,835	$0	$7,643		$7,643
96500 Bad debt - Mortgages										$0			
96600 Bad debt - Other		$575		$1,647						$0	$2,222		$2,222
96800 Severance Expense										$0			
96000 Total Other General Expenses	$0	$575	$0	$17,320	$52	$39,573	$91	$0	$19,463	$0	$77,074	$0	$77,074
96710 Interest of Mortgage (or Bonds) Payable	$172,395			$104,170					$224,880	$0	$501,445		$501,445
96720 Interest on Notes Payable (Short and Long Term)									$8,280	$0	$8,280		$8,280
96730 Amortization of Bond Issue Costs				$1,282					$46,474	$0	$47,756		$47,756
96700 Total Interest Expense and Amortization Cost	$172,395	$0	$0	$105,452	$0	$0	$0	$0	$279,634	$0	$557,481	$0	$557,481
96900 Total Operating Expenses	$172,395	$12,746	$1,199	$733,495	$71,514	$831,036	$331,803	$0	$1,828,638	$6,205	$3,989,031	-$514,878	$3,474,153
97000 Excess of Operating Revenue over Operating Expenses	$0	$2,702	$66,613	$232,927	$602,287	$7,537,107	$25,197	$127,222	$964,214	$77,802	$9,636,071	$0	$9,636,071
97100 Extraordinary Maintenance										$0			
97200 Casualty Losses - Non-capitalized										$0			
97300 Housing Assistance Payments			$66,569	$27	$380,764	$6,900,371			$7,089	$72,892	$7,427,712		$7,427,712
97350 HAP Portability-In						$581,942				$0	$581,942		$581,942
97400 Depreciation Expense				$190,235		$3,665	$1,604		$243,489	$0	$438,993		$438,993
97500 Fraud Losses						$141				$0	$141		$141
97600 Capital Outlays - Governmental Funds										$0			
97700 Debt Principal Payment - Governmental Funds										$0			
97800 Dwelling Units Rent Expense										$0			
90000 Total Expenses	$172,395	$12,746	$67,768	$923,757	$452,278	$8,317,155	$333,407	$0	$2,079,216	$79,097	$12,437,819	-$514,878	$11,922,941
10010 Operating Transfer In										$0			
10020 Operating transfer Out										$0			
10030 Operating Transfers from/to Primary Government										$0			

10040 Operating Transfers from/to Component Unit										$0			
10050 Proceeds from Notes, Loans and Bonds										$0			
10060 Proceeds from Property Sales										$0			
10070 Extraordinary Items, Net Gain/Loss										$0			
10080 Special Items (Net Gain/Loss)										$0			
10091 Inter Project Excess Cash Transfer In										$0			
10092 Inter Project Excess Cash Transfer Out										$0			
10093 Transfers between Program and Project - In										$0			
10094 Transfers between Project and Program - Out										$0			
10100 Total Other financing Sources (Uses)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	$0	$2,702	$44	$42,665	$221,523	$50,988	$23,593	$127,222	$713,636	$4,910	$1,187,283	$0	$1,187,283
11020 Required Annual Debt Principal Payments	$0	$0	$0	$92,374	$0	$0	$0	$0	$651,046	$0	$743,420		$743,420
11030 Beginning Equity	$0	$215	-$2,708	$287,293	$294,147	$624,190	$5,720	$281,082	$308,234	$1,614	$1,799,787		$1,799,787
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors			$0		-$291,366			-$408,304	$699,670	$0	$0		$0
11050 Changes in Compensated Absence Balance										$0			
11060 Changes in Contingent Liability Balance										$0			
11070 Changes in Unrecognized Pension Transition Liability										$0			
11080 Changes in Special Term/Severance Benefits Liability										$0			
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents										$0			
11100 Changes in Allowance for Doubtful Accounts - Other										$0			
11170 Administrative Fee Equity						$102,684				$0	$102,684		$102,684
11180 Housing Assistance Payments Equity						$572,494				$0	$572,494		$572,494
11190 Unit Months Available		36	234	1812	1147	15864	608		1728	144	21573		21573
11210 Number of Unit Months Leased		36	234	1774	879	14744	595		1629	137	20028		20028
11270 Excess Cash										$0			
11610 Land Purchases										$0			
11620 Building Purchases										$0			
11630 Furniture & Equipment - Dwelling Purchases										$0			
11640 Furniture & Equipment - Administrative Purchases										$0			
11650 Leasehold Improvements Purchases										$0			
11660 Infrastructure Purchases										$0			
13510 CFFP Debt Service Payments										$0			
13901 Replacement Housing Factor Funds										$0			