HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
(HOUSING AUTHORITY OF THE CITY OF LONGVIEW)

FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

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

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Opportunities of Southwest Washington
Longview, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities (primary government) and the discretely presented component unit of the Housing Opportunities of Southwest Washington (the Authority), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Lilac Place Limited Liability Partnership which represents 100%, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Housing Opportunities of Southwest Washington as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 9, schedule of the Authority's proportionate share of the net pension liability on page 39, and schedule of employer contributions on page 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Awards Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and is not a required part of the basic financial statements. The Financial Data Schedule presented on pages 45 through 49 is presented for the purpose of additional analysis as required by HUD, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Finney, Neill & Company, P.S.

July 27, 2020
Seattle, Washington

The Housing Authority of the City of Longview (Authority), doing business as the Housing Opportunities of Southwest Washington (HOSWWA), management's discussion and analysis is intended 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.

The financial performance discussed in the following analyses does not include the tax credit partnership. The tax credit partnership is owned by a separate limited partnership with the Authority as the general partner. This separate legal entity is not carried directly on the books of the Authority. It is listed as a component unit in the financial statements and is detailed in portions of the notes to the financial statements. With those exceptions, neither this unit, nor its financial data, is included in the analysis and financial reports that follow.

Financial Highlights

- The Authority's overall cash position increased by $181 thousand (20%) during the year. Unrestricted cash and cash equivalents increased by $192 thousand (58%) and restricted cash and cash equivalents decreased by $11 thousand (1%).

- The Authority maintained average occupancy rate of 97% across all projects.

- Total assets and deferred outflows of resources of the authority exceeded total liabilities and deferred inflows of resources at September 30, 2019 by $1.5 million, which is a decrease of $394 thousand (34%) during the year. Non-operating (grants and interest) revenues were $11.7 million, an increase of $451 thousand. Tenant income decreased slightly from the previous year.

- Operating expenses were $12.8 million and include $9.4 million in housing assistance payments (HAP) made to landlords (73% of operating expenses). HAP increased by $640 thousand (7%) from the previous year. Total operating expenses before HAP decreased $562 thousand from the previous year.

Authority Wide Financial Statements

The focus of Authority-wide financial statements is on the overall financial position and activities of HOSWWA. The Authority's financial statements include a Statement of Net Position, a Statement of Revenues, Expenses & Changes in Net Position, a Statement of Cash Flows, Notes to the Financial Statements and Required Supplementary Information. The financial statements are prepared using the accrual basis of accounting and conform to generally accepted accounting principles as applicable to proprietary funds of governments.

The statement of net position presents total assets and deferred outflows of resources and total liabilities and deferred inflows of resources with the difference between these reported as net position. It provides information about the nature and amounts of investments in resources (assets), consumption of resources that are applicable to future periods (deferred outflows), obligations to the Authority's creditors (liabilities) and the acquisition of resources that are applicable to a future reporting period (deferred inflows). It provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Authority is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents the results of the business activities over the course of the year. This information can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and creditworthiness.

The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, financing, and investing activities over the course of the year. It presents information regarding where cash came from and what it was used for.

The notes to the financial statements provide useful information regarding the Authority's significant accounting policies, significant account balances and activities, certain material risks, estimates, obligations, commitments, contingencies, and subsequent events, if any.

Condensed Comparative Financial Information

<u>Condensed Comparative Statement of Net Position</u>

The following condensed statement of net position presents the assets and deferred outflow of resources of the Authority as of September 30, 2019 and 2018:

	Sept. 30, 2019	Sept. 30, 2018
Current assets	$ 1,344,384	$ 1,154,635
Capital assets	12,937,062	13,234,054
Other assets	1,208,043	1,126,955
Total assets	15,489,489	15,515,644
Deferred Outflows of Resources	90,252	88,469
Total assets and deferred outflows of resources	$ 15,579,741	$ 15,604,113
Current liabilities	$ 930,713	$ 1,404,667
Long-term liabilities	12,744,758	12,694,559
Total liabilities	13,675,471	14,099,226
Deferred Inflows of Resources	394,440	362,717
Total liabilities and deferred inflows of resources	$ 14,069,911	$ 14,461,943
Net position		
Net investment in capital assets	$ 619,427	$ 844,728
Restricted	389,722	404,176
Unrestricted	500,681	(106,734)
Total net position	$ 1,509,830	$ 1,142,170

Major Factors Affecting the Statement of Net Position

The Statement of Net Position measures the amount by which assets exceed the corresponding liabilities or net position. Over time this may serve as useful measure of the Authority's financial position.

The total net position of $1.5 million is presented in three categories.

- Investment in Capital Assets represents the book value amount invested in capital assets net of depreciation and related debt. The primary changes in this category are property development, depreciation and lowering our overall debt through the normal repayment of principal. This year the account has a decrease of $199 thousand and is $646 thousand at fiscal year-end. The decrease is due primarily to a decrease in capital assets, net, as capital additions and loan payments were more than offset by depreciation.

- The Restricted Net Position consists of three major components: debt service reserves held by trustees to support our debt service commitments, Housing Choice Voucher housing assistance payment (HAP) reserve and required reserves for replacement (maintenance reserves). HAP reserves are restricted and can only be used for housing assistance payments for the Housing Choice Voucher program. This category was relatively stable compared to the prior year, down by $14 thousand in fiscal year 2019 and ended the year at $390 thousand. HAP funding matched closely to HAP payments during the year, and therefore HAP reserves remained relatively unchanged.

- The Unrestricted Net Position represents the Authority's unrestricted cash and investments, which comprises net position that does not fall into the first two categories. In 2019, this amount increased by $607 thousand and ended the year at $501 thousand. The increase in this category is primarily a result of the decrease in net pension liability and increase in administrative fee equity (Housing Choice Voucher admin fee revenue exceeding administrative expenses).

Current assets increased by 16%, or $190 thousand. This increase is composed of cash and receivables from other governments for grant reimbursements due to timing of receipts. Capital assets decreased slightly due to depreciation being greater than additions.

Current liabilities decreased by 32%, or $473 thousand, primarily due to a reduction in the current portion of long-term debt.

<u>Condensed Comparative Statement of Revenues, Expenses & Changes in Net Position</u>

The Statement of Revenues, Expenses and Changes in Net Position present the results of operations as well as the non-operating revenues and expenses. It is necessary to consider both operating and non-operating revenues to gauge the results of operations, as grants and subsidies which are considered non-operating revenues are essential to the funding of the Authority. The following table presents the Condensed Statement of Revenues, Expenses and Changes in Net Position for the years ended on September 30, 2019 and 2018.

	Sept. 30, 2019	Sept. 30, 2018
Operating revenue		
Net tenant rental revenue	$ 1,244,133	$ 1,414,030
Other revenue	514,504	223,976
Total Operating Revenue	1,758,637	1,638,006
Non-operating revenue		
Government operating subsidies and grants	11,713,271	11,241,474
Other non-operating revenue	15,924	20,181
Total non-operating revenue	11,729,195	11,261,655
Total revenue	13,487,832	12,899,661
Operating expenses	12,728,838	12,749,669
Non-operating expenses		
Interest expense	391,334	382,504
Total expenses	13,120,172	13,132,173
Change in Net Position	$ 367,660	(232,512)
Net position, beginning	$ 1,142,170	$ 1,374,682
Net position, ending	$ 1,509,830	$ 1,142,170

Major Factors Affecting the Statement of Revenues, Expenses and Changes in Net Position

Direct grants and subsidies from HUD, USDA, VA and others grant programs, make up 86% of the revenue received. The largest program the Authority administers is the Housing Choice Voucher program, commonly known as the Section 8 program. This program also generates the Authority's largest single category of expense in the form of HAPs, which are transfer payments to private landlords to assist eligible low-income families with their rent.

A major factor affecting our Statement of Revenues, Expenses and Changes in Net Position is Congress' continued appropriation and support for these programs. In fiscal years 2019 and 2018, appropriations remained the same, however, because of rising rents and high occupancy rates in our local rental market, the Authority is assisting fewer families.

Conversely as a result of these factors our owned real estate has performed well in the local rental market. The Cowlitz County rental market is influenced by the Portland, OR and Vancouver, WA rental markets. The rental market in Cowlitz County has remained strong. This has led to rising rent levels and corresponding lower vacancy rates. We expect to see rents remain firm and likely increase, which should lead to increases in our operating revenues; however, this would be offset by potentially lower revenues from our governmental sponsored programs.

Capital Asset and Long-Term Debt Activity

Capital Assets

During the fiscal year the Authority had $13 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of $297 thousand from the end of last year.

	Sept. 30, 2019	Sept. 30, 2018	Net Change
Land	$ 2,271,229	$ 2,271,229	$ -
Construction in Progress	175,253	27,029	148,224
Total non-depreciable capital assets	2,446,482	2,298,258	148,224
Buildings	14,209,702	14,125,108	84,594
Equipment	219,497	213,997	5,500
Leasehold Improvements	2,716,656	2,716,656	-
Total depreciable capital assets	17,145,855	17,055,761	90,094
Accumulated Depreciation	(6,655,275)	(6,119,965)	(535,310)
Total depreciable capital assets, net	10,490,580	10,935,796	(445,216)
Total Capital Assets, net	$ 12,937,062	$ 13,234,054	$ (296,992)

For more information see Note 5 of the notes to the financial statements.

Long-Term Debt

As of September 30, 2019, the Authority had $12.3 million in loans, notes and mortgages. This was a slight decrease of $122 thousand from the prior year balance of $12.4 million. Debt was increased $100 thousand with the refinancing of the administration building. Debt decreased due to principal payments $222 thousand. This information is presented in detail in Note 8 of the notes to the financial statements.

Economic Factors Affecting the Authority

The Authority depends on funding from HUD for Housing Choice Voucher program, USDA, VA and Washington State to fund much of its administrative needs. In addition, the Authority operates multiple affordable housing programs located in Cowlitz, Lewis, Wahkiakum and Pacific Counties in Washington. Future operations could be affected by changes in federal low-income housing subsidies; economic or other changes in the southwest Washington geographical area; or by changes in the demand for such affordable housing and rHoaelated services.

HUD's funding of federal low-income housing subsidies is dependent on congressional appropriations and related budget prioritizations. Federal budget cuts enacted in prior years and expected to occur in future periods, represent the greatest on-going economic challenge for the Authority. The following funding impacts from such actions were experienced in 2019:

- The administrative cost portion of the Housing Choice Voucher program funding was funded at 80% of eligibility during 2017, 80% of eligibility during 2018 and 79% of eligibility as of August 2019.

- The Section 8 Housing Choice Voucher program Housing Assistance Payments was funded at 100% of subsidy eligibility during 2017, 99.5% of subsidy eligibility in 2018 and 99.5% of subsidy eligibility in 2019.

The Authority has responded to these on-going challenges (funding reduction in administrative cost portion of the Housing Choice Voucher program) of Federal budget reductions for low-income housing programs in part by reducing costs. The Authority is also developing new programs and seeking funding from other sources. In particular the Veterans Administration has provided additional funds providing housing for homeless veterans, and the Low Income Housing Tax Credit program has brought infusions of capital funding for construction of new affordable housing units through equity contributions by the investors of those partnerships. The investors provided equity contributions to the partnership so that they could then benefit from the federal income tax credits awarded to those projects.

Local inflationary, recessionary, and employment trends can affect resident incomes and therefore the amount of rental incomes received by the Authority, as well as the amount of Housing Assistance Payments paid out by the Authority. The unemployment rate in the Longview, Washington metropolitan statistical area has increased from 5.0% in September 2018 to 5.8% in September 2019 according to the U.S. Bureau of Labor Statistics (www.bls.gov).

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 Accounting Manager of the Housing Opportunities of Southwest Washington. HOSWWA's offices are located at 820 11th Ave., Longview, WA 98632. The telephone number is (360) 423-0140.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

STATEMENT OF NET POSITION

September 30, 2019

(With Component Unit presentation as of December 31, 2018)

Assets and Deferred Outflows of Resources	Primary Government	Component Unit
Current Assets:		
Cash - Unrestricted	$ 523,761	56,967
Accounts receivable:		
HUD	7,114	-
Other Government	129,218	-
Component Unit	9,556	-
Other (net)	44,650	1,003
Prepaid Expenses	38,040	7,894
Inventory	16,142	-
Restricted Assets:		
Cash - Restricted	500,579	208,808
Tenant Security Deposits	75,324	10,475
Total Restricted Assets	575,903	219,283
Total Current Assets	1,344,384	285,147
Noncurrent Assets:		
Notes Receivable	779,122	-
Capital Assets:		
Nondepreciable	2,446,482	308,313
Depreciable, net	10,490,580	6,404,928
Capital Assets, net	12,937,062	6,713,241
Investments in Joint Ventures	349,570	-
Other Noncurrent Assets	79,351	45,900
Total Noncurrent Assets	14,145,105	6,759,141
Total Assets	15,489,489	7,044,288
Deferred Outflow of Resources (Related to Pensions)	90,252	-
Total Assets & Deferred Outflow of Resources	$ 15,579,741	7,044,288

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

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
STATEMENT OF NET POSITION, CONTINUED
September 30, 2019
(With Component Unit presentation as of December 31, 2018)

Liabilities, Deferred Inflows, and Net Position	Primary Government	Component Unit
Current Liabilities:		
Accounts Payable and Other Accrued Liabilities	$ 287,826	47,038
Payable to Primary Government	-	10,782
Compensated Absences, current	51,151	-
Interest Payable, current	28,401	74,814
Unearned Revenue	39,361	4,682
FSS Escrow Liability, current	110,857	-
Line of Credit	66,206	-
Long-Term Debt, current	271,587	18,950
Tenant Security Deposits	75,324	10,475
Total Current Liabilities	930,713	166,741
Noncurrent Liabilities:		
Accrued Interest, noncurrent	176,708	-
Long-Term Debt, net of current portion	11,994,843	1,613,734
Net Pension Liability	573,207	-
Total Noncurrent Liabilities	12,744,758	1,613,734
Total Liabilities	13,675,471	1,780,475
Deferred Inflow of Resources (Related to Pensions)	394,440	-
Total Liabilities & Deferred Inflow of Resources	$ 14,069,911	1,780,475
Net Position:		
Invested in capital assets, net of related debt	$ 619,427	5,080,557
Restricted	389,722	208,808
Unrestricted	500,681	(25,552)
Total Net Position	$ 1,509,830	5,263,813

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

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended September 30, 2019
(With Component Unit presentation for the year ended December 31, 2018)

	Primary Government	Component Unit
Operating Revenues:		
Net Rental Revenue	$ 1,244,133	335,239
Other Income	514,504	11,459
Total Operating Revenues	1,758,637	346,698
Operating Expenses:		
Administrative	1,032,505	106,511
Tenant Services	504,109	31,330
Utilities	401,382	52,840
Maintenance	738,559	43,430
Protective Services	7,458	-
Other General Expenses	129,277	20,934
Housing Assistance Payments	9,380,238	-
Depreciation and Amortization	535,310	350,095
Total Operating Expenses	12,728,838	605,140
Operating Income (Loss)	(10,970,201)	(258,442)
Non-operating revenues & expenses:		
HUD PHA Operating Grants	9,986,973	-
Other Government Grants	1,726,298	-
Investment Income	16,174	-
Other Nonoperating Income (Expense)	(250)	-
Interest Expense	(391,334)	(68,663)
Total non-operating revenues & expenses	11,337,861	(68,663)
Changes in net position	367,660	(327,105)
Net position at beginning of year	1,142,170	5,590,918
Net position at end of year	$ 1,509,830	5,263,813

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

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2019

	Primary Government
Cash Flows Provided (Used) by Operating Activities:	
Cash Received from Tenants	$ 1,313,277
Cash Received from Other Activities	435,150
Cash Paid to Suppliers	(1,208,617)
Cash Paid to Employees	(1,889,117)
Cash Paid to Landlords	(9,379,017)
Net Cash Provided (Used) by Operating Activities:	(10,728,324)
Cash Flows Provided (Used) by Noncapital Financing Activities:	
Noncapital Grants	11,718,376
Other receipts	-
Net Cash Provided (Used) by Noncapital Financing Activities:	11,718,376
Cash Flows Provided (Used) by Capital and Related Financing Activities:	
(Purchase) of Capital Assets	(235,350)
Proceeds from Issuance of Long-Term Debt	463,000
Principal Paid on Capital Debt	(600,896)
Interest Paid	(362,606)
Net cash Provided (Used) by Capital and Related Financing Activities	(735,852)
Cash Flows Provided (Used) by Investing Activities:	
Collection on Notes Receivable	7,083
Investment in Joint Venture	(83,060)
Interest Received	2,748
Net Cash Provided (Used) by Investing Activities:	(73,229)
Net Increase (Decrease) in Cash	180,971
Cash, beginning of year	918,693
Cash, end of year	$ 1,099,664
Reconciliation to Statement of Net Position:	
Cash - Unrestricted	$ 523,761
Cash - Restricted	500,579
Cash - Tenant Security Deposits	75,324
Total Cash	$ 1,099,664

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

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

STATEMENT OF CASH FLOWS, CONTINUED

For the Year Ended September 30, 2019

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:

Operating income (loss)	$ (10,970,201)
Adjustments to reconcile net operating income	
to net cash provided by operating activities:	
Depreciation & Amortization	535,310
Forgiveness of Note Receivable	8,112
(Increase) decrease in assets:	
Accounts receivable	(17,668)
Inventory	(7,688)
Prepaid expenses and other assets	(1,997)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(22,375)
Pension liability	(244,098)
Security deposits	1,869
Unearned Revenues	5,642
FSS Escrow Liability	1,221
Accrued Leave Payable	(16,451)
Total adjustments	241,877
Net Cash Provided (Used) by Operating Activities	$ (10,728,324)

Noncash investing, capital, and financing activities:

Capital Assets Financed by Accounts Payable	$ 2,965
Notes Receivable Forgiven	8,112

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

Note 1 – SUMMARY OF SIGNIFICANT POLICIES

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

Reporting Entity
The Authority is a municipal corporation governed by an appointed six-member board. As required by accounting principles generally accepted in the United States, management has considered all potential component units in defining the reporting entity. These financial statements present the Authority (the primary government) and its component unit. The component unit discussed below is included in the Authority's reporting entity because of the significance of its operational or financial relationship with the Authority.

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 cities and counties.

The Authority also provides some management services though contract with the Joint Pacific County Housing Authority and Lilac Place, LLLP.

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

The Lilac Place Limited Liability Limited Partnership was formed by U.S Bancorp Community Development Corporation (the limited partner) and the Authority (the general partner). This partnership was formed to acquire, develop, construct, operate and maintain housing for low income tenants in a manner necessary to qualify for federal low-income housing tax credits as provided under Section 42 of the Internal Revenue Code. The project comprises 38 units in six buildings. The units constructed are owned by the partnership and managed by the Authority. As general partner, the Authority complies with the duties and responsibilities established with the limited partner in the related partnership agreement. In general, the Authority is obligated to provide funds to the partnership for any operating deficits and is to be repaid from project cash flow in subsequent years or from proceeds of a sale or refinance.

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

The Component Unit financial statements are presented as of December 31, 2018. This presentation results in accounts receivable and accounts payable between component units and the primary government not being equal as they are presented as of different dates. The financial statements of the component unit are prepared separately. Copies of these statements can be obtained by contacting the Housing Authority at 820 11th Ave, Longview, WA 98632.

Basis of Accounting and Presentation

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

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

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 debt liabilities are accounted for in the fund.

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.

Cash and Cash Equivalents

For the purposes of the Statement of Net Position 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.

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.

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

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 Position. 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.

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 receivables are secured by liens against real property there is generally no need to estimate uncollectible loans receivable.

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 Position, 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.
>
> Other "Restricted Assets" includes excess Housing Assistance Payment reserves, escrow accounts, principal and interest payment deposits and required replacement reserves.

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 acquisition 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.

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

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 the Authority's 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.

Capitalized Costs

The Authority has a policy of capitalizing as a cost of that property certain project costs which are clearly associated with the acquisition, development, and construction of the real estate project.

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.

Investments

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

Investment in Joint Venture

The Authority has an investment in the Lilac Place Limited Liability Limited Partnership. As general partner, the Authority uses the equity method of accounting for the investment and, as such, does not recognize losses in excess of the equity. The investment is increased by contributions and income from the Partnership and decreased by distributions and losses incurred by the Partnership.

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. Sick leave may accumulate up to 480 hours. Upon resignation, retirement, or death; sick leave is lost.

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

Pensions
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For details of the Pension Plans, see Note 9.

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

Unearned Revenue
The Authority has unearned revenue arise when the cash has been received but the potential revenue has not been earned in the current period. Unearned revenue from ground lease payments and tenant rent payments received in advance of the period in which these are considered earned. Unearned tenant rent payments were received by year-end before they were due.

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

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

Recently Adopted Accounting Principles
GASB Statement No. 80, *Blending Requirements for Certain Component Units*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. There was no impact to the Authority's financial statements as a result of implementing this statement.

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

The Authority implemented GASB statement Number 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placement during the fiscal year ended September 30, 2019. The objective of this standard is to improve note disclosures related to debt obligations. The standard defines debt as a liability that arises from a contractual obligation to pay cash (or other assets in lieu of cash) in one or more amounts that is fixed at the date the contractual obligation is established. It requires new disclosures related to amounts pledged for collateral of debt, unused lines of credit, terms related to default, termination or acceleration of debt and disclosures related to direct borrowings and direct placements. This implementation related to note disclosures only and no changes were required on the financial statements

New Accounting Standards to be Adopted in Future Years
GASB Statement No. 84, *Fiduciary Activities*, is effective for reporting periods beginning after December 15, 2018. This statement defines criteria for identifying activities that state and local governments should report as fiduciary activities and how they should be reported.

GASB Statement No. 87, *Leases*, is effective for reporting periods beginning after December 15, 2019. Its objective is to improve accounting and financial reporting for leases by governments by establishing a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset. It requires recognition of certain lease assets and liabilities that were previously classified as operating.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, is effective for reporting periods beginning after December 15, 2019. Its objective is to enhance the relevance and comparability of information about capital assets and the cost of borrowing, and to simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement No. 90, *Majority Equity Interests*, is effective for reporting periods beginning after December 15, 2018. Its objective is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for component units.

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

Note 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

Note 3 – DEPOSITS AND INVESTMENTS

a. Deposits

The Authority's cash 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 pubic 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 were 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 the year ended September 30, 2019 the Authority had no investments.

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.

Custodial Credit Risk – is the risk that in the 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.

Component Unit

Deposits - As of December 31, 2018, the component units' carrying amount of deposits was $276,250. These deposits are entirely covered by Federal Depository Insurance Corporation (FDIC).

Note 4 – 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.

The Authority has notes receivable from the component unit in the amount of $404,467 plus $79,351 in accrued interest. The component unit discloses $404,467 as a long-term liability plus $74,814 in accrued interest. The differences are the result of differing year ends of September 2019 for the Authority and December 2018 for the component unit.

The schedule of notes receivable as of September 30, 2019 is as follows:

	Original Amount	Issue Date	Maturity	Interest Rate	Amount Outstanding
Development					
Lilac Place	$ 404,467	Oct-13	Jan-58	3.28%	$ 66,267
Lilac Place	338,200	Apr-14	Oct-58	3.28%	338,200
Home Ownership	90,000	May-15	Apr-45	3.00%	81,258
	832,667				485,725
Forgivable Notes					
C	15,000	Mar-10	Mar-20	0.00%	750
E	20,000	Aug-17	Aug-27	0.00%	15,833
	35,000				16,583
Other Notes Receivable					
A	25,000	Feb-09	Feb-39	0.00%	25,000
B	25,000	Jul-09	Jul-39	0.00%	25,000
C	25,000	Oct-09	Oct-39	0.00%	25,000
E	25,000	Feb-10	Feb-40	0.00%	25,000
F	10,000	Apr-10	Apr-40	0.00%	10,000
G	10,000	Aug-11	Aug-41	0.00%	10,000
H	10,000	Mar-12	Mar-42	0.00%	10,000
I	10,000	Apr-12	Apr-42	0.00%	10,000
J	30,000	Sep-12	Sep-42	0.00%	30,000
K	20,000	Mar-13	Mar-43	0.00%	20,000
L	10,000	Nov-12	Nov-42	0.00%	10,000
M	10,000	May-14	May-44	0.00%	10,000
N	40,000	May-15	May-25	0.00%	40,000
O	5,000	Apr-19	Apr-49	0.00%	5,000
P	40,000	Apr-16	based on cash flow	1.00%	21,814
	295,000				276,814
Total	$ 1,162,667				$ 779,122

Note 4 – NOTES RECEIVABLE, continued

Notes receivable activity for the year ended September 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Lilac Place	$ 404,467	-	-	404,467
Home ownership	83,341	-	(2,083)	81,258
Forgivable notes	24,695	-	(8,112)	16,583
Other notes	281,814	5,000	(10,000)	276,814
	$ 794,317	5,000	(20,195)	779,122

Inter-program Loans: See Note 6 – Interprogram Loans.

Note 5 – 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 complete and the asset is placed in service. The decrease is equal to the increase in the class of assets that have been constructed.

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

Primary Government

Capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balance 09/30/18	Increases	Decreases	Ending Balance 09/30/19
Capital assets not being depreciated				
Land	$ 2,271,229	-	-	2,271,229
Construction in progress	27,029	148,224	-	175,253
Total capital assets not being depreciated	2,298,258	148,224	-	2,446,482
Capital assets being depreciated				
Buildings	14,125,108	84,594	-	14,209,702
Equipment	213,997	5,500	-	219,497
Leasehold improvements	2,716,656	-	-	2,716,656
Total capital assets being depreciated	17,055,761	90,094	-	17,145,855
Less accumulated depreciation:	(6,119,965)	(535,310)	-	(6,655,275)
Total capital assets being depreciated net of accumulated depreciation	10,935,796	(445,216)	-	10,490,580
Total capital assets, net	$ 13,234,054	(296,992)	-	12,937,062

Note 5 – CAPITAL ASSETS, continued

Component Unit

Capital asset activity for the Component Unit for the year ended December 31, 2018 was as follows:

	Beginning Balance 12/31/17	Increases	Decreases	Ending Balance 12/31/18
Capital assets not being depreciated				
Land	$ 308,313	-	-	308,313
Construction in progress	-	-	-	-
Total capital assets not being depreciated	308,313	-	-	308,313
Capital assets being depreciated				
Land improvements	615,439	-	-	615,439
Building	7,100,407	-	-	7,100,407
Equipment	227,935	-	-	227,935
Total capital assets being depreciated	7,943,781	-	-	7,943,781
Less accumulated depreciation:	(1,194,040)	(344,813)	-	(1,538,853)
Total capital assets being depreciated net of accumulated depreciation	6,749,741	(344,813)	-	6,404,928
Total capital assets, net	$ 7,058,054	(344,813)	-	6,713,241

Note 6 – INTER-PROGRAM LOANS

The Authority has two inter-program loans outstanding. The inter-program loans are offset by inter-program receivables of the same amount. Inter-program loans are eliminated in the financial statements. Short term inter-program loan activities for the year ended September 30, 2019 were as follows:

From/To	Beginning Balance	Increases	Decreases	Ending Balance
Tulip Valley/Agency	$ 140,113	-	-	140,113
Agency/Stratford	59,116	-	(1,856)	57,260
	$ 199,229	-	(1,856)	197,373

These notes are an integral part of the financial statements.

Note 7 – LEASE COMMITMENTS

Operating Lease(s)
The Authority is committed under various leases for use of the copiers and postage equipment. These leases are considered operating leases for accounting purposes. Lease expense for the year ended September 30, 2019 amounted to $43,213.

Future minimum rental commitments for these leases are as follows:

Year End	Mimium Lease Payments
2020	$ 43,713
2021	43,713
2022	22,692
2023	2,800
	$ 112,918

Note 8 – LONG TERM DEBT AND LIABILITIES

a. Real Estate Mortgages
The Authority has direct placement debt which may be secured by capital assets. These loans were used to acquire capital assets that provide low income housing.

Schedule of Direct Placement Debt Outstanding as of September 30, 2019

Purpose	Original Amount	Issue Date	Fiscal Year Maturity	Interest Rate	Amount Outstanding	Other Disclosures
Purchase land for future development OBH	$ 553,000	09/30/17	2025	1.00%	$ 553,000	Secured by deed of trust on property. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
Purchase land for future development OBH	251,500	04/30/18	2026	1.00%	251,500	Secured by deed of trust on property. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
Acquire single family residence - 18th Newberg	27,461	08/14/08	2023	4.50%	9,671	Not secured. No prepayment penalty.
Refinance of Admin Building loan	463,000	11/20/18	2028	4.43%	454,731	Secured by deed of trust on real property and assignment of leases and rents for real property in Cowlitz County. Must maintain required debt ratio. Upon default, interest rate increases by 5% and all principal and accrued interest will be immediately due and payable. Prepayment penalty 5% in the first year, decreasing 1% per year.
Construction of 20 units of assisted housing - Phoenix House	1,775,000	06/30/08	2059	0.00%	1,774,999	Secured by deed of trust on property. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.

Note 8 – LONG TERM DEBT AND LIABILITIES, continued

Schedule of Direct Placement Debt Outstanding as of September 30, 2019, continued

Purpose	Original Amount	Issue Date	Fiscal Year Maturity	Interest Rate	Amount Outstanding	Other Disclosures
Refinance of Stratford	490,873	10/30/12	2022	5.50%	440,307	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must maintain required debt ratio. Upon default, interest rate increases to 18% and all principal and accrued interest will be immediately due and payable. Prepayment penalty 5% in the first year, decreasing 1% per year.
Refinance - Hemlock	78,700	08/11/17	2027	5.25%	64,590	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must maintain required debt ratio. Upon default, interest rate increases to 18% and all principal and accrued interest will be immediately due and payable. Prepayment penalty 5% in the first year, decreasing 1% per year.
Refinance single family residence - 33rd	33,213	06/28/16	2026	5.25%	23,802	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must maintain required debt ratio. Upon default, interest rate increases to 18% and all principal and accrued interest will be immediately due and payable. Prepayment penalty 5% in the first year, decreasing 1% per year.
Refinance - Woodside West	617,000	06/09/17	2027	4.70%	585,704	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must maintain required debt ratio. Upon default, interest rate increases to 18% and all principal and accrued interest will be immediately due and payable.
Acquire 8 units of family housing - Beechwood	490,000	01/30/13	2023	4.75%	432,954	Secured by deed of trust on real property. Upon default, interest rate increases to 18% and all principal and accrued interest will be immediately due and payable.
Leasehold improvements - Sylvester Arms	1,565,717	01/09/94	2054	0.50%	1,194,009	Secured by deed of trust on real property. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
	772,166	06/19/12	2022	6.50%	657,503	Secured by assignment of leases and rents for all real property in Cowlitz County. Must maintain required debt ratio. Upon default, all principal and interest will be immediately due and payable. No prepayment penalty.
Acquire land and construct 17 units of elderly housing - Eagle Pointe Village	850,500	08/11/98	2048	1.00%	777,991	Secured by deed of trust on real property. Must meet low income housing requirements. Principal and interest payments are deferred until 2029, and accrued and unpaid interest compounds annually. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
Acquire land and construct 17 units of elderly housing - Eagle Pointe Village	188,691	03/04/98	2028	3.25%	89,649	Secured by deed of trust on real property. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.

Note 8 – LONG TERM DEBT AND LIABILITIES, continued

Schedule of Direct Placement Debt Outstanding as of September 30, 2019, continued

Purpose	Original Amount	Issue Date	Fiscal Year Maturity	Interest Rate	Amount Outstanding	Other Disclosures
Rehabilitation of Stratford	800,000	03/31/13	2053	0.00%	800,000	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must meet low income housing requirements. Forgivable if all compliance requirements are met upon maturity. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
Purchase 39 units of elderly/disabled housing - Tulip Valley	1,238,636	08/01/95	2031	1.00%	568,544	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
Refinance - Hawthorne House	430,536	09/23/16	2031	5.25%	371,603	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must maintain required debt ratio. Upon default, interest rate increases to 18% and all principal and accrued interest will be immediately due and payable. Prepayment penalty 5% in the first year, decreasing 1% per year.
Purchase 61 units of senior housing - Hawthorne House	1,438,736	10/12/95	2035	1.00%	1,060,086	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
Purchase 16 units of family housing - Columbia View	493,016	10/25/05	2045	0.00%	493,015	Secured by deed of trust on real property. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
	99,743	01/19/06	2036	1.00%	85,499	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
	242,569	01/19/06	2036	1.00%	207,928	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
Purchase 35 units of family housing - Riverview	555,035	10/25/05	2045	0.00%	555,035	Secured by deed of trust on real property. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
	360,748	01/19/06	2036	1.00%	309,228	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
	571,735	01/19/06	2036	1.00%	490,082	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
Total	$ 14,387,575				$ 12,251,430	

Note 8 – LONG TERM DEBT AND LIABILITIES, continued

Mortgage debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest	Required Debt Service
2020	$ 256,586	352,407	608,993
2021	272,271	336,594	608,865
2022	877,323	310,150	1,187,473
2023	1,022,578	233,119	1,255,697
2024	230,639	212,101	442,740
2025-2029	2,672,649	774,790	3,447,439
2030-2034	855,484	571,476	1,426,960
2035-2039	536,717	313,415	850,132
2040-2044	601,822	122,364	724,186
2045-2049	1,444,887	42,456	1,487,343
2050-2054	1,452,185	28,019	1,480,204
2055-2059	1,891,480	10,004	1,901,484
2060-2064	136,809	4,062	140,871
	$ 12,251,430	3,310,957	15,562,387

b. Loans and Notes Payable
The Authority has recorded certain forgivable notes secured with a deed of trust that were used for down payment assistance in its home ownership program.

Loans and notes payable as of September 30, 2019 are as follows:

Purpose	Original Amount	Issue Date	Maturity	Interest Rate	Amount Outstanding 9/30/2019
Community Frameworks*	$15,000	Mar/2009	November 2019	-	$ 15,000

* The Authority has issued deeds of trust on the Community Frameworks loan. The loan is for ten years. The note is issued at 0% interest and is forgivable upon compliance with the loan agreement.

c. Changes in Long-Term Liabilities
During the year ended September 30, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Mortgages	$ 12,389,326	463,000	(600,896)	12,251,430	$ 256,586
Notes	15,000	-	-	15,000	15,000
Accrued interest	176,525	28,584	-	205,109	28,401
Pension liability	847,245	-	(274,038)	573,207	-
Compensated Absences	67,602	-	(16,451)	51,151	51,151
	$ 13,495,698	491,584	(891,385)	13,095,897	$ 351,138

These notes are an integral part of the financial statements.

Note 8 – LONG TERM DEBT AND LIABILITIES, continued

Component Unit

Loans

The Component Unit has long term notes payable secured by capital assets. These notes were used to acquire capital assets that provide affordable housing. The notes payable are to be repaid to the Authority, U.S. Bank and Clark County by the component unit. The notes to the Authority ($404,467) and Clark County ($204,155) are to be paid out of residual receipts as they become available. The WCRA loan ($854,202) is to be paid back out of operations.

Outstanding loans are as follows:

	Original Amount	Issue date	Fiscal year maturity	Interest rate	Amount outstanding Dec 31, 2018
Mortgage	$ 878,642	Jan-15	2030	6.00%	$ 854,202
2nd Mortgage	215,054	Jan-14	2058	0.50%	204,155
Deferred Loan	200,000	Jan-14	2058	0.00%	200,000
Note Payable - General Partner	404,467	Jan-14	2058	3.28%	404,467
	$ 1,698,163				1,662,824
				Debt issuance costs	(30,140)
				Net balance	1,632,684

The loans payable debt service requirements to maturity are as follows:

Year ending December 31	Principal	Interest	Required debt service
2019	$ 18,950	65,100	84,050
2020	19,482	64,214	83,696
2021	20,416	63,275	83,691
2022	21,408	62,280	83,688
2023	22,445	61,224	83,669
2024-2028	130,819	287,917	418,736
2029-2033	694,343	115,795	810,138
2034-2038	25,412	69,411	94,823
2039-2043	26,053	68,769	94,822
2044-2048	26,711	68,111	94,822
2049-2053	27,386	67,437	94,823
2054-2058	294,812	65,296	360,108
2059-2061	334,587	31,430	366,017
	$ 1,662,824	1,090,259	2,753,083

Note 8 – LONG TERM DEBT AND LIABILITIES, continued

During the year ended December 31, 2018, the following changes occurred in the long-term liabilities for the Component Unit:

	Beginning balance	Additions	Reductions	Ending Balance	Due within one year
Mortgages/Loans	$ 1,680,640	-	(17,816)	1,662,824	$ 18,950

Note 9 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the fiscal year 2019:

Aggregate Pension Amounts - All Plans	
Pension liabilities	$ 573,207
Deferred outflows of resources	90,252
Deferred inflows of resources	394,440
Pension expense/expenditures	(46,640)

State Sponsored Pension Plans

Substantially all the Authority’s full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available 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 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Note 9 – PENSION PLANS, continued

Public Employees' Retirement System (PERS)

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

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

Contributions
The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PERS Plan 1 **Actual Contribution Rates:**	**Employer**	**Employee**
October 2018 – June 2019:		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	**12.83%**	**6.00%**

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

Note 9 – PENSION PLANS, continued

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

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates.

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2/3***
October 2018 – June 2019:		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**12.83%**	**7.41%**

The Authority's actual PERS plan contributions were $75,444 to PERS Plan 1 and $114,057 to PERS Plan 2/3 for the year ended September 30, 2019.

Note 9 – PENSION PLANS, continued

Actuarial Assumptions

The total pension liability (TPL) for each of the plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. Besides the discount rate, the actuarial assumptions used in the valuation are summarized in the Actuarial Section of DRS' Comprehensive Annual Financial Report located on the DRS employer-resource GASB webpage. These assumptions reflect the results of OSA's 2007-2012 Experience Study and the 2017 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases**: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- OSA updated modeling to reflect providing benefit payments to the date of initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated Cost-of-Living Adjustment (COLA) programming to reflect legislation signed during the 2018 Legislative Session (C151 L18). This law provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5 percent increase to their monthly retirement benefit, not to exceed a maximum of $62.50 per month.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.40 percent. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. To determine that rate, an asset sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.50 percent except LEOFF 2, which has assumed 7.40 percent). Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 1 plan liabilities).

Note 9 – PENSION PLANS, continued

Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.40 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the table below. The inflation component used to create the table is 2.20 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%

Sensitivity of NPL

The table below presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.40 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease 6.40%	Current Rate 7.40%	1% Increase 8.40%
PERS 1	542,719	433,373	338,498
PERS 2/3	1,072,472	139,834	(625,457)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

These notes are an integral part of the financial statements.

Note 9 – PENSION PLANS, continued

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2019, the Authority reported a total pension liability of $573,207 for its proportionate share of the net pension liabilities as follows:

Plan	Liability or Asset
PERS 1	433,373
PERS 2/3	139,834

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

	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	0.01291%	0.01127%	-0.00164%
PERS 2/3	0.01585%	0.01440%	-0.00145%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans.

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended September 30, 2019, the Authority recognized pension expense as follows:

	Pension Expense
PERS 1	(57,498)
PERS 2/3	10,858

Deferred Outflows of Resources and Deferred Inflows of Resources

At September 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 9 – PENSION PLANS, continued

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	-	(28,953)
Contributions subsequent to the measurement date	17,496	-
TOTAL	$ 17,496	$ (28,953)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 40,063	$ (30,064)
Net difference between projected and actual investment earnings on pension plan investments	-	(203,542)
Changes of assumptions	3,581	(58,670)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(73,211)
Contributions subsequent to the measurement date	29,112	
TOTAL	$ 72,756	$ (365,487)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 40,063	$ (30,064)
Net difference between projected and actual investment earnings on pension plan investments	-	(232,495)
Changes of assumptions	3,581	(58,670)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(73,211)
Contributions subsequent to the measurement date	46,608	-
TOTAL	$ 90,252	$ (394,440)

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	PERS 1	PERS 2/3
2020	$ (6,392)	(76,699)
2021	(15,140)	(117,578)
2022	(5,403)	(59,443)
2023	(2,018)	(37,909)
2024	-	(22,928)
Thereafter	-	(7,287)
Total	$ (28,953)	(321,844)

Note 10 – 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 190.080 ORS and 48.62 RCW (self-insurance regulation) and Chapter 39.34 (Interlocal Cooperation Act), fifty-five public housing authorities in the states of Washington, Oregon and California originally formed HARRP in March 1987. HARRP was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. HARRP is a U.S. Department of Housing and Urban Development (HUD) approved self-insurance entity for utilization by public housing authorities. HARRP has a total of eighty-three member/owner housing authorities in the states of Washington, Oregon, California and Nevada.

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

General and Automobile Liability Coverage is written on an occurrence basis, without member deductibles. Errors and Omissions coverage (which includes Employment Practices Liability) is written on claims made basis, and the members are responsible for 10% of the incurred costs of the claims. The Property coverage offered by HARRP is on a replacement cost basis, with deductibles ranging from $2,500 to $25,000. (Due to special underwriting circumstances, some members may be subject to greater deductibles and E & O co-payments). Our property coverages include: Vandalism & Malicious Mischief, Crime, Equipment Breakdown Coverages, as well as Fidelity coverage with limits of $100,000 (with options up to $500,000) for employee dishonesty, forgery or alteration and $10,000 for theft with deductibles similar to the retention of Property

Coverage limits for General Liability, as well as Errors and Omissions are $2,000,000 per occurrence and $2,000,000 annual aggregate. Higher Limits are available by purchasing an umbrella through our insurance agency. Property limits are offered on an agreed amount, based on each structure's value. Limits for Automobile Liability are covered at $2,000,000, with $2,000,000 aggregate. HARRP self-insures the first $1 million of coverage for liability lines and purchases an additional $1 million in reinsurance for a total of $2 million. For property, HARRP retains the first $1,000,000 and purchases an additional $1 million reinsurance policy and then purchases $45 million of excess insurance from Munich Reinsurance for a combined total of $47,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

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

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

Note 11 – LINE OF CREDIT

At September 30, 2019 the Authority maintained a line of credit of $100,000 with Heritage Bank. The line of credit is secured by all of the Authority's resources. The interest rate terms under this line of credit agreement are variable. The initial rate is 6.00% per annum. As of September 30, 2019, $66,206 had been drawn down in support of development activities. The line of credit is due on January 1, 2021. Changes in short-term debt for the year-ended September 30, 2019 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Interest Expense
Line of credit	$ -	66,206	-	66,206	4,233

Note 12 – RELATED PARTIES

The Chief Executive Officer of the Authority acts as the Executive Director for Joint Pacific County Housing Authority (JPCHA) but receives no additional compensation.

JPCHA contracts with the Authority to provide administrative support, development support and property management staff. In fiscal year 2019, JPCHA paid the Authority $58,124 for the management services. JPCHA owed the Authority $4,764 as of September 30, 2019.

Note 13 – SUBSEQUENT EVENTS

As of October 11, 2018 the Authority, Joint Pacific County Housing Authority, and U.S. Bancorp Community Development Corporation entered into a partnership to develop, build and operate Driftwood Point Apartments. The project is operated as Driftwood Point Apartments, LLLP. The certificate of occupancy was issued October 1, 2019. The project consists of twenty-seven units in three buildings with not less than forty-five adjacent parking spaces. The project is located in Long Beach, Pacific County, Washington. Development resources for Driftwood Point come, primarily, from the sale of Low Income Housing Tax Credits and a first mortgage loan from the Washington Department of Commerce. This funding requires that each unit must be occupied by households at or less than 60% of Area median Income. Further twenty of the units are set aside for households certified as homeless, two units are set aside for veterans and nine units are set aside for persons with a disability. Units are intended for households/families without age restriction and there is no service component required of residents. The Authority has attached Project Based Rental Assistance to each of the units.

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, canceling public events, limiting gathering sizes, and requiring people to stay home unless they are leaving for an essential function. There has been minimal immediate impact on the operations of the Housing Authority. Future potential impacts may include disruptions or restrictions on staff ability to work and reductions in tenants ability to pay the required monthly charges. Operating functions that may be impacted include tenant applications, recertifications and maintenance operations. Changes to the operating environment may increase operating costs.

The length of time these measures will be in place, and the full extent of the financial impact on the Housing Authority is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30
Last Six Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.011270%	$ 433,373	$ 1,552,456	27.92%	67.12%
2018	0.012912%	576,654	1,546,813	37.28%	63.22%
2017	0.013352%	633,563	1,636,756	38.71%	61.24%
2016	0.013755%	738,708	1,638,786	45.08%	57.03%
2015	0.014029%	733,847	1,562,230	46.97%	59.10%
2014	0.013600%	686,467	1,524,998	45.01%	61.19%

PERS 2/3
As of June 30
Last Six Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.014396%	$ 139,834	$ 1,547,153	9.04%	97.77%
2018	0.015848%	270,590	1,546,813	17.49%	95.77%
2017	0.016531%	574,373	1,636,756	35.09%	90.97%
2016	0.016945%	853,167	1,638,786	52.06%	85.82%
2015	0.017532%	626,428	1,562,230	40.10%	89.20%
2014	0.001710%	345,633	1,524,998	22.66%	93.29%

Schedule of Employer Contributions
PERS 1
As of September 30
Last Six Fiscal Years

Year Ended March 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2019	$ 75,444	$ (75,444)	$ -	$ 1,497,157	5.04%
2018	80,996	(80,996)	-	1,704,335	4.75%
2017	80,730	(80,730)	-	1,633,272	4.94%
2016	80,961	(80,961)	-	1,662,116	4.87%
2015	65,647	(65,647)	-	1,530,151	4.29%
2014	65,892	(65,892)	-	1,608,135	4.10%

Schedule of Employer Contributions
PERS 2/3
As of September 30
Last Six Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2019	$ 114,057	$ (114,057)	$ -	$ 1,497,157	7.62%
2018	125,703	(125,703)	-	1,704,335	7.38%
2017	105,134	(105,134)	-	1,633,272	6.44%
2016	101,871	(101,871)	-	1,662,116	6.13%
2015	80,174	(80,174)	-	1,530,151	5.24%
2014	79,322	(79,322)	-	1,608,135	4.93%

Notes to Required Supplemental Information - Pension

As of September 30
Last Six Fiscal Years

Note 1: Information Provided

GASB 68 was implemented for the year ended September 30, 2015, therefore there is no data available for years prior to 2014.

Note 2: Significant Factors

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

Note 3: Covered payroll

Covered payroll has been presented in accordance with GASB 82, *Pension Issues.* Covered payroll includes all payroll on which a contribution is based.

Note 4: Change in contribution rate
Rates in effect during the periods covered by the Required Supplemental Information are below:

PERS 1

From this Date	Through this Date	Rate	
9/1/2013	6/30/2015	9.21%	
7/1/2015	6/30/2017	11.18%	
7/1/2017	8/31/2018	12.70%	
9/1/2018	6/30/2019	12.83%	
7/1/2019	current	12.86%	*

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

PERS 2/3

From this Date	Through this Date	Rate	
9/1/2013	6/30/2015	9.21%	
7/1/2015	6/30/2017	11.18%	
7/1/2017	8/31/2018	12.70%	
9/1/2018	6/30/2019	12.83%	
7/1/2019	current	12.86%	*

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

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2019

Federal Agency	CFDA Number	Federal Program Title	Pass Through Agency	Other Identification Number	Expenditures: Direct Awards	Expenditures: Pass Through Awards	Expenditures: Loan Balance Outstanding	Expenditures: Total		Passed Through to Sub-recipients	Footnote
Deparment of Agriculture											
	10.415	Rural Rental Housing Loans		56-008-977666317-016	$ 63,399	-	-	63,399		$ -	
	10.415	Rural Rental Housing Loans		56-008-977666317-028	69,923	-	-	69,923		-	
	10.415	Rural Rental Housing Loans		56-008-977666317-030	10,446	-	-	10,446		-	
	10.415	Rural Rental Housing Loans		56-008-977666317-041	28,457	-	-	28,457		-	
	10.415	Rural Rental Housing Loans		56-008-977666317-016	-	-	630,935	630,935		-	3b
	10.415	Rural Rental Housing Loans		56-008-977666317-028	-	-	1,092,884	1,092,884		-	3a
	10.415	Rural Rental Housing Loans		56-008-977666317-030	-	-	298,360	298,360		-	3c
	10.415	Rural Rental Housing Loans		56-008-977666317-041	-	-	812,752	812,752		-	3d
				Subtotal CFDA #10.415	172,225	-	2,834,931	3,007,156		-	
	10.427	Rural Rental Assistance Payments		56-008-977666317-016	132,747	-	-	132,747		-	
	10.427	Rural Rental Assistance Payments		56-008-977666317-028	227,319	-	-	227,319		-	
	10.427	Rural Rental Assistance Payments		56-008-977666317-030	46,284	-	-	46,284		-	
	10.427	Rural Rental Assistance Payments		56-008-977666317-041	119,623	-	-	119,623		-	
				Subtotal CFDA #10.415	525,973	-	-	525,973	*	-	
				Total Department of Agriculture	**698,198**	**-**	**2,834,931**	**3,533,129**		**-**	
Department of Housing and Urban Development											
	14.228	Community Development Block Grants/State's program and non-entitlement grants in Hawaii	Cowlitz County	17-62210-023	-	139,677	-	139,677		-	
	14.247	Self-Help Homeownership Opportunity Program	Community Frameworks		-	-	15,000	15,000		-	3h
	14.239	Home Investment Partnerships Program	Washington Department of Commerce	Phoenix House	-	-	1,775,000	1,775,000		-	3f
	14.239	Home Investment Partnerships Program	Washington Department of Commerce	Sylvester	-	-	1,214,131	1,214,131		-	3e
	14.239	Home Investment Partnerships Program	Washington Department of Commerce	98-40497-202	-	-	777,991	777,991		-	3g
	14.239	Home Investment Partnerships Program	Washington Department of Commerce	18-42401-116	-	189,687	-	189,687		-	
	14.239	Home Investment Partnerships Program	Washington Department of Commerce	19-42401-116	-	49,739	-	49,739		-	
				Subtotal CFDA #14.239	-	239,426	3,767,122	4,006,548		-	
	14.896	Family Self-Sufficiency Program Coordinators			83,510	-	-	83,510		-	
Department of Housing and Urban Development - Housing Voucher Cluster											
	14.871	Section 8 Housing Choice Vouchers		WA007VO	9,923,142	-	-	9,923,142	*	-	
				Subtotal Housing Voucher Cluster	**9,923,142**	**-**	**-**	**9,923,142**		**-**	
				Total Department of Housing and Urban Development	**10,006,652**	**379,103**	**3,782,122**	**14,167,877**		**-**	
Department of Veterans Affairs											
	64.024	VA Homeless Providers Grant and Per Diem Program (Veterans Per-Diem)		LONG000-0006-648-SI-18-0	296,032	-	-	296,032		-	
	64.024	VA Homeless Providers Grant and Per Diem Program (Veterans Per-Diem)		LONG000-0831-648-SI-19	201,963	-	-	201,963		-	
	64.024	VA Homeless Providers Grant and Per Diem Program (HCHV Transitional Housing)		15-16-WA	5,623	-	-	5,623		-	
				Subtotal CFDA #64.024	503,618	-	-	503,618		-	
	64.033	VA Supportive Services for Veteran Families Program	Metropolitan Development Council	14-WA-300	-	8,256	-	8,256		-	
				Total Department of Veterans Affairs	503,618	8,256	-	511,874		-	
		*** Denotes a major program**		**Total Expenditures of Federal Awards**	**$ 11,208,468**	**387,359**	**6,617,053**	**18,212,880**		**-**	

See Independent Auditors' Report

Note 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the Authority's financial statements. The Authority uses U.S. Generally Accepted Accounting Principles and 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, may be more than shown.

The amounts shown on the schedule for the Housing Voucher Program (CFDA 14.871) represent amounts received by the Authority. Actual expenditures of the grant funds during the period were $9,159,559.

Note 3 – FEDERAL LOANS

The amount listed for each loan includes the proceeds received during the year and the outstanding loan balance from prior years.

a) The Authority was approved by the USDA Rural Housing Service to receive a loan totaling $1,438,736 to acquire and renovate 61 units of economically designed and constructed rental housing suited for rural residents. The loan balance as of September 30, 2019 is $1,060,086.

b) The Authority was approved by the USDA Rural Housing Service to receive a loan totaling $1,238,636 to acquire and renovate 39 units of economically designed and constructed rental housing suited for rural residents. The loan balance as of September 30, 2019 is $568,544.

c) The Authority was approved by the USDA Rural Housing Service to receive a loan totaling $342,312 to acquire and renovate 16 units of economically designed and constructed rental housing suited for rural residents. The loan balance as of September 30, 2019 is $293,427.

d) The Authority was approved by the USDA Rural Housing Service to receive a loan totaling $932,483 to acquire and renovate 35 units of economically designed and constructed rental housing suited for rural residents. The loan balance as of September 30, 2019 is $799,310.

e) The Authority was approved by the Washington State Department of Commerce to receive a loan totaling $1,565,717 to acquire and renovate 35 units of economically designed and constructed rental housing suited for seniors and disabled residents. The loan balance as of September 30, 2019 is $1,194,009.

f) The Authority was approved by the Washington State Department of Commerce to receive a loan totaling $1,775,000 to build 20 units of economically designed and constructed rental housing suited for parents leaving drug treatment. The loan balance as of September 30, 2019 is $1,775,000.

g) The Authority was approved by the Washington State Department of Commerce to receive a loan totaling $850,500 to build 17 units of economically designed and constructed rental housing suited for seniors and disabled residents. The loan balance as of September 30, 2019 is $777,991.

Note 3 – FEDERAL LOANS, continued

h) The Authority was approved by Community Frameworks to receive a loan totaling $15,000 for land acquisition to create affordable housing. The loan balance as of September 30, 2019 is $15,000.

Note 4 – INDIRECT COST RATE

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

	14.896 PIH Family Self-Sufficiency Program	10.415 Rural Rental Housing Loans	14.228 Community Development Block Grants/State's Program	10.427 Rural Rental Assistance Payments	14.871 Housing Choice Vouchers	14.247 Self-Help Homeownership Opportunity Program	6.1 Component Unit - Discretely Presented	64.024 VA Homeless Providers Grant and Per Diem Program	14.239 HOME Investment Partnerships Program	8 Other Federal Program 1	1 Business Activities	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
111 Cash - Unrestricted				$64,032	$93,256		$56,967	$20,706			$345,767	$0	$580,728		$580,728
112 Cash - Restricted - Modernization and Development							$47,719				$8,155	$0	$55,874		$55,874
113 Cash - Other Restricted				$328,201	$5,258		$161,089				$48,107	$0	$542,655		$542,655
114 Cash - Tenant Security Deposits				$40,949			$10,475				$34,375	$0	$85,799		$85,799
115 Cash - Restricted for Payment of Current Liabilities					$110,857		$0					$0	$110,857		$110,857
100 Total Cash	$0	$0	$0	$433,182	$209,371	$0	$276,250	$20,706	$0	$0	$436,404	$0	$1,375,913	$0	$1,375,913
121 Accounts Receivable - PHA Projects												$0			
122 Accounts Receivable - HUD Other Projects	$7,114		$0						$0			$0	$7,114		$7,114
124 Accounts Receivable - Other Government			$19,955	$480	$2,389			$46,648	$21,859		$37,886	$0	$129,217		$129,217
125 Accounts Receivable - Miscellaneous					$921						$51,378	$0	$52,299		$52,299
126 Accounts Receivable - Tenants				$1,275			$1,003				$428	$0	$2,706		$2,706
126.1 Allowance for Doubtful Accounts -Tenants				$0			$0				$0	$0	$0		$0
126.2 Allowance for Doubtful Accounts - Other	$0		$0	$0	$0		$0	$0	$0		$0	$0	$0		$0
127 Notes, Loans, & Mortgages Receivable - Current												$0			
128 Fraud Recovery												$0			
128.1 Allowance for Doubtful Accounts - Fraud												$0			
129 Accrued Interest Receivable											$203	$0	$203		$203
120 Total Receivables, Net of Allowances for Doubtful Ac	$7,114	$0	$19,955	$1,755	$3,310	$0	$1,003	$46,648	$21,859	$0	$89,895	$0	$191,539	$0	$191,539
131 Investments - Unrestricted												$0			
132 Investments - Restricted												$0			
135 Investments - Restricted for Payment of Current Liabi												$0			
142 Prepaid Expenses and Other Assets				$18,686			$7,894	$1,607			$17,748	$0	$45,935		$45,935
143 Inventories				$4,997				$530			$10,615	$0	$16,142		$16,142
143.1 Allowance for Obsolete Inventories				$0				$0			$0	$0	$0		$0
144 Inter Program Due From				$140,113							$16,598	$0	$156,711	-$156,711	$0
145 Assets Held for Sale												$0			
150 Total Current Assets	$7,114	$0	$19,955	$598,733	$212,681	$0	$285,147	$69,491	$21,859	$0	$571,260	$0	$1,786,240	-$156,711	$1,629,529
161 Land				$572,737			$308,313				$1,698,492	$0	$2,579,542		$2,579,542
162 Buildings				$5,609,971			$7,100,407				$8,515,137	$0	$21,225,515		$21,225,515
163 Furniture, Equipment & Machinery - Dwellings							$227,935				$14,301	$0	$242,236		$242,236
164 Furniture, Equipment & Machinery - Administration				$3,022	$34,224		$0				$167,950	$0	$205,196		$205,196
165 Leasehold Improvements							$0				$2,716,656	$0	$2,716,656		$2,716,656
166 Accumulated Depreciation				-$2,489,683	-$26,887		-$1,538,853				-$4,054,114	$0	-$8,109,537		-$8,109,537
167 Construction in Progress			$140,239	$2,961							$32,054	$0	$175,254		$175,254
168 Infrastructure							$615,439				$0	$0	$615,439		$615,439
160 Total Capital Assets, Net of Accumulated Depreciatio	$0	$0	$140,239	$3,699,008	$7,337	$0	$6,713,241	$0	$0	$0	$9,090,476	$0	$19,650,301	$0	$19,650,301
171 Notes, Loans and Mortgages Receivable - Non-Curre						$15,000			$195,000		$569,122	$0	$779,122		$779,122
172 Notes, Loans, & Mortgages Receivable - Non Curren												$0			
173 Grants Receivable - Non Current												$0			
174 Other Assets							$45,900				$79,351	$0	$125,251		$125,251
176 Investments in Joint Ventures											$349,570	$0	$349,570		$349,570
180 Total Non-Current Assets	$0	$0	$140,239	$3,699,008	$7,337	$15,000	$6,759,141	$0	$195,000	$0	$10,088,519	$0	$20,904,244	$0	$20,904,244

Housing Opportunities of Southwest Washington - Supplemental Information - Financial Data Schedule

	14.896 PIH Family Self-Sufficiency Program	10.415 Rural Rental Housing Loans	14.228 Community Development Block Grants/State's Program	10.427 Rural Rental Assistance Payments	14.871 Housing Choice Vouchers	14.247 Self-Help Homeownership Opportunity Program	6.1 Component Unit - Discretely Presented	64.024 VA Homeless Providers Grant and Per Diem Program	14.239 HOME Investment Partnerships Program	8 Other Federal Program 1	1 Business Activities	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
200 Deferred Outflow of Resources				$13,712	$24,768			$13,911			$37,861	$0	$90,252		$90,252
290 Total Assets and Deferred Outflow of Resources	$7,114	$0	$160,194	$4,311,453	$244,786	$15,000	$7,044,288	$83,402	$216,859	$0	$10,697,640	$0	$22,780,736	-$156,711	$22,624,025
311 Bank Overdraft												$0			
312 Accounts Payable <= 90 Days				$38,160	$1,908		$47,038	$289	$52		$68,348	$0	$155,795		$155,795
313 Accounts Payable >90 Days Past Due												$0			
321 Accrued Wage/Payroll Taxes Payable	$7,114		$4,262	$21,319	$39,326			$22,546	$499		$84,006	$0	$179,072		$179,072
322 Accrued Compensated Absences - Current Portion				$6,831	$17,180			$4,970	$152		$22,019	$0	$51,152		$51,152
324 Accrued Contingency Liability												$0			
325 Accrued Interest Payable				$1,734			$74,814				$26,667	$0	$103,215		$103,215
331 Accounts Payable - HUD PHA Programs												$0			
332 Account Payable - PHA Projects												$0			
333 Accounts Payable - Other Government							$10,782					$0	$10,782		$10,782
341 Tenant Security Deposits				$40,949			$10,475				$34,375	$0	$85,799		$85,799
342 Unearned Revenue				$12,427			$4,682	$10,375			$16,560	$0	$44,044		$44,044
343 Current Portion of Long-term Debt - Capital Projects/E				$145,242			$18,950				$111,345	$0	$275,537		$275,537
344 Current Portion of Long-term Debt - Operating Borrov												$0			
345 Other Current Liabilities											$66,206	$0	$66,206		$66,206
346 Accrued Liabilities - Other					$110,857							$0	$110,857		$110,857
347 Inter Program - Due To			$15,693					$104	$801		$140,113	$0	$156,711	-$156,711	$0
348 Loan Liability - Current						$15,000					$0	$0	$15,000		$15,000
310 Total Current Liabilities	$7,114	$0	$19,955	$266,662	$169,271	$15,000	$166,741	$38,284	$1,504	$0	$569,639	$0	$1,254,170	-$156,711	$1,097,459
351 Long-term Debt, Net of Current - Capital Projects/Mor				$3,995,779		$0	$1,613,735				$7,999,067	$0	$13,608,581		$13,608,581
352 Long-term Debt, Net of Current - Operating Borrowing												$0			
353 Non-current Liabilities - Other											$176,706	$0	$176,706		$176,706
354 Accrued Compensated Absences - Non Current												$0			
355 Loan Liability - Non Current						$0						$0	$0		$0
356 FASB 5 Liabilities												$0			
357 Accrued Pension and OPEB Liabilities				$87,089	$157,305			$88,350			$240,463	$0	$573,207		$573,207
350 Total Non-Current Liabilities	$0	$0	$0	$4,082,868	$157,305	$0	$1,613,735	$88,350	$0	$0	$8,416,236	$0	$14,358,494	$0	$14,358,494
300 Total Liabilities	$7,114	$0	$19,955	$4,349,530	$326,576	$15,000	$1,780,476	$126,634	$1,504	$0	$8,985,875	$0	$15,612,664	-$156,711	$15,455,953
400 Deferred Inflow of Resources				$59,928	$108,246			$60,795			$165,470	$0	$394,439		$394,439
508.4 Net Investment in Capital Assets			$140,239	-$442,013	$7,337	$0	$5,080,556				$913,858	$0	$5,699,977		$5,699,977
511.4 Restricted Net Position	$0			$328,201	$5,258		$208,808				$56,262	$0	$598,529		$598,529
512.4 Unrestricted Net Position	$0	$0	$0	$15,807	-$202,631	$0	-$25,552	-$104,027	$215,355	$0	$576,175	$0	$475,127		$475,127
513 Total Equity - Net Assets / Position	$0	$0	$140,239	-$98,005	-$190,036	$0	$5,263,812	-$104,027	$215,355	$0	$1,546,295	$0	$6,773,633	$0	$6,773,633
600 Total Liabilities, Deferred Inflows of Resources and E	$7,114	$0	$160,194	$4,311,453	$244,786	$15,000	$7,044,288	$83,402	$216,859	$0	$10,697,640	$0	$22,780,736	-$156,711	$22,624,025

	14.896 PIH Family Self-Sufficiency Program	10.415 Rural Rental Housing Loans	14.228 Community Development Block Grants/State's Program	10.427 Rural Rental Assistance Payments	14.871 Housing Choice Vouchers	14.247 Self-Help Homeownership Opportunity Program	6.1 Component Unit - Discretely Presented	64.024 VA Homeless Providers Grant and Per Diem Program	14.239 HOME Investment Partnerships Program	8 Other Federal Program 1	1 Business Activities	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue				$457,430			$335,239				$902,102	$0	$1,694,771	-$115,399	$1,579,372
70400 Tenant Revenue - Other				$52,852			$11,458				$26,428	$0	$90,738		$90,738
70500 Total Tenant Revenue	$0	$0	$0	$510,282	$0	$0	$346,697	$0	$0	$0	$928,530	$0	$1,785,509	-$115,399	$1,670,110
70600 HUD PHA Operating Grants	$83,510				$9,903,463							$0	$9,986,973		$9,986,973
70610 Capital Grants												$0			
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		$172,225	$139,677	$523,333	$13,355			$436,361	$251,743	$99,177	$90,426	$0	$1,726,297		$1,726,297
71100 Investment Income - Unrestricted				$4,750							$13,452	$0	$18,202	-$4,750	$13,452
71200 Mortgage Interest Income											$2,675	$0	$2,675		$2,675
71300 Proceeds from Disposition of Asse												$0			
71310 Cost of Sale of Assets												$0			
71400 Fraud Recovery					$18,150							$0	$18,150		$18,150
71500 Other Revenue	$55,179			$1,386	$162,425						$702,704	$0	$921,694	-$504,620	$417,074
71600 Gain or Loss on Sale of Capital As					-$250							$0	-$250		-$250
72000 Investment Income - Restricted				$46								$0	$46		$46
70000 Total Revenue	$138,689	$172,225	$139,677	$1,039,797	$10,097,143	$0	$346,697	$436,361	$251,743	$99,177	$1,737,787	$0	$14,459,296	-$624,769	$13,834,527
91100 Administrative Salaries					$355,019		$32,082	$57,771	$679		$374,486	$0	$820,037		$820,037
91200 Auditing Fees				$1,902	$14,567		$7,900	$896	$338	$653	$2,700	$0	$28,956		$28,956
91300 Management Fee							$0				$0	$0	$0		$0
91310 Book-keeping Fee					$104,109					$682		$0	$104,791		$104,791
91400 Advertising and Marketing												$0			
91500 Employee Benefit contributions - A				-$14,788	$34,422		$17,931	-$104,176	$224		$88,218	$0	$21,831		$21,831
91600 Office Expenses				$36,857	$47,186		$20,481	$28,621	$862	$484	$55,373	$0	$189,864	-$107,479	$82,385
91700 Legal Expense				$1,633			$0				$3,499	$0	$5,132		$5,132
91800 Travel				$3,271	$3,272		$806	$5,654	$36		$11,622	$0	$24,661		$24,661
91810 Allocated Overhead											$0	$0	$0		$0
91900 Other				$115,211	$203,178		$27,311	$89,351	$6,758		$100,434	$0	$542,243	-$474,570	$67,673
91000 Total Operating - Administrative	$0	$0	$0	$144,086	$761,753	$0	$106,511	$78,117	$8,897	$1,819	$636,332	$0	$1,737,515	-$582,049	$1,155,466
92000 Asset Management Fee												$0			
92100 Tenant Services - Salaries	$58,807			$52,852				$226,496	$3,829	$5,084	$3,397	$0	$350,465		$350,465
92200 Relocation Costs												$0			
92300 Employee Benefit Contributions - T	$24,703			$16,164				$48,712	$1,554	$564	$1,379	$0	$93,076		$93,076
92400 Tenant Services - Other							$31,330	$83,745		$1,875	$10,955	$0	$127,905	-$36,000	$91,905
92500 Total Tenant Services	$83,510	$0	$0	$69,016	$0	$0	$31,330	$358,953	$5,383	$7,523	$15,731	$0	$571,446	-$36,000	$535,446
93100 Water				$47,934			$33,407				$29,656	$0	$110,997		$110,997
93200 Electricity				$27,391			$7,501				$51,298	$0	$86,190		$86,190
93300 Gas											$5,295	$0	$5,295		$5,295
93400 Fuel												$0			
93500 Labor												$0			
93600 Sewer				$76,918							$63,848	$0	$140,766		$140,766
93700 Employee Benefit Contributions - U												$0			

	14.896 PIH Family Self-Sufficiency Program	10.415 Rural Rental Housing Loans	14.228 Community Development Block Grants/State's Program	10.427 Rural Rental Assistance Payments	14.871 Housing Choice Vouchers	14.247 Self-Help Homeownership Opportunity Program	6.1 Component Unit - Discretely Presented	64.024 VA Homeless Providers Grant and Per Diem Program	14.239 HOME Investment Partnerships Program	8 Other Federal Program 1	1 Business Activities	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
93800 Other Utilities Expense				$71,719			$11,932				$27,324	$0	$110,975		$110,975
93000 Total Utilities	$0	$0	$0	$223,962	$0	$0	$52,840	$0	$0	$0	$177,421	$0	$454,223	$0	$454,223
94100 Ordinary Maintenance and Operati				$149,177			$17,198	$2,333			$119,225	$0	$287,933		$287,933
94200 Ordinary Maintenance and Operati				$30,766			$9,690				$45,180	$0	$85,636		$85,636
94300 Ordinary Maintenance and Operati				$125,639	$1,265		$16,542	$4,689	$30		$145,240	$0	$293,405		$293,405
94500 Employee Benefit Contributions - (				$61,261				$521			$53,231	$0	$115,013		$115,013
94000 Total Maintenance	$0	$0	$0	$366,843	$1,265	$0	$43,430	$7,543	$30	$0	$362,876	$0	$781,987	$0	$781,987
95100 Protective Services - Labor												$0			
95200 Protective Services - Other Contra				$3,180								$0	$3,180		$3,180
95300 Protective Services - Other											$4,278	$0	$4,278		$4,278
95500 Employee Benefit Contributions - F												$0			
95000 Total Protective Services	$0	$0	$0	$3,180	$0	$0	$0	$0	$0	$0	$4,278	$0	$7,458	$0	$7,458
96110 Property Insurance				$26,910	$6,243		$12,550	$3,917	$150		$25,579	$0	$75,349		$75,349
96120 Liability Insurance												$0			
96130 Workmen's Compensation												$0			
96140 All Other Insurance												$0			
96100 Total insurance Premiums	$0	$0	$0	$26,910	$6,243	$0	$12,550	$3,917	$150	$0	$25,579	$0	$75,349	$0	$75,349
96200 Other General Expenses				$29	$38,894		$8,384				$9,896	$0	$57,203		$57,203
96210 Compensated Absences				$2,298	$1,029			-$5,381	$11	-$3,466	-$10,943	$0	-$16,452		-$16,452
96300 Payments in Lieu of Taxes											$13,589	$0	$13,589		$13,589
96400 Bad debt - Tenant Rents				$2,127							$1,945	$0	$4,072		$4,072
96500 Bad debt - Mortgages												$0			
96600 Bad debt - Other												$0			
96800 Severance Expense												$0			
96000 Total Other General Expenses	$0	$0	$0	$4,454	$39,923	$0	$8,384	-$5,381	$11	-$3,466	$14,487	$0	$58,412	$0	$58,412
96710 Interest of Mortgage (or Bonds) Pa		$172,225		$36,250			$68,663				$189,579	$0	$466,717	-$6,720	$459,997
96720 Interest on Notes Payable (Short a												$0			
96730 Amortization of Bond Issue Costs							$5,282					$0	$5,282		$5,282
96700 Total Interest Expense and Amorti	$0	$172,225	$0	$36,250	$0	$0	$73,945	$0	$0	$0	$189,579	$0	$471,999	-$6,720	$465,279
96900 Total Operating Expenses	$83,510	$172,225	$0	$874,701	$809,184	$0	$328,990	$443,149	$14,471	$5,876	$1,426,283	$0	$4,158,389	-$624,769	$3,533,620
97000 Excess of Operating Revenue ove	$55,179	$0	$139,677	$165,096	$9,287,959	$0	$17,707	-$6,788	$237,272	$93,301	$311,504	$0	$10,300,907	$0	$10,300,907
97100 Extraordinary Maintenance												$0			
97200 Casualty Losses - Non-capitalized												$0			
97300 Housing Assistance Payments				$1,011	$8,953,171				$217,010			$0	$9,171,192		$9,171,192
97350 HAP Portability-In					$206,388						$2,658	$0	$209,046		$209,046
97400 Depreciation Expense				$172,825	$5,325		$344,813				$357,160	$0	$880,123		$880,123
97500 Fraud Losses												$0			
97600 Capital Outlays - Governmental F												$0			
97700 Debt Principal Payment - Governm												$0			
97800 Dwelling Units Rent Expense												$0			
90000 Total Expenses	$83,510	$172,225	$0	$1,048,537	$9,974,068	$0	$673,803	$443,149	$231,481	$5,876	$1,786,101	$0	$14,418,750	-$624,769	$13,793,981

	14.896 PIH Family Self-Sufficiency Program	10.415 Rural Rental Housing Loans	14.228 Community Development Block Grants/State's Program	10.427 Rural Rental Assistance Payments	14.871 Housing Choice Vouchers	14.247 Self-Help Homeownership Opportunity Program	6.1 Component Unit - Discretely Presented	64.024 VA Homeless Providers Grant and Per Diem Program	14.239 HOME Investment Partnerships Program	8 Other Federal Program 1	1 Business Activities	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
10010 Operating Transfer In								$51,825		$5,839	$23,163	$0	$80,827		$80,827
10020 Operating transfer Out									-$24,197		-$39,226	-$17,404	-$80,827		-$80,827
10030 Operating Transfers from/to Prima												$0			
10040 Operating Transfers from/to Comp												$0			
10050 Proceeds from Notes, Loans and I												$0			
10060 Proceeds from Property Sales												$0			
10070 Extraordinary Items, Net Gain/Los												$0			
10080 Special Items (Net Gain/Loss)												$0			
10091 Inter Project Excess Cash Transfe												$0			
10092 Inter Project Excess Cash Transfe												$0			
10093 Transfers between Program and F												$0			
10094 Transfers between Project and Pro												$0			
10100 Total Other financing Sources (Us	$0	$0	$0	$0	$0	$0	$0	$51,825	-$24,197	$5,839	-$16,063	-$17,404	$0	$0	$0
10000 Excess (Deficiency) of Total Reve	$55,179	$0	$139,677	-$8,740	$123,075	$0	-$327,106	$45,037	-$3,935	$99,140	-$64,377	-$17,404	$40,546	$0	$40,546
11020 Required Annual Debt Principal Pa	$0	$0	$0	$135,253	$0	$0	$17,743	$0	$0	$0	$474,361	$0	$627,357		$627,357
11030 Beginning Equity	-$55,179	$0	$562	-$89,265	-$313,111	$0	$5,590,918	-$149,064	$219,290	-$99,140	$1,610,672	$17,404	$6,733,087		$6,733,087
11040 Prior Period Adjustments, Equity T	$0			$0	$0			$0	$0	$0	$0	$0	$0		$0
11050 Changes in Compensated Absenc												$0			
11060 Changes in Contingent Liability Ba												$0			
11070 Changes in Unrecognized Pension												$0			
11080 Changes in Special Term/Severan												$0			
11090 Changes in Allowance for Doubtfu												$0			
11100 Changes in Allowance for Doubtfu												$0			
11170 Administrative Fee Equity					-$195,294							$0	-$195,294		-$195,294
11180 Housing Assistance Payments Eq					$5,258							$0	$5,258		$5,258
11190 Unit Months Available				1812	16992		444		308		1524	0	21080		21080
11210 Number of Unit Months Leased				1791	16393		436		308		1499	0	20427		20427
11270 Excess Cash												$0			
11610 Land Purchases												$0			
11620 Building Purchases												$0			
11630 Furniture & Equipment - Dwelling F												$0			
11640 Furniture & Equipment - Administr												$0			
11650 Leasehold Improvements Purchas												$0			
11660 Infrastructure Purchases												$0			
13510 CFFP Debt Service Payments												$0			
13901 Replacement Housing Factor Fund												$0			

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

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

Board of Commissioners
Housing Opportunities of Southwest Washington
Longview, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Housing Opportunities of Southwest Washington (the "Authority"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 27, 2020. Our report also includes a reference to other auditors who audited the financial statements of certain discretely presented component units, as described in our report on the Authority's financial statements. The financial statements of the discretely presented component units that were audited by other auditors were not audited in accordance with *Government Auditing Standards*. Accordingly, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Finney, Neill & Company, P.S.

July 27, 2020
Seattle, Washington

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

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

Board of Commissioners
Housing Opportunities of Southwest Washington
Longview, Washington

Report on Compliance for Each Major Federal Program

We have audited the Housing Opportunities of Southwest Washington (the "Authority's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2019. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Housing Opportunities of Southwest Washington, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Report on Internal Control over Compliance

Management of Housing Opportunities of Southwest Washington is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

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

Finney, Neill & Company, P.S.

July 27, 2020
Seattle, Washington

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2019

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _______ yes __X__no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _______ yes __X__none reported

Noncompliance material to financial statements noted? _______ yes __X__no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _______ yes __X__no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___X__ yes ______none reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? ___X__ yes ______no

Identification of major programs:

CFDA Numbers	Name of Federal Program
10.427	*U.S. Department of Agriculture – Rural Rental Assistance Payments*
14.871	*U.S. Department of Housing and Urban Development – Section 8 Housing Choice Vouchers*

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

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

Section II – Financial Statement Findings

NONE

Section III –Federal Award Findings and Questioned Costs

2019-001 – SEFA Preparation

Federal Award
Not applicable. The finding relates to the preparation of the SEFA and not to a specific major program.

Finding
Internal control processes over SEFA preparation did not ensure that all material federal awards were recorded completely and correctly.

Repeat Finding
Finding 2019-001 is a repeat of Finding 2018-001.

Criteria
In accordance with 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, §200.510(b), the Authority must prepare a schedule of expenditures of Federal Awards ("SEFA") which must include the total Federal Awards expended as determined in accordance with §200.502 *Basis for Determining Federal Awards Expended*.

Condition and Context
During our review of the initial draft of the SEFA prepared by management, we observed the SEFA incorrectly excluded a federal loan award balance under CFDA 14.239 for $777,991. We also noted that the SEFA incorrectly included all loan balances as of September 30, 2019, instead of as of the beginning balance for the fiscal year.

Cause
Management's internal review process did not provide for adequate preparation and review of the SEFA.

Effect
The misstatements could result in errors in the determination of major federal programs for compliance testing, and could result in material misstatements to the total of federal awards expended.

Questioned Costs
None.

Recommendations
We recommend the Authority develop a process to review all loan agreements and grant award agreements annually, to ensure that the SEFA is complete. We also recommend the Authority implement a thorough review process for the SEFA, to ensure that it has been prepared accurately and in accordance with applicable guidance.

Views of Management and Corrective Action Plan
Management's response is reported in the "Management's Corrective Action Plan" at the end of this report.

Contact Person Becky Phillips, Finance Director

HOUSING OPPORTUNITIES
of SW Washington

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Schedule of Federal Findings and Questioned Costs
Corrective Action Plan
For the Year Ended September 30, 2019

The following is management's response and corrective action plan for the audit findings identified in the audit reporting package for the year ending September 30, 2019:

Finding Reference Number: 2019-001

Federal Award Agency: Not applicable. The finding relates to the preparation of the SEFA and not to a specific major program.

We agree with this finding and note that SEFA originally prepared did not ensure that all material federal awards were recorded completely and correctly. We understand the auditors' findings and have taken steps to correct the issues identified. All contracts will be required and reviewed for CFDA numbers listed in the contract. Any requests for contract numbers will be in writing and added to the contract file. Prior to the yearly submission of the SEFA a second review of CFDA numbers will be performed by the Finance Manager and/or Senior Accountant.

Date of Planned Corrective Action : The above process has been completed.

Signature: Becky Phillips

Printed Name: Becky Philips, Finance Manager

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HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Schedule of Prior Year Findings and Responses

Reference Number:	2018-001
Topic:	Preparation of the Schedule of Expenditures of Federal Awards (SEFA)
Audit Finding:	The SEFA incorrectly identified a grant received from the Department of Veterans Affairs with contract award amount of $495,715 under CFDA 64.033 as CFDA 64.024.
Corrective Action:	All contracts will be required/reviewed for CFDA numbers listed in the contract. Any requests for contract numbers will be in writing and added to the contract file. Prior to the yearly submission of the SEFA a second review of CFDA numbers will be performed by the Finance Manager and/or Senior Accountant.
Status:	Elements of this finding were repeated in the current year - see Finding 2019-001.