

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

**FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Opportunities of Southwest Washington
Longview, Washington

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities (primary government) and the discretely presented component unit of the Housing Opportunities of Southwest Washington (the Authority), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Housing Opportunities of Southwest Washington as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT, CONTINUED

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 9, schedule of the Authority's proportionate share of the net pension liability on page 45, and schedule of employer contributions on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's 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 50 through 54 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 schedule of expenditures of federal awards and the financial data schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2023 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, Hill & Company, P.S.

June 27, 2023
Seattle, Washington

HOUSING OPPORTUNITIES OF SW WASHINGTON
Management's Discussion and Analysis
September 30, 2022

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 \$264 thousand (11%) during the year. Unrestricted cash and cash equivalents increased by \$201 thousand (16%) and restricted cash and cash equivalents increased by \$62 thousand (5%).
- The Authority maintained average occupancy rate of 98% across all projects, equal to 2021's occupancy rate.
- Total assets and deferred outflows of resources of the authority exceeded total liabilities and deferred inflows of resources at September 30, 2022 by \$2.6 million, which is an increase of \$67 thousand (3%) during the year.
- Non-operating (grants and interest) revenues were \$14.5 million, an increase of \$1 million. HUD operating grants increased by approximately \$1 million. Operating revenues decreased slightly from the previous year by \$55 thousand.
- Operating expenses were \$16.1 million and include \$11.8 million in housing assistance payments (HAP) made to landlords (73% of operating expenses). HAP increased by \$1.2 million (11%) from the previous year. Administrative expenses increased \$510 thousand, largely due to an increase in pension benefit expense. Total operating expenses, other than the aforementioned, were consistent with 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 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

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Management's Discussion and Analysis
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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 fund 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

Condensed Comparative Statement of Net Position

The following condensed statement of net position presents the assets and deferred outflow of resources of the Authority as of September 30, 2022 and 2021:

	<u>Sept. 30, 2022</u>	<u>Sept. 30, 2021</u>
Current and other assets	\$ 4,893,522	5,458,439
Capital assets	<u>10,912,817</u>	<u>11,275,073</u>
Total assets	15,806,339	16,733,512
Deferred Outflows of Resources	<u>458,679</u>	<u>112,731</u>
Total assets and deferred outflows of resources	<u>\$ 16,265,018</u>	<u>16,846,243</u>
Current liabilities	\$ 1,006,484	1,482,574
Long-term liabilities	<u>12,046,327</u>	<u>11,436,434</u>
Total liabilities	13,052,811	12,919,008
Deferred Inflows of Resources	<u>647,953</u>	<u>1,430,155</u>
Total liabilities and deferred inflows of resources	<u>\$ 13,700,764</u>	<u>14,349,163</u>
Net position		
Net investment in capital assets	\$ (749,887)	(539,363)
Restricted	1,366,189	2,316,619
Unrestricted	<u>1,947,952</u>	<u>719,824</u>
Total net position	<u>\$ 2,564,254</u>	<u>2,497,080</u>
Total liabilities, deferred inflows, and net position	<u>\$ 16,265,018</u>	<u>\$ 16,846,243</u>

HOUSING OPPORTUNITIES OF SW WASHINGTON
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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 a useful measure of the Authority's financial position.

The total net position of \$2.6 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 that will occur in this category are property development, depreciation, and overall debt activity, generally, the normal repayment of principal. This year the account had a decrease of \$211 thousand and is \$(750) thousand at fiscal year-end. The decrease is due primarily to a decrease in capital assets, net, from normal depreciation, as well as an increase in lease liability due to the implementation of GASB 87. The balance is negative because many loans are deferred and not decreasing, while the associated properties are depreciating.
- The Restricted Net Position consists of four major components: debt service reserves held by trustees to support debt service commitments, Housing Choice Voucher housing assistance payment (HAP) reserve, required reserves for replacement (maintenance reserves), and Net Pension Assets. HAP reserves are restricted and can only be used for housing assistance payments for the Housing Choice Voucher program. This category decreased by \$950 million in fiscal year 2022 and ended the year at \$1.4 million. Approximately \$816 thousand of this decrease is related to the reduction of the Net Pension Asset. In addition, HAP funding continued to be greater than HAP payments during the year, increasing HAP reserves.
- 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 2022, this amount increased by \$1.2 million and ended the year at \$1.9 million. The increase in this category is primarily due to the decrease in restricted net position associated with the reduction of the Net Pension Asset.

Current and other assets decreased by 10.3%, or \$565 thousand. This decrease is primarily related to the reduction of the net pension asset. Capital assets decreased by \$362 thousand due to depreciation.

Current liabilities decreased by 32%, or \$476 thousand, primarily related to the current portion of long-term debt due in 2023.

Condensed Comparative Statement of Revenues, Expenses & Changes in Fund Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents 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 Fund Net Position for the years ended on September 30, 2022 and 2021.

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Management's Discussion and Analysis
September 30, 2022

	<u>Sept. 30, 2022</u>	<u>Sept. 30, 2021</u>
Operating revenue		
Net tenant rental revenue	\$ 1,424,495	1,326,264
Other revenue	<u>517,887</u>	<u>671,218</u>
Total Operating Revenue	1,942,382	1,997,482
Non-operating revenue		
Government operating subsidies and grants	14,526,546	13,519,773
Other non-operating revenue	<u>15,120</u>	<u>15,646</u>
Total non-operating revenue	<u>14,541,666</u>	<u>13,535,419</u>
Total revenue	<u>16,484,048</u>	<u>15,532,901</u>
Operating expenses	16,114,816	14,208,904
Non-operating expenses		
Interest expense	<u>302,058</u>	<u>360,784</u>
Total expenses	<u>16,416,874</u>	<u>14,569,688</u>
Change in Net Position	<u>67,174</u>	<u>963,213</u>
Net position, beginning	<u>2,497,080</u>	<u>1,533,867</u>
Net position, ending	<u>\$ 2,564,254</u>	<u>2,497,080</u>

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 88% 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. HAP subsidy and payments increased by approximately \$1.1 million in FY2022, affecting both non-operating revenue and operating expenses.

Major economic conditions influencing the Authority's Statement of Revenues, Expenses, and Changes in Net Position is the continued appropriation and support for these programs through Congress. In fiscal years 2022 and 2021, appropriations remained consistent, however, impacted by the rising rents and high occupancy rates within local rental market, causing the Authority to assist fewer families.

This is offset by the well performing Authority-owned real estate in the local rental market. The Cowlitz County rental market is influenced by the Portland, OR, and Vancouver, WA, rental markets which have 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.

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Management's Discussion and Analysis
September 30, 2022

Capital Asset and Long-Term Debt Activity

Capital Assets

During the fiscal year the Authority had \$10.9 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$362 thousand from the end of last year, because of annual depreciation offset by an increase in construction in progress expenditures.

	<u>Sept. 30, 2022</u>	<u>Sept. 30, 2021</u>
Land	\$ 2,271,229	2,271,229
Construction in Progress	<u>184,370</u>	<u>113,598</u>
Total non-depreciable capital assets	<u>2,455,599</u>	<u>2,384,827</u>
Buildings	15,635,448	15,488,394
Equipment	323,685	319,245
Leasehold Improvements	<u>3,110,189</u>	<u>3,110,189</u>
Total depreciable capital assets	19,069,322	18,917,828
Accumulated Depreciation	<u>(10,719,820)</u>	<u>(10,027,582)</u>
Total depreciable capital assets, net	<u>8,349,502</u>	<u>8,890,246</u>
Intangible - Right-to-Use Equipment	121,943	-
Accumulated Amortization	<u>(14,227)</u>	<u>-</u>
Total amortizable capital assets, net	<u>107,716</u>	<u>-</u>
Total Capital Assets, net	<u>\$ 10,912,817</u>	<u>11,275,073</u>

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

Long-Term Debt

As of September 30, 2022, the Authority had \$11.6 million in loans, notes, and mortgages. This is a decrease of approximately \$260 thousand from the prior year balance of \$11.8 million. Debt changed due to a mix of standard principal payments and refinancing occurring in 2022. This information is presented in detail in Note 7 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 related services.

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Management's Discussion and Analysis
September 30, 2022

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 2022:

- The administrative cost portion of the Housing Choice Voucher program funding was funded at the following percent of eligibilities: 85% during 2021 and 89.55% during 2022.
- The Section 8 Housing Choice Voucher Program Housing Assistance Payments was funded at 99.5% of subsidy eligibility in 2021 and 100% in 2022.

The Authority has been seeing a steady increase in admin fees since COVID-19, as well as in housing subsidy. 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. On top of this, the Authority has seen an increase in funding in 2022 which has been used to cover rising inflation costs.

Local inflationary, recessionary, and employment trends can affect resident incomes and therefore the number 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 decreased from 5.7% in September 2021 to 4.7% in September 2022 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, 2022
(With Component Unit presentation as of December 31, 2021)

Assets and Deferred Outflows of Resources	Primary Government	Component Unit
	<u> </u>	<u> </u>
Current Assets:		
Cash - Unrestricted	\$ 1,467,846	72,151
Accounts Receivable (net)	293,704	2,728
Lease Receivable	11,362	-
Prepaid Expenses	91,441	16,475
Inventory	16,634	-
Restricted Assets:		
Cash - Restricted	1,195,500	326,653
Tenant Security Deposits	74,943	16,123
Total Restricted Assets	<u>1,270,443</u>	<u>342,776</u>
Total Current Assets	<u>3,151,430</u>	<u>434,130</u>
Noncurrent Assets:		
Notes and Interest Receivable - Component Unit	483,457	-
Notes Receivable - Other	228,647	-
Deferred Developer Fees Receivable - Related Party	103,276	-
Lease Receivable, net of current	66,072	-
Capital Assets:		
Nondepreciable	2,455,599	308,313
Capital Assets, Net of Depreciation	8,349,502	5,482,558
Right-to-Use Lease Asset, Net of Amortization	107,716	-
Capital Assets, net	<u>10,912,817</u>	<u>5,790,871</u>
Net Pension Asset	511,070	-
Investments in Joint Ventures	349,570	-
Other Noncurrent Assets	-	53,713
Total Noncurrent Assets	<u>12,654,909</u>	<u>5,844,584</u>
Total Assets	<u>15,806,339</u>	<u>6,278,714</u>
Deferred Outflows of Resources (Related to Pensions)	<u>458,679</u>	<u>-</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 16,265,018</u>	<u>6,278,714</u>

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

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
STATEMENT OF NET POSITION, CONTINUED
September 30, 2022
(With Component Unit presentation as of December 31, 2021)

Liabilities, Deferred Inflows, and Net Position	<u>Primary Government</u>	<u>Component Unit</u>
Current Liabilities:		
Accounts Payable and Other Accrued Liabilities	\$ 370,962	14,812
Payable to Primary Government	-	11,504
Compensated Absences, current	47,346	-
Interest Payable, current	32,069	4,995
Unearned Revenue	163,446	532
FSS Escrow Liability, current	28,431	-
Long-Term Debt, current	266,254	21,320
Lease Liability, current	23,033	-
Tenant Security Deposits	74,943	16,900
Total Current Liabilities	<u>1,006,484</u>	<u>70,063</u>
Noncurrent Liabilities:		
Accrued Interest, net of current	230,210	99,201
Long-Term Debt, net of current portion	11,287,929	1,181,787
Note Payable to Primary Government	-	404,467
FSS Escrow Liability - long-term	148,504	-
Lease Liability, net of current	85,488	-
Net Pension Liability	294,196	-
Total Noncurrent Liabilities	<u>12,046,327</u>	<u>1,685,455</u>
Total Liabilities	<u>13,052,811</u>	<u>1,755,518</u>
Deferred Inflow of Resources - Related to Pension	570,662	-
Deferred Inflow of Resources - Related to Leases	77,291	-
Total Deferred Inflows of Resources	<u>647,953</u>	<u>-</u>
Total Liabilities & Deferred Inflows of Resources	<u>13,700,764</u>	<u>1,755,518</u>
Net Position:		
Invested in capital assets, net of related debt	(749,887)	4,183,297
Restricted	1,366,189	325,876
Unrestricted	1,947,952	14,023
Total Net Position	<u>2,564,254</u>	<u>4,523,196</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 16,265,018</u>	<u>6,278,714</u>

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
For the Year Ended September 30, 2022
(With Component Unit presentation for the year ended December 31, 2021)

	Primary Government	Component Unit
Operating Revenues:		
Net Rental Revenue	\$ 1,424,495	412,159
Tenant Revenue - Other	64,376	-
Other Income	453,511	10,599
Total Operating Revenues	1,942,382	422,758
Operating Expenses:		
Administrative	1,124,892	96,768
Tenant Services	936,415	25,670
Utilities	411,304	54,586
Maintenance	907,479	47,170
Other General Expenses	215,048	49,347
Housing Assistance Payments	11,813,213	-
Depreciation and Amortization	706,465	301,172
Total Operating Expenses	16,114,816	574,713
Operating Income (Loss)	(14,172,434)	(151,955)
Non-operating revenues & expenses:		
HUD PHA Operating Grants	12,429,855	-
Other Government Grants	2,096,691	-
Investment Income	15,120	-
Interest Expense	(302,058)	(71,913)
Total non-operating revenues & expenses	14,239,608	(71,913)
Changes in net position	67,174	(223,868)
Net position at beginning of year	2,497,080	4,747,064
Net position at end of year	\$ 2,564,254	4,523,196

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, 2022

	Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Tenants	\$ 1,519,275
Cash Received from Other Activities	420,405
Cash Paid to Suppliers	(1,600,469)
Cash Paid to Employees	(2,136,594)
Cash Paid to Landlords	(11,776,384)
Net cash used by operating activities:	(13,573,767)
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Noncapital Grants	14,494,566
Net cash provided by non-capital financing activities:	14,494,566
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(222,265)
Payments on Leases	(37,345)
Principal Paid on Capital Debt	(260,254)
Interest Paid	(295,399)
Net cash used by capital and related financing activities	(815,263)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Collection on Notes Receivable	126,904
Interest Received	32,014
Net cash provided by investing activities:	158,918
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	264,454
CASH AND CASH EQUIVALENTS, beginning of year	2,473,835
CASH AND CASH EQUIVALENTS, end of year	\$ 2,738,289
 RECONCILIATION TO STATEMENT OF NET POSITION	
Cash - Unrestricted	\$ 1,467,846
Cash - Restricted	1,195,500
Cash - Tenant Security Deposits	74,943
Total Cash	\$ 2,738,289

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, 2022

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:

Operating income (loss)	\$ (14,172,434)
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation and amortization	706,465
Forgiveness of note payable	23,921
(Increase) decrease in assets:	
Accounts receivable	(1,217)
Other operating receivables	(77,434)
Prepaid expenses and other assets	(17,892)
Pension asset	815,517
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	74,949
Pension liability	(1,037,740)
Security deposits	(484)
FSS escrow liability	36,828
Other payables	77,291
Unearned revenues	(856)
Compensated absences	(681)
Total adjustments	<u>598,667</u>
Net cash provided (used) by operating activities	<u>\$ (13,573,767)</u>

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

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements

For the Year Ended September 30, 2022

Note 1 – SUMMARY OF SIGNIFICANT POLICIES

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

Reporting Entity

The Authority is a public body corporate and politic of the State of Washington, 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 and entered into inter-local agreements 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 certain management services through contracts with the Joint Pacific County Housing Authority, Lilac Place, LLLP, and Driftwood Point Apartments, 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.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

The Component Unit financial statements are presented as of December 31, 2021. 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.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

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 – Other

Notes receivable consist of first and second mortgage loans, as well as notes from the component unit. The mortgage loans were made under a down payment assistance program for first time home buyers. These mortgage loans are 0% interest, secured by a deed of trust, and payable upon sale or transfer of title, satisfactory completion of residency requirements, or change of use. The first mortgage loan was paid off in May 2022. 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.

The Authority has notes receivable from the component unit in the amount of \$404,467 plus \$78,990 in accrued interest. The component unit discloses \$404,467 as a long-term liability plus \$99,201 in accrued interest. The differences are the result of differing year ends of September 2022 for the Authority and December 2021 for the component unit, as well as a \$30,161 waterfall payment made towards the Authority’s accrued interest in July 2022.

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 include 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, restricted donations, 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. 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. All capital assets are valued at historical cost or estimated historical cost, where historical cost is not known.

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.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

Property, plant, residential buildings, equipment, and intangible right-to-use assets are depreciated or amortized using the straight-line method, generally over the following estimated useful lives:

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

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

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

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 investments in the Lilac Place Limited Liability Limited Partnership as general partner, and in the Driftwood Point Apartments LLLP as co-general partner together with Joint Pacific County Housing Authority. As general partner, the Authority uses the equity method of accounting for the investments and, as such, does not recognize losses in excess of the equity. These investments are increased by contributions and income from the partnerships and decreased by distributions and losses incurred by the partnerships.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

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 to future 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.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For purposes of calculating the restricted net position related to the net pension asset, the Authority includes the net pension asset only. For details of the Pension Plans, see Note 8.

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 results from ground lease payments, grants, and tenant rent payments received in advance of the period in which these are considered earned. Unearned tenant rent payments were received prior to year-end, before they were due; grant funding was received in advance of incurring related expense.

Leases

The Lease Receivable consists of amounts recorded in compliance with GASB 87, *Leases*. The Government has recorded the Lease Receivable and Deferred Inflows of Resources.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line basis.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

Key estimates and judgments related to lease include how the Housing Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Housing Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee.

The Housing Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable. See Note 6 for more information.

Lease Liability consist of amounts recorded in compliance with GASB 87, *Leases*. The Government has recorded the Lease Liability and associated Intangible, right to use, asset.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis the same useful lives as the asset category of the underlying assets. If the asset's life is equivalent to the lease term, the Government's right to use asset is amortized over the life of the lease from implementation through lease term end.

Key estimates and judgments related to lease include how the Housing Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Housing Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Housing Authority generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Housing Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. See Note 6 for more information.

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.

These notes are an integral part of the financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

Tax Exemption

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

New Accounting Standards Adopted

GASB Statement No. 87, *Leases*, is effective for reporting periods beginning after June 15, 2021. 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 the financing of the right to use an underlying asset. It requires recognition of certain lease assets and liabilities that were previously classified as operating. See Note 14 for discussion of the impact on the Authority's financial statements for the period ended September 30, 2022, and disclosures that have been modified to comply with this standard.

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, 2020. 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. The adoption of this standard in the year ended September 30, 2022 did not have a material impact on the Authority's financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*, is effective for reporting periods beginning after June 15, 2021. Its objective is to address accounting and financial reporting implications that result from the replacement of an IBOR.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. Upon implementation of this standard, the Authority added a note disclosure describing the elements of the plan.

New Accounting Standards to be Adopted in Future Years

GASB Statement No. 91, *Conduit Debt Obligations*, is effective for reporting periods beginning after December 15, 2021. This Statement will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, is effective for fiscal years beginning after June 15, 2022. Its objective is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs), and to provide guidance for accounting and financial reporting for availability payment arrangements (APAs).

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

GASB Statement No. 96, *Subscription-Based Technology Arrangements*, will improve financial reporting by establishing a definition for these arrangements and providing uniform guidance for accounting and financial reporting for transactions that meet the definition. This will result in greater consistency, enhance the relevance and reliability of the government's financial statements, and allow users to understand the scale and impact on the government's obligations. The requirements of this statement are effective for periods beginning after June 15, 2022.

GASB Statement No. 99, *Omnibus 2022*, will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing both practice issues that have been identified during implementation and application of certain GASB statements as well as accounting and financial reporting for financial guarantees. The requirements of this statement are effective immediately for certain provisions and other provisions are effective for fiscal years beginning after June 15, 2022 and June 15, 2023.

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

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

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

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 3 – DEPOSITS AND INVESTMENTS

Deposits

The Authority's deposits and certificates of deposit are entirely covered by the Federal Depository Insurance Commission (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). It is the policy of the Authority, when making deposits or investing in bank market rate savings or certificates of deposit, to use banks which are qualified public depositories as designated by the 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.

Investments

Available excess cash or demand deposits of the Authority are invested in accordance with RCW 35.82.070(6) and the Authority's policies. Investments consist of deposits with qualified public depositories, obligations of the U.S. Treasury and agencies, banker's acceptances, commercial paper, and repurchase agreements. All restricted cash and investments held in bond trust accounts 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 and for the year ended September 30, 2022, 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, 2021, the component units' carrying amount of deposits was \$414,927. These deposits are entirely covered by Federal Depository Insurance Corporation (FDIC).

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 4 –RECEIVABLES

Accounts Receivable

The Authority has accounts receivable due from the following as of September 30, 2022:

Tenants, net of allowance	\$	6,843
PHA Projects		2,914
Other Governments		112,025
Component Unit		28,204
HUD		115,943
Related Parties		23,161
Miscellaneous		4,614
	\$	<u>293,704</u>

Notes Receivable

The Authority has notes receivable that consist of first and 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 first mortgage loan was paid off in May 2022.

The Authority has notes receivable from the component unit in the amount of \$404,467 plus \$78,990 in accrued interest. The component unit discloses \$404,467 as a long-term liability plus \$99,201 in accrued interest. The differences are the result of differing year ends of September 2022 for the Authority and December 2021 for the component unit, as well as a \$30,161 waterfall payment made toward the accrued interest balance in July 2022.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Notes to the Financial Statements, continued
For the Year Ended September 30, 2022

Note 4 – RECEIVABLES, continued

The schedule of notes receivable as of September 30, 2022 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	<u>338,200</u>	Apr-14	Oct-58	3.28%	<u>338,200</u>
	742,667				404,467
Forgivable Notes					
E	<u>20,000</u>	Aug-17	Aug-27	0.00%	<u>11,833</u>
	20,000				11,833
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
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
M	10,000	May-14	May-44	0.00%	10,000
O	5,000	Apr-19	Apr-49	0.00%	5,000
P	<u>40,000</u>	Apr-16	based on cash flow	1.00%	<u>21,814</u>
	<u>235,000</u>				<u>216,814</u>
Total	<u><u>\$ 997,667</u></u>				<u><u>\$ 633,114</u></u>

Notes receivable activity for the year ended September 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Lilac Place	\$ 404,467	-	-	404,467
Home ownership	76,904	-	(76,904)	-
Forgivable notes	11,833	-	-	11,833
Other notes	<u>266,814</u>	-	<u>(50,000)</u>	<u>216,814</u>
	<u><u>\$ 760,018</u></u>	<u>-</u>	<u>(126,904)</u>	<u><u>633,114</u></u>

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Notes to the Financial Statements, continued
For the Year Ended September 30, 2022

Note 5 – CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended September 30, 2022 was as follows:

	Beginning Balance 09/30/21	Additions	Dispositions / Transfers	Ending Balance 09/30/22
Capital assets not being depreciated				
Land	\$ 2,271,229	-	-	2,271,229
Construction in progress	113,598	70,772	-	184,370
Total capital assets not being depreciated	<u>2,384,827</u>	<u>70,772</u>	<u>-</u>	<u>2,455,599</u>
Capital assets being depreciated				
Buildings	15,488,394	147,054	-	15,635,448
Equipment	319,245	4,440	-	323,685
Leasehold improvements	3,110,189	-	-	3,110,189
Total capital assets being depreciated	18,917,828	151,494	-	19,069,322
Less accumulated depreciation	<u>(10,027,582)</u>	<u>(692,238)</u>	<u>-</u>	<u>(10,719,820)</u>
Total capital assets being depreciated, net	<u>8,890,246</u>	<u>(540,744)</u>	<u>-</u>	<u>8,349,502</u>
Intangible - Right-to-Use Equipment	-	121,943	-	121,943
Accumulated Amortization	<u>-</u>	<u>(14,227)</u>	<u>-</u>	<u>(14,227)</u>
Total amortizable capital assets, net	<u>-</u>	<u>107,716</u>	<u>-</u>	<u>107,716</u>
Total capital assets, net	<u>\$ 11,275,073</u>	<u>(362,256)</u>	<u>-</u>	<u>10,912,817</u>

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Notes to the Financial Statements, continued
For the Year Ended September 30, 2022

Note 5 – CAPITAL ASSETS, continued

Component Unit

Capital asset activity for the Component Unit for the year ended December 31, 2021 was as follows:

	Beginning Balance 12/31/20	Increases	Decreases	Ending Balance 12/31/21
Capital assets not being depreciated				
Land	\$ 308,313	-	-	308,313
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>308,313</u>	<u>-</u>	<u>-</u>	<u>308,313</u>
Capital assets being depreciated				
Land improvements	615,439	-	-	615,439
Building	7,100,407	-	-	7,100,407
Equipment	<u>227,935</u>	<u>-</u>	<u>-</u>	<u>227,935</u>
Total capital assets being depreciated	7,943,781	-	-	7,943,781
Less accumulated depreciation	<u>(2,160,051)</u>	<u>(301,172)</u>	<u>-</u>	<u>(2,461,223)</u>
Total capital assets being depreciated, net	<u>5,783,730</u>	<u>(301,172)</u>	<u>-</u>	<u>5,482,558</u>
Total capital assets, net	<u>\$ 6,092,043</u>	<u>(301,172)</u>	<u>-</u>	<u>5,790,871</u>

Note 6 – LEASES

Lessor

At September 30, 2022, the Authority had one lease receivable in which it is acting as Lessor. In July 2022, the Authority entered into a 3-year lease with up to 3 years of extensions. The lease is for use of office space. The Authority is assuming the full extension period will be used.

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

	Lease Receivables		
	Principal	Interest	Total Requirements
2023	\$ 11,362	3,614	14,976
2024	11,944	3,032	14,976
2025	12,679	2,421	15,100
2026	13,965	1,755	15,720
2027	14,679	1,041	15,720
2028	<u>12,805</u>	<u>295</u>	<u>13,100</u>
	<u>\$ 77,434</u>	<u>12,158</u>	<u>89,592</u>

These notes are an integral part of the financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 6 – LEASES, continued

Lessee

At September 30, 2022, the Authority has one lease in which it is acting as the Lessee for office equipment. Refer to Note 5, Capital Assets, for information related to the Right to Use assets accounted for through these leases. The Primary Government has one lease for office equipment. The lease is for 20 copiers and is to be paid monthly until February 28, 2027.

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

	Lease Payable		
	Principal	Interest	Total Requirements
2023	\$ 23,033	3,656	26,689
2024	23,906	2,782	26,688
2025	24,813	1,875	26,688
2026	25,754	934	26,688
2027	11,015	103	11,118
	<u>\$ 108,521</u>	<u>9,350</u>	<u>117,871</u>

Note 7 – LONG TERM DEBT AND LIABILITIES

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, 2022:

Purpose	Original Amount	Issue Date	Fiscal	Interest Rate	Amount Outstanding	Other Disclosures
			Year Maturity			
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%	251,495	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 home - 18th Newberg	27,461	08/14/08	2023	4.50%	2,725	Not secured. No prepayment penalty.
Refinance of Admin Building loan	463,000	11/20/18	2028	4.43%	421,251	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.

These notes are an integral part of the financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 7 – LONG TERM DEBT AND LIABILITIES, continued

Schedule of Direct Placement Debt Outstanding as of September 30, 2022, continued

Purpose	Original Amount	Issue Date	Fiscal Year Maturity	Interest Rate	Amount Outstanding	Other Disclosures
Construction of 20 units of assisted housing - Phoenix House	1,775,000	06/30/08	2059	0.00%	1,775,000	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.
Refinance of Stratford	428,733	03/09/21	2031	3.75%	407,136	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Interest rate increases to the 5-year fixed advance rate plus a 2.9% margin beginning April 1, 2026. 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	55,282	12/28/20	2027	6.625%	42,665	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Interest rate increased from 3.75% to the 5-year fixed advance rate plus a 2.9% margin, or 6.625%, on September 1, 2022. 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	19,790	12/28/20	2026	3.75%	14,240	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	565,574	12/28/20	2027	6.125%	542,942	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Interest rate increased from 3.75% to the 5-year fixed advance rate plus a 2.9% margin, or 6.125%, on July 1, 2022. 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	483,000	02/01/21	2031	3.75%	463,927	Secured by deed of trust on real property. Interest rate increases to the 5-year fixed advance rate plus a 2.9% margin beginning March 1, 2026. 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.

These notes are an integral part of the financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 7 – LONG TERM DEBT AND LIABILITIES, continued

Schedule of Direct Placement Debt Outstanding as of September 30, 2022, continued

Purpose	Original Amount	Issue Date	Fiscal Year Maturity	Interest Rate	Amount Outstanding	Other Disclosures
Leasehold improvements - Sylvester Arms	1,565,717	01/09/94	2054	0.50%	1,173,787	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. Lender deferred all interest and principal payments through December 2022, in response to COVID-19 pandemic.
	603,443	03/16/22	2032	4.50%	599,240	Existing loan was refinanced in March 2022 with a new interest rate of 4.5% and a new maturity date of March 2032. 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	640,800	08/11/98	2048	1.00%	568,291	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	209,700	08/11/98	2048	1.00%	209,700	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.
	188,691	03/04/98	2028	3.25%	58,482	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.
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%	347,731	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.

These notes are an integral part of the financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Notes to the Financial Statements, continued
For the Year Ended September 30, 2022

Note 7 – LONG TERM DEBT AND LIABILITIES, continued

Schedule of Direct Placement Debt Outstanding as of September 30, 2022, continued

Purpose	Original Amount	Issue Date	Fiscal Year Maturity	Interest Rate	Amount Outstanding	Other Disclosures
Refinance - Hawthorne House	340,966	12/28/20	2031	4.125%	297,547	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Interest rate of 3.75% increased to the 5-year fixed advance rate plus a 2.9% margin, or 4.125%, on November 1, 2021. 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%	945,652	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	2046	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	2046	1.00%	80,693	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	242,569	01/19/06	2046	1.00%	196,250	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	2046	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	2046	1.00%	291,846	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	2046	1.00%	462,533	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	<u>\$ 13,971,875</u>				<u>\$ 11,554,183</u>	

These notes are an integral part of the financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 7 – LONG TERM DEBT AND LIABILITIES, continued

Mortgage debt service requirements to maturity are as follows:

Years Ending September 30	Principal	Interest	Required Debt Service
2023	\$ 266,254	282,573	548,827
2024	275,589	268,165	543,754
2025	844,440	298,174	1,142,614
2026	528,611	258,137	786,748
2027	747,980	218,644	966,624
2028-2032	2,483,190	787,411	3,270,601
2033-2037	660,942	404,065	1,065,007
2038-2042	530,434	193,571	724,005
2043-2047	1,575,527	68,080	1,643,607
2048-2052	546,635	23,276	569,911
2053-2057	1,319,581	16,933	1,336,514
2058-2062	1,775,000	-	1,775,000
	<u>\$ 11,554,183</u>	<u>2,819,029</u>	<u>14,373,212</u>

Changes in Long-Term Liabilities

During the year ended September 30, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct placement debt:					
Mortgages	\$ 11,814,438	-	(260,255)	11,554,183	\$ 266,254
Total direct placement debt	11,814,438	-	(260,255)	11,554,183	266,254
Accrued interest	255,620	6,659	-	262,279	32,069
Pension liability	126,495	167,701	-	294,196	-
Lease liability	-	108,521	-	108,521	23,033
Compensated absences	48,027	-	(681)	47,346	47,346
	<u>\$ 12,244,580</u>	<u>282,881</u>	<u>(260,936)</u>	<u>12,266,525</u>	<u>\$ 368,702</u>

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 (\$392,226) are to be paid out of residual receipts as they become available. The Columbia Bank (formerly WCRA) loan (\$810,881) is to be paid back out of operations.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Notes to the Financial Statements, continued
For the Year Ended September 30, 2022

Note 7 – LONG TERM DEBT AND LIABILITIES, continued

Outstanding loans for the Component Unit are as follows:

	Original Amount	Issue date	Fiscal year maturity	Interest rate	Amount outstanding Dec 31, 2021
Mortgage	\$ 878,642	Jan-15	2030	6.00%	\$ 810,881
2nd Mortgage	215,054	Jan-14	2058	0.50%	192,226
Deferred Loan	<u>200,000</u>	Jan-14	2058	0.00%	<u>200,000</u>
Long-term debt - unrelated parties	1,293,696				1,203,107
Note Payable - General Partner	<u>404,467</u>	Jan-14	2058	3.28%	<u>404,467</u>
Total long-term debt	<u>\$ 1,698,163</u>				<u>\$ 1,607,574</u>

The Component Unit's loans payable debt service requirements to maturity are as follows:

Years ending December 31	Principal	Interest	Required debt service
2022	\$ 21,320	49,160	70,480
2023	22,367	48,114	70,481
2024	23,476	47,004	70,480
2025	24,653	45,828	70,481
2026	25,901	44,580	70,481
2027-2031	741,639	133,426	875,065
2032-2036	25,160	3,330	28,490
2037-2041	25,795	2,695	28,490
2042-2046	26,446	2,044	28,490
2047-2051	27,114	1,376	28,490
2052-2056	27,799	691	28,490
2057-2061	<u>615,904</u>	<u>617,349</u>	<u>1,233,253</u>
	<u>\$ 1,607,574</u>	<u>995,597</u>	<u>2,603,171</u>

During the year ended December 31, 2021, 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	\$ 1,223,028	-	(19,921)	1,203,107	\$ 21,320
Note Payable - General Partner	404,467	-	-	404,467	-
Accrued Interest	<u>96,043</u>	<u>8,153</u>	<u>-</u>	<u>104,196</u>	<u>4,995</u>
	<u>\$ 1,723,538</u>	<u>8,153</u>	<u>(19,921)</u>	<u>1,711,770</u>	<u>\$ 26,315</u>

These notes are an integral part of the financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 8 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year ended September 30, 2022:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ 294,196
Pension assets	511,070
Deferred outflows of resources	458,679
Deferred inflows of resources	570,662
Pension expense/expenditures	(47,519)

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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

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

Public Employees’ Retirement System (PERS)

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

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 8 – PENSION PLANS, continued

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for fiscal year 2022 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
October 2021 - August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	10.25%	6.00%
September 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.39%	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. 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.

These notes are an integral part of the financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 8 – PENSION PLANS, continued

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 fiscal year 2022 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
October 2021 - August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.25%	6.36%
September 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.39%	6.36%

The Authority’s actual PERS plan contributions were \$64,496 to PERS Plan 1 and \$110,207 to PERS Plan 2/3 for the year ended September 30, 2022.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 8 – 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 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub.H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

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

Assumption changes

OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in our model. These factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors recently provided to DRS for future implementation that reflect current demographic and economic assumptions.

OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.50 (7.40 for LEOFF 2) to 7.00 percent, and the salary growth assumption was lowered from 3.50 to 3.25 percent. This action is a result of recommendations from OSA's biennial economic experience study; please see the full report for additional details.

Method changes

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR; please see the Actuarial Assumptions and Methods section of the 2020 AVR for more information.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Notes to the Financial Statements, continued
For the Year Ended September 30, 2022

Note 8 – PENSION PLANS, continued

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan’s fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA’s assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0 percent was used to determine the total liability.

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2022 are summarized in the table below. The inflation component used to create the table is 2.20 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

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

Sensitivity of Net Pension Liability

The table below presents the Authority’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0 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 (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
PERS 1	393,042	294,196	207,927
PERS 2/3	601,852	(511,070)	(1,425,406)

These notes are an integral part of the financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 8 – PENSION PLANS, continued

Pension Plan Fiduciary Net Position

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

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

At September 30, 2022, the Authority reported its proportionate share of the net pension liabilities (assets) as follows:

Plan	Liability or (Asset)
PERS 1	\$ 294,196
PERS 2/3	(511,070)

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

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.01036%	0.01057%	0.00021%
PERS 2/3	0.01332%	0.01378%	0.00046%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 are used as the basis for determining each employer’s proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans.

Pension Expense

For the year ended September 30, 2022, the Authority recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 139,949
PERS 2/3	(187,468)
TOTAL	(47,519)

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 8 – PENSION PLANS, continued

Deferred Outflows of Resources and Deferred Inflows of Resources

At September 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (48,757)
Contributions subsequent to the measurement date	16,576	-
TOTAL	\$ 16,576	\$ (48,757)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 126,631	\$ (11,569)
Net difference between projected and actual investment earnings on pension plan investments	-	(377,838)
Changes of assumptions	284,851	(74,584)
Changes in proportion and differences between contributions and proportionate share of contributions	2,564	(57,914)
Contributions subsequent to the measurement date	28,057	
TOTAL	\$ 442,103	\$ (521,905)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 126,631	\$ (11,569)
Net difference between projected and actual investment earnings on pension plan investments	-	(426,595)
Changes of assumptions	284,851	(74,584)
Changes in proportion and differences between contributions and proportionate share of contributions	2,564	(57,914)
Contributions subsequent to the measurement date	44,633	-
TOTAL	\$ 458,679	\$ (570,662)

These notes are an integral part of the financial statements.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 8 – PENSION PLANS, continued

Deferred outflows of resources related to pensions resulting from the Authority’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2023. 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
2023	\$ (20,633)	\$ (134,613)
2024	(18,740)	(120,201)
2025	(23,509)	(138,576)
2026	14,125	167,278
2027	-	59,301
Thereafter	-	58,951

Note 9 – DEFERRED CONTRIBUTION PENSION PLAN

The Authority’s Section 457 Plan is a single-employer defined contribution plan. Plan benefit terms have been established by the Washington State Department of Retirement Deferred Compensation Program (DCP) and the Authority’s personnel policy. The Authority makes matching contributions on behalf of participating employees. No assets are accumulated in trusts or equivalent arrangements by the Authority which meet the criteria in GASB 73, paragraph 101. The plan assets are administered by a third-party, which is the Washington State Department of Retirement Systems – Washington State Investment Board.

Plan assets are held in each employee’s name and are the property of the employee and are 100% vested upon contribution.

Contribution rates for employees can change annually and are limited by the State of Washington DCP regulations and the IRS Section 457 limitations. Per the DCP program, the minimum contribution is \$30 per month and cannot exceed \$19,500 per year. The Authority matches up to 5.5% of wages after 18 months of employment. Pension expense and employer contributions for the Authority was \$34,066 for the year ended September 30, 2022, and \$3,417 was payable to the administrator at September 30, 2022.

Note 10 – RISK MANAGEMENT

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

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 10 – RISK MANAGEMENT, continued

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

General and Automobile Liability Coverage is written on an occurrence basis, without member deductibles. Errors and Omissions coverage (which includes Employment Practices Liability) is written on claims made basis, and the members are responsible for 10% of the incurred costs of the claims. The Property coverage offered by HARRP is on a replacement cost basis, with deductibles ranging from \$1,000 to \$25,000. (Due to special underwriting circumstances, some members may be subject to greater deductibles and E&O co-payments). Fidelity coverage is also offered, with limits of \$100,000 (with options up to \$500,000) for employee dishonesty, forgery, or alteration and \$10,000 for theft with deductibles similar to the retention of Property.

Coverage limits for General Liability, as well as Errors and Omissions, are \$2,000,000 per occurrence with no annual aggregate. Property limits are offered on an agreed amount, based on each structure's value. Limits for Automobile Liability are covered at \$2,000,000, with no aggregate. HARRP self-insures \$2 million of coverage for liability lines. For property, HARRP retains the first \$2 million and then purchases \$45 million of excess insurance from Munich Reinsurance for a combined total of \$47,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

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, 2022 the Authority maintained a line of credit of up to \$150,000 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 4.75% per annum. There were no withdrawals on the line of credit during the year ended September 30, 2022 and as of September 30, 2022, \$0 was outstanding and payable. The line of credit matures on January 1, 2025.

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 2022, the Authority charged JPCHA \$84,438 for these administrative and management services. JPCHA owed the Authority \$16,259 as of September 30, 2022.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 12 – RELATED PARTIES, continued

The Authority has entered into Development Agreements with JPCHA to develop the Willapa Center and to rehabilitate the Pacific Place low-income housing projects. The Authority earned developer fees under this agreement from JPCHA of \$78,000 during fiscal year 2022, all of which was received during the fiscal year ended September 30, 2022.

The Authority, Joint Pacific County Housing Authority, and U.S. Bancorp Community Development Corporation have entered a partnership to develop, build, and operate Driftwood Point Apartments. The project is operated as Driftwood Point Apartments, LLLP (DPA LLLP). U.S. Bancorp Community Development Corporation is the limited partner with 99.99% interest, the Authority is the managing general partner with .006% interest, and the Joint Pacific County Housing Authority is co-general partner with .004% interest in the DPA LLLP. The certificate of occupancy was issued October 1, 2019. The project consists of twenty-seven units in three buildings and forty-five adjacent parking spaces. The project is located in Long Beach, Pacific County, Washington. The Board of Commissioners of Joint Pacific County Housing Authority retains control, together with the limited partner, over the operations of Driftwood Point Apartments, LLLP, and therefore Driftwood Point Apartments LLLP is included as a component unit of Joint Pacific County Housing Authority.

Development resources for Driftwood Point Apartments 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.

The Authority has entered into a Development Agreement with Driftwood Point Apartments, LLLP, to develop the property. The Authority earned developer fees under this agreement in prior years, and as of September 30, 2022, \$103,276 in development fees receivable were due from Driftwood Point Apartments, LLLP, which are included in other noncurrent assets in the statement of net position. Future payments are based on future available cash flows in accordance with the Development Agreement.

Driftwood Point Apartments, LLLP also contracts with the Authority to provide administrative support and property management services. In fiscal year 2022, the Authority charged Driftwood Point Apartments, LLLP \$87,766 for these administrative and management services and \$6,901 in management fees and reimbursements receivable were due from Driftwood Point Apartments, LLLP at September 30, 2022.

The Authority's Component Unit, Lilac Place, LLLP, contracts with the Authority to provide administrative support and property management services. In fiscal year 2022, the Authority charged Lilac Place, LLLP \$156,285 for these management services, and \$28,204 in management fees and reimbursements receivable were due from Lilac Place, LLLP at September 30, 2022.

On October 27, 2021, the Authority formed Sunrise Village Housing LLLP, a Washington limited liability partnership, where the Authority is the sole general partner. Sunrise Village Housing LLLP was formed for the purpose of developing and operating 40 units of low-income housing in Longview, Washington. The partnership did not have any financial activity during the fiscal year ended September 30, 2022.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2022

Note 13 – IMPACT OF COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

Expense increased due to added sanitation procedures and remote working capability during the year. CARES Act funding through HUD reimbursed much of these costs in the HCV program.

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

Note 14 – IMPACT OF IMPLEMENTING GASB STATEMENT NO. 87, *LEASES*

At October 1, 2021, the Authority implemented GASB Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the rights to use an underlying asset.

As a result of implementing this GASB, the Authority has recorded the Lease Receivable and Deferred Inflows of Resources Related to Leases Receivable in the amounts of \$80,521 as of the date of the lease commencement. Additionally, the Authority has recorded an Intangible Right to Use Asset and Lease Liability of \$121,943 as of the date of the lease commencement.

Note 15 – SUBSEQUENT EVENTS

In December 2022, the Authority purchased a single family home for \$564,000 for the purpose of providing transitional housing for veterans. The purchase was funded by a \$309,000 loan from WCRA at an interest rate of 4% per annum with all principal and interest due on the maturity date in December 2032, and by a grant from the U.S. Department of Veteran's Affairs.

In March 2023, the Authority secured grant funding from Cowlitz County of up to \$692,200 and from a private not-for-profit grantor for up to \$250,000 for the development of 40 units of low-income housing at Sunrise Village. The Authority also was awarded tax credits for this project by the Washington State Housing Finance Commission and is in the process of securing an investor partner for the Sunrise Village Housing LLLP.

In 2023, the Authority agreed to assist JPCHA in acquiring Alder House, a former assisted living facility in South Bend that is now vacant. The Authority initiated a Developer Services Agreement with Community Frameworks and applied for and was awarded Rapid Capital Acquisition funds. The project will be acquired by JPCHA with staffing assistance from the Authority and rehabilitated prior to leasing. For this work, the Authority will earn approximately \$500k in developer fees. The Authority has not made any guarantees related to this project, which will be wholly owned by JPCHA with funding from the Department of Commerce.

Subsequent events have been evaluated through June 27, 2023, which is the date the financial statements were available to be issued.

These notes are an integral part of the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**Housing Authority of the City of Longview
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Schedule of Proportionate Share of the Net Pension Liability (asset)

PERS 1

As of June 30

Last Nine Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2022	0.010566%	\$ 294,196	\$ 1,721,283	17.09%	76.56%
2021	0.010358%	126,495	1,535,964	8.24%	88.74%
2020	0.010127%	357,538	1,542,811	23.17%	68.64%
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%

**Housing Authority of the City of Longview
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Schedule of Proportionate Share of the Net Pension Liability (asset)

PERS 2/3

As of June 30

Last Nine Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	position as a percentage of the total pension liability (asset)
2022	0.013780%	\$ (511,070)	\$ 1,721,283	29.69%	106.73%
2021	0.013317%	(1,326,587)	1,535,964	86.37%	120.29%
2020	0.013126%	167,878	1,542,811	10.88%	97.22%
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%

REQUIRED SUPPLEMENTARY INFORMATION, continued

Housing Authority of the City of Longview
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Schedule of Employer Contributions

PERS 1

As of September 30

Last Nine Fiscal Years

Year Ended Sept 30,	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
2022	\$ 64,496	\$ (64,496)	\$ -	\$ 1,732,802	3.72%
2021	72,747	(72,747)	-	1,596,116	4.56%
2020	73,662	(73,662)	-	1,544,715	4.77%
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%

Housing Authority of the City of Longview
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Schedule of Employer Contributions

PERS 2/3

As of September 30

Last Nine Fiscal Years

Year Ended Sept 30,	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
2022	\$ 110,207	\$ (110,207)	\$ -	\$ 1,732,802	6.36%
2021	119,711	(119,711)	-	1,596,116	7.50%
2020	122,341	(122,341)	-	1,544,715	7.92%
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%

Housing Authority of the City of Longview
Notes to Required Supplemental Information - Pension

As of September 30
Last Nine 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			PERS 2/3		
<u>From this</u>	<u>Through this</u>		<u>From this</u>	<u>Through this</u>	
<u>Date</u>	<u>Date</u>	<u>Rate</u>	<u>Date</u>	<u>Date</u>	<u>Rate</u>
9/1/2013	6/30/2015	9.21%	9/1/2013	6/30/2015	9.21%
7/1/2015	6/30/2017	11.18%	7/1/2015	6/30/2017	11.18%
7/1/2017	8/31/2018	12.70%	7/1/2017	8/31/2018	12.70%
9/1/2018	6/30/2019	12.83%	9/1/2018	6/30/2019	12.83%
7/1/2019	8/31/2020	12.86%	7/1/2019	8/31/2020	12.86%
9/1/2020	6/30/2021	12.97%	9/1/2020	6/30/2021	12.97%
7/1/2021	8/31/2022	10.25%	7/1/2021	8/31/2022	10.25%
9/1/2022	current	10.39% *	9/1/2022	current	10.39% *

* 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, 2022

Assistance Listing Number	Federal Agency	Program Name	Pass Through Agency	Other Identification Number	Direct Federal Expenditures	In-Direct Federal Expenditures	Total	Passed Through to Sub-recipients	Foot note
10.415	Department of Agriculture	Rural Rental Housing Loans		56-008-977666317-016	\$ 63,399	-	63,399	-	
10.415	Department of Agriculture	Rural Rental Housing Loans		56-008-977666317-016	427,415	-	427,415	-	3b
10.415	Department of Agriculture	Rural Rental Housing Loans		56-008-977666317-028	986,653	-	986,653	-	3a
10.415	Department of Agriculture	Rural Rental Housing Loans		56-008-977666317-028	69,923	-	69,923	-	
10.415	Department of Agriculture	Rural Rental Housing Loans		56-008-977666317-030	10,446	-	10,446	-	
10.415	Department of Agriculture	Rural Rental Housing Loans		56-008-977666317-030	282,728	-	282,728	-	3c
10.415	Department of Agriculture	Rural Rental Housing Loans		56-008-977666317-041	28,457	-	28,457	-	
10.415	Department of Agriculture	Rural Rental Housing Loans		56-008-977666317-041	770,165	-	770,165	-	3d
Total Assistance Listing No. 10.415					2,639,186	-	2,639,186	-	
10.427	Department of Agriculture	Rural Rental Assistance Payments		56-008-977666317-016	156,622	-	156,622	-	
10.427	Department of Agriculture	Rural Rental Assistance Payments		56-008-977666317-028	302,571	-	302,571	-	
10.427	Department of Agriculture	Rural Rental Assistance Payments		56-008-977666317-030	63,033	-	63,033	-	
10.427	Department of Agriculture	Rural Rental Assistance Payments		56-008-977666317-041	143,581	-	143,581	-	
Total Assistance Listing No. 10.427					665,807	-	665,807	-	*
Total Department of Agriculture					3,304,993	-	3,304,993	-	
14.228	Department of Housing & Urban Development	CDBG	Washington Dept of Commerce	20-6221C-157	-	2,420	2,420	-	
14.239	Department of Housing & Urban Development	Home Investment Partnerships Program	Washington Dept of Commerce	07-47104-004 Phoenix House	-	1,775,000	1,775,000	-	3f
14.239	Department of Housing & Urban Development	Home Investment Partnerships Program	Washington Dept of Commerce	94-40497-2020 - Eagle Point	-	777,991	777,991	-	3g
14.239	Department of Housing & Urban Development	Home Investment Partnerships Program	Washington Dept of Commerce	5-92-416-17B - Sylvester	-	1,173,787	1,173,787	-	3e
14.239	Department of Housing & Urban Development	Home Investment Partnerships Program	Washington Dept of Commerce	21-42401-116	-	496,169	496,169	-	
Total Assistance Listing No. 14.239					-	4,222,947	4,222,947	-	
14.896	Department of Housing & Urban Development	Family Self-Sufficiency Program Coordinators		WA007	82,738	-	82,738	-	
14.871	Department of Housing & Urban Development	Section 8 Housing Choice Vouchers		WA007	11,265,114	-	11,265,114	-	
14.879	Department of Housing & Urban Development	Mainstream 5		WA007	845,859	-	845,859	-	
14.871	Department of Housing & Urban Development	CARES ACT Funding Section 8 Housing Choice Vouchers		WA007	2,005	-	2,005	-	
14.871	Department of Housing & Urban Development	Emergency Housing Vouchers		WA007	234,139	-	234,139	-	
Total Housing Voucher Cluster					12,347,117	-	12,347,117	-	*
Total Department of Housing and Urban Development					12,429,855	4,225,367	16,655,222	-	
64.024	Department of Veterans Affairs	Veterans Per-Diem 35		LONG000-1496-648-PD-21	605,513	-	605,513	-	
64.024	Department of Veterans Affairs	GPD Case Management		LONG000-2276-648-CM-22	68,463	-	68,463	-	
64.024	Department of Veterans Affairs	Veterans Interim Housing		VA 260-17-D-0018	39,067	-	39,067	-	
Total Assistance Listing No. 64.024					713,043	-	713,043	-	
Total Department of Veterans Affairs					713,043	-	713,043	-	
Total Expenditures of Federal Awards					\$ 16,447,891	4,225,367	20,673,258	-	

* Denotes a major program

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2022

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 (Assistance Listing No. 14.871) represent amounts received by the Authority. Actual expenditures of the grant funds during the period were \$11,161,390.

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, 2022 is \$945,652.
- 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, 2022 is \$347,732.
- 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, 2022 is \$276,943.
- 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, 2022 is \$754,379.
- 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, 2022 is \$1,173,787.
- 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, 2022 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, 2022 is \$777,991.

Note 4 – INDIRECT COST RATE

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

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Financial Data Schedule

Housing Authority City of Longview (WA007)
Longview, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2022

	6.1 Component Unit - Discretely Presented	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	64.024 VA Homeless Providers Grant and Per Diem Program	14.HCC HCV CARES Act Funding	10.427 Rural Rental Assistance Payments	14.EHV Emergency Housing Voucher Program	10.415 Rural Rental Housing Loans	14.247 Self-Help Homeownership Opportunity Program	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$72,151		\$367,394	\$4,675	\$36,174	\$633,331	\$65,040		\$342,364	\$18,868			\$1,539,997		\$1,539,997
112 Cash - Restricted - Modernization and Development	\$326,653		\$293,326						\$528,522				\$1,148,501		\$1,148,501
113 Cash - Other Restricted			\$61,834	\$32,035		\$148,504				\$17,428			\$259,801		\$259,801
114 Cash - Tenant Security Deposits	\$16,123		\$34,823						\$40,120				\$91,066		\$91,066
115 Cash - Restricted for Payment of Current Liabilities			\$9,241			\$28,431	\$37,343		\$17,005	\$21,831			\$113,851		\$113,851
100 Total Cash	\$414,927	\$0	\$766,618	\$36,710	\$36,174	\$810,266	\$102,383	\$0	\$928,011	\$58,127	\$0	\$0	\$3,153,216	\$0	\$3,153,216
121 Accounts Receivable - PHA Projects						\$77,920							\$77,920		\$77,920
122 Accounts Receivable - HUD Other Projects		\$5,890	\$299	\$12,514		\$22,233							\$40,936		\$40,936
124 Accounts Receivable - Other Government			\$37,883		\$26,297	\$178	\$67,502						\$131,860		\$131,860
125 Accounts Receivable - Miscellaneous			\$15,514	\$0		\$80							\$15,594		\$15,594
126 Accounts Receivable - Tenants	\$2,728		\$4,071						\$5,429				\$12,228		\$12,228
126.1 Allowance for Doubtful Accounts - Tenants	\$0		-\$14		\$0	-\$3,577			-\$2,644				-\$6,235		-\$6,235
126.2 Allowance for Doubtful Accounts - Other		\$0	\$0	\$0	\$0	\$0	\$0		\$0				\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current			\$28,204										\$28,204		\$28,204
128 Fraud Recovery															
128.1 Allowance for Doubtful Accounts - Fraud															
129 Accrued Interest Receivable			\$385										\$385		\$385
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$2,728	\$5,890	\$86,342	\$12,514	\$26,297	\$96,834	\$67,502	\$0	\$2,785	\$0	\$0	\$0	\$300,892	\$0	\$300,892
131 Investments - Unrestricted															
132 Investments - Restricted															
135 Investments - Restricted for Payment of Current Liability															
142 Prepaid Expenses and Other Assets	\$16,475		\$31,609	\$3,710	\$986	\$43,781	\$1,391		\$8,468	\$1,496			\$107,916		\$107,916
143 Inventories			\$8,383						\$8,251				\$16,634		\$16,634
143.1 Allowance for Obsolete Inventories			\$0						\$0				\$0		\$0
144 Inter Program Due From			\$5,890										\$5,890	-\$5,890	\$0
145 Assets Held for Sale															
150 Total Current Assets	\$434,130	\$5,890	\$898,842	\$52,934	\$63,457	\$950,881	\$171,276	\$0	\$947,515	\$59,623	\$0	\$0	\$3,584,548	-\$5,890	\$3,578,658
161 Land	\$308,313		\$1,698,492						\$572,737				\$2,579,542		\$2,579,542
162 Buildings	\$7,715,846		\$9,141,418						\$6,494,030				\$23,351,294		\$23,351,294
163 Furniture, Equipment & Machinery - Dwellings	\$227,935		\$57,301										\$285,236		\$285,236
164 Furniture, Equipment & Machinery - Administration			\$173,572			\$89,790			\$3,022				\$266,384		\$266,384
165 Leasehold Improvements			\$3,199,796	\$4,023	\$1,150	\$51,105	\$11,215		\$8,892	\$1,724			\$3,217,905		\$3,217,905
166 Accumulated Depreciation	-\$2,461,223		-\$6,491,212	\$0	\$0	-\$46,466	\$0		-\$4,182,142	\$0			-\$13,181,043		-\$13,181,043
167 Construction in Progress			\$167,594						\$16,776				\$184,370		\$184,370
168 Infrastructure															
160 Total Capital Assets, Net of Accumulated Depreciation	\$5,790,871	\$0	\$7,886,961	\$4,023	\$1,150	\$94,429	\$11,215	\$0	\$2,913,315	\$1,724	\$0	\$0	\$16,703,688	\$0	\$16,703,688
171 Notes, Loans and Mortgages Receivable - Non-Current			\$633,114										\$633,114		\$633,114
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due															
173 Grants Receivable - Non Current															
174 Other Assets	\$53,713		\$484,287	\$8,359	\$0	\$126,148	\$87,059		\$57,013	\$3,444			\$820,023		\$820,023
176 Investments in Joint Ventures			\$349,570										\$349,570		\$349,570
180 Total Non-Current Assets	\$5,844,584	\$0	\$9,353,932	\$12,382	\$1,150	\$220,577	\$98,274	\$0	\$2,970,328	\$5,168	\$0	\$0	\$18,506,395	\$0	\$18,506,395
200 Deferred Outflow of Resources			\$205,568	\$7,502		\$113,216	\$78,134		\$51,168	\$3,091			\$458,679		\$458,679
290 Total Assets and Deferred Outflow of Resources	\$6,278,714	\$5,890	\$10,458,342	\$72,818	\$64,607	\$1,284,674	\$347,684	\$0	\$3,969,011	\$67,882	\$0	\$0	\$22,549,622	-\$5,890	\$22,543,732
311 Bank Overdraft															
312 Accounts Payable <= 90 Days	\$14,812		\$123,653	\$6,480	\$151	\$18,613	\$18,736		\$84,545	\$186			\$267,176		\$267,176
313 Accounts Payable >90 Days Past Due															

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Financial Data Schedule

Housing Authority City of Longview (WA007)
Longview, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2022

	6.1 Component Unit - Discretely Presented	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	64.024 VA Homeless Providers Grant and Per Diem Program	14.HCC HCV CARES Act Funding	10.427 Rural Rental Assistance Payments	14.EHV Emergency Housing Voucher	10.415 Rural Rental Housing Loans	14.247 Self-Help Homeownership Opportunity Program	Subtotal	ELIM	Total
321 Accrued Wage/Payroll Taxes Payable			\$101,622										\$101,622		\$101,622
322 Accrued Compensated Absences - Current Portion			\$24,382	\$711	\$91	\$9,065	\$6,410		\$5,647	\$1,040			\$47,346		\$47,346
324 Accrued Contingency Liability															
325 Accrued Interest Payable	\$4,995												\$4,995		\$4,995
331 Accounts Payable - HUD PHA Programs															
332 Account Payable - PHA Projects															
333 Accounts Payable - Other Government															
341 Tenant Security Deposits	\$16,900		\$34,823						\$40,120				\$91,843		\$91,843
342 Unearned Revenue	\$532		\$9,240				\$115,370		\$17,005	\$21,831			\$163,978		\$163,978
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$21,320		\$123,402	\$862	\$123	\$10,837	\$2,906		\$150,788	\$369			\$310,607		\$310,607
344 Current Portion of Long-term Debt - Operating Borrowings															
345 Other Current Liabilities			\$10,322			\$28,431			\$6,654				\$45,407		\$45,407
346 Accrued Liabilities - Other	\$11,504		\$32,069										\$43,573		\$43,573
347 Inter Program - Due To		\$5,890											\$5,890	\$-5,890	\$0
348 Loan Liability - Current															
310 Total Current Liabilities	\$70,063	\$5,890	\$459,513	\$8,053	\$365	\$66,946	\$143,422	\$0	\$304,759	\$23,426	\$0	\$0	\$1,082,437	\$-5,890	\$1,076,547
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$1,685,455		\$7,790,465	\$3,190	\$1,107	\$40,702	\$8,099		\$3,528,486	\$1,368			\$13,058,872		\$13,058,872
352 Long-term Debt, Net of Current - Operating Borrowings															
353 Non-current Liabilities - Other			\$228,277				\$148,504		\$1,933				\$378,714		\$378,714
354 Accrued Compensated Absences - Non Current															
356 FASB 5 Liabilities															
357 Accrued Pension and OPEB Liabilities			\$131,851	\$4,812		\$72,617	\$50,115		\$32,819	\$1,982			\$294,196		\$294,196
350 Total Non-Current Liabilities	\$1,685,455	\$0	\$8,150,593	\$8,002	\$1,107	\$261,823	\$58,214	\$0	\$3,563,238	\$3,350	\$0	\$0	\$13,731,782	\$0	\$13,731,782
300 Total Liabilities	\$1,755,518	\$5,890	\$8,610,106	\$16,055	\$1,472	\$328,769	\$201,636	\$0	\$3,867,997	\$26,776	\$0	\$0	\$14,814,219	\$-5,890	\$14,808,329
400 Deferred Inflow of Resources			\$333,047	\$9,333		\$140,857	\$97,210		\$63,661	\$3,845			\$647,953		\$647,953
508.4 Net Investment in Capital Assets	\$4,183,297		\$-26,906	\$-29	\$-80	\$42,890	\$210		\$-765,959	\$-13		\$0	\$3,433,410		\$3,433,410
511.4 Restricted Net Position	\$325,876		\$564,208	\$40,394		\$126,148	\$9,032		\$585,535	\$20,872		\$0	\$1,692,065		\$1,692,065
512.4 Unrestricted Net Position	\$14,023	\$0	\$957,887	\$7,065	\$63,215	\$646,010	\$39,596	\$0	\$217,777	\$16,402	\$0	\$0	\$1,961,975		\$1,961,975
513 Total Equity - Net Assets / Position	\$4,523,196	\$0	\$1,515,189	\$47,430	\$63,135	\$815,048	\$48,838	\$0	\$37,353	\$37,261	\$0	\$0	\$7,087,450	\$0	\$7,087,450
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$6,278,714	\$5,890	\$10,458,342	\$72,818	\$64,607	\$1,284,674	\$347,684	\$0	\$3,969,011	\$67,882	\$0	\$0	\$22,549,622	\$-5,890	\$22,543,732

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Financial Data Schedule

Housing Authority City of Longview (WA007)
Longview, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2022

	6.1 Component Unit Discreetly Presented	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	64.024 VA Homeless Providers Grant and Per Diem Program	14.HCC HCV CARES Act Funding	10.427 Rural Rental Assistance Payments	14.EHV Emergency Housing Voucher	10.415 Rural Rental Housing Loans	14.247 Self-Help Homeownership Opportunity Program	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$412,159		\$1,080,032						\$483,279				\$1,875,470	-\$138,816	\$1,836,654
70400 Tenant Revenue - Other	\$6,708		\$14,317						\$50,059				\$71,084		\$71,084
70500 Total Tenant Revenue	\$418,867	\$0	\$1,094,349	\$0	\$0	\$0	\$0	\$0	\$533,338	\$0	\$0	\$0	\$2,046,554	-\$138,816	\$1,907,738
70600 HUD PHA Operating Grants		\$82,738		\$845,859		\$11,265,114		\$2,005		\$234,139			\$12,429,855		\$12,429,855
70610 Capital Grants															
70710 Management Fee															
70720 Asset Management Fee															
70730 Book Keeping Fee															
70740 Front Line Service Fee															
70750 Other Fees			\$543,045										\$543,045	-\$543,045	\$0
70700 Total Fee Revenue													\$543,045	-\$543,045	\$0
70800 Other Government Grants			\$94,020		\$496,169		\$673,976		\$660,301		\$172,225		\$2,096,691		\$2,096,691
71100 Investment Income - Unrestricted			\$13,267										\$13,267		\$13,267
71200 Mortgage Interest Income			\$1,798										\$1,798		\$1,798
71300 Proceeds from Disposition of Assets Held for Sale															
71310 Cost of Sale of Assets															
71400 Fraud Recovery						\$28,278							\$28,278		\$28,278
71500 Other Revenue	\$19		\$243,376			\$213,925							\$457,320	-\$32,068	\$425,252
71600 Gain or Loss on Sale of Capital Assets															
72000 Investment Income - Restricted								\$55					\$55		\$55
70000 Total Revenue	\$418,886	\$82,738	\$1,989,855	\$845,859	\$496,169	\$11,507,317	\$673,976	\$2,005	\$1,193,694	\$234,139	\$172,225	\$0	\$17,616,863	-\$713,929	\$16,902,934
91100 Administrative Salaries	\$36,835		\$535,082	\$4,301	\$613	\$64,637	\$95,551		\$24,387	\$1,753			\$763,159		\$763,159
91200 Auditing Fees	\$6,500		\$4,225	\$1,002	\$671	\$21,379	\$1,224		\$2,769	\$240			\$38,010		\$38,010
91300 Management Fee	\$32,660												\$32,660		\$32,660
91310 Book-keeping Fee															
91400 Advertising and Marketing			\$1,889	\$22	\$3	\$499	\$90		\$2,106	\$10			\$4,619		\$4,619
91500 Employee Benefit contributions - Administrative			\$38,716	-\$1,977	\$177	-\$39,056	-\$19,682		-\$14,428	-\$183			-\$36,433		-\$36,433
91600 Office Expenses	\$20,230		\$156,359	\$8,045	\$1,511	\$123,833	\$102,529		\$24,572	\$3,920			\$440,999		\$440,999
91700 Legal Expense			\$19,445						\$2,009				\$21,454		\$21,454
91800 Travel	\$543		\$10,176	\$252	\$36	\$3,170	\$6,899		\$10,864	\$108			\$32,048		\$32,048
91810 Allocated Overhead															
91900 Other			\$104,097	\$21,398	\$8,235	\$308,566	\$9,478		\$121,886	\$5,794			\$579,454	-\$654,309	-\$74,855
91000 Total Operating - Administrative	\$96,768	\$0	\$869,989	\$33,043	\$11,246	\$483,028	\$196,089	\$0	\$174,165	\$11,642	\$0	\$0	\$1,875,970	-\$654,309	\$1,221,661
92000 Asset Management Fee															
92100 Tenant Services - Salaries		\$58,361	\$31,759	\$22,129	\$3,100	\$273,974	\$174,926	\$763	\$119	\$39,032			\$604,163		\$604,163
92200 Relocation Costs															
92300 Employee Benefit Contributions - Tenant Services		\$24,377	\$9,017	\$6,565	\$922	\$81,835	\$41,482	\$240	\$46	\$12,676			\$177,160		\$177,160
92400 Tenant Services - Other	\$25,670		\$13,980				\$199,912						\$239,562	-\$58,800	\$180,762
92500 Total Tenant Services	\$25,670	\$82,738	\$54,756	\$28,694	\$4,022	\$355,809	\$416,320	\$1,003	\$165	\$51,708	\$0	\$0	\$1,020,885	-\$58,800	\$962,085
93100 Water	\$33,644		\$53,219						\$69,664				\$156,527		\$156,527
93200 Electricity	\$5,896		\$752						\$564				\$7,212		\$7,212
93300 Gas			\$4,783										\$4,783		\$4,783
93400 Fuel			\$49,022				\$441		\$27,248				\$76,711		\$76,711
93500 Labor															
93600 Sewer			\$77,065						\$115,922				\$192,987		\$192,987
93700 Employee Benefit Contributions - Utilities															
93800 Other Utilities Expense	\$15,046		\$11,353						\$1,271				\$27,670		\$27,670
93000 Total Utilities	\$54,586	\$0	\$196,194	\$0	\$0	\$0	\$441	\$0	\$214,669	\$0	\$0	\$0	\$465,890	\$0	\$465,890
94100 Ordinary Maintenance and Operations - Labor	\$17,581		\$200,364	\$173	\$24	\$2,869	\$6,555	\$819	\$188,208	\$74			\$416,667		\$416,667
94200 Ordinary Maintenance and Operations - Materials and Other	\$16,829		\$52,906				\$36		\$30,427				\$100,198		\$100,198
94300 Ordinary Maintenance and Operations Contracts	\$12,780		\$128,626	\$4,203	\$1,090	\$49,012	\$14,588		\$119,908	\$1,575			\$331,762	-\$820	\$330,942

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Financial Data Schedule

Housing Authority City of Longview (WA007)
Longview, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2022

	6.1 Component Unit - Discreetly Presented	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	64.024 VA Homeless Providers Grant and Per Diem Program	14.HCC HCV CARES Act Funding	10.427 Rural Rental Assistance Payments	14.EHV Emergency Housing Voucher	10.415 Rural Rental Housing Loans	14.247 Self-Help Homeownership Opportunity Program	Subtotal	ELIM	Total
94500 Employee Benefit Contributions - Ordinary Maintenance			\$57,932				\$290	\$183	\$48,380				\$108,842		\$108,842
94000 Total Maintenance	\$47,170	\$0	\$439,828	\$4,376	\$1,114	\$51,938	\$21,469	\$1,002	\$386,923	\$1,649	\$0	\$0	\$955,469	-\$820	\$954,649
95100 Protective Services - Labor															
95200 Protective Services - Other Contract Costs															
95300 Protective Services - Other															
95500 Employee Benefit Contributions - Protective Services															
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$43,810												\$43,810		\$43,810
96120 Liability Insurance															
96130 Workmen's Compensation															
96140 All Other Insurance			\$39,236	\$513	\$136	\$6,435	\$3,364		\$33,448	\$191			\$83,323		\$83,323
96100 Total Insurance Premiums	\$43,810	\$0	\$39,236	\$513	\$136	\$6,435	\$3,364	\$0	\$33,448	\$191	\$0	\$0	\$127,133	\$0	\$127,133
96200 Other General Expenses	\$5,537		\$4,335	\$2,684		\$55,666	\$479		\$134	\$1,649			\$70,484		\$70,484
96210 Compensated Absences			-\$55	\$5	-\$44	-\$4,369	\$1,002		\$1,739	\$1,040			-\$682		-\$682
96300 Payments in Lieu of Taxes			\$2,355										\$2,355		\$2,355
96400 Bad debt - Tenant Rents			\$15,556			\$3,577			\$21,115				\$40,248		\$40,248
96500 Bad debt - Mortgages															
96600 Bad debt - Other															
96800 Severance Expense															
96000 Total Other General Expenses	\$5,537	\$0	\$22,191	\$2,689	-\$44	\$54,874	\$1,481	\$0	\$22,988	\$2,689	\$0	\$0	\$112,405	\$0	\$112,405
96710 Interest of Mortgage (or Bonds) Payable	\$71,913		\$129,521	\$80	\$11	\$1,010	\$270		-\$1,093	\$34	\$172,225		\$373,971		\$373,971
96720 Interest on Notes Payable (Short and Long Term)															
96730 Amortization of Bond Issue Costs															
96700 Total Interest Expense and Amortization Cost	\$71,913	\$0	\$129,521	\$80	\$11	\$1,010	\$270	\$0	-\$1,093	\$34	\$172,225	\$0	\$373,971	\$0	\$373,971
96900 Total Operating Expenses	\$345,454	\$82,738	\$1,751,715	\$69,395	\$16,485	\$953,094	\$639,434	\$2,005	\$831,265	\$67,913	\$172,225	\$0	\$4,931,723	-\$713,929	\$4,217,794
97000 Excess of Operating Revenue over Operating Expenses	\$73,432	\$0	\$238,140	\$776,464	\$479,684	\$10,554,223	\$34,542	\$0	\$382,429	\$166,226	\$0	\$0	\$12,685,140	\$0	\$12,685,140
97100 Extraordinary Maintenance															
97200 Casualty Losses - Non-capitalized			\$0						\$24,857				\$24,857		\$24,857
97300 Housing Assistance Payments			\$2,332	\$732,948	\$453,730	\$10,194,455			\$2,126	\$229,007			\$11,614,598		\$11,614,598
97350 HAP Portability-In						\$198,615							\$198,615		\$198,615
97400 Depreciation Expense	\$301,172		\$461,993	\$531	\$152	\$13,957	\$1,482		\$228,121	\$228			\$1,007,636		\$1,007,636
97500 Fraud Losses															
97600 Capital Outlays - Governmental Funds															
97700 Debt Principal Payment - Governmental Funds															
97800 Dwelling Units Rent Expense															
90000 Total Expenses	\$646,626	\$82,738	\$2,216,040	\$802,874	\$470,367	\$11,360,121	\$640,916	\$2,005	\$1,086,369	\$297,148	\$172,225	\$0	\$17,777,429	-\$713,929	\$17,063,500
10010 Operating Transfer In															
10020 Operating Transfer Out															
10030 Operating Transfers from/to Primary Government															
10040 Operating Transfers from/to Component Unit															
10050 Proceeds from Notes, Loans and Bonds															
10060 Proceeds from Property Sales															
10070 Extraordinary Items, Net Gain/Loss															
10080 Special Items (Net Gain/Loss)															
10091 Inter Project Excess Cash Transfer In															
10092 Inter Project Excess Cash Transfer Out															
10093 Transfers between Program and Project - In															
10094 Transfers between Project and Program - Out															
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Financial Data Schedule

Housing Authority City of Longview (WA007)
Longview, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2022

	6.1 Component Unit - Discretely Presented	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	64.024 VA Homeless Providers Grant and Per Diem Program	14.HCC HCV CARES Act Funding	10.427 Rural Rental Assistance Payments	14.EHV Emergency Housing Voucher	10.415 Rural Rental Housing Loans	14.247 Self-Help Homeownership Opportunity Program	Subtotal	ELIM	Total
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$227,740	\$0	-\$226,185	\$42,985	\$25,802	\$147,196	\$33,060	\$0	\$107,325	-\$63,009	\$0	\$0	-\$160,566	\$0	-\$160,566
11020 Required Annual Debt Principal Payments	\$20,373	\$0	\$91,728	\$0	\$0	\$0	\$0	\$0	\$168,529	\$0	\$0	\$0	\$280,630		\$280,630
11030 Beginning Equity	\$4,747,064	\$0	\$1,541,374	\$4,445	\$222,333	\$667,852	\$15,778	\$0	-\$69,972	\$100,270	\$0	\$15,000	\$7,244,144		\$7,244,144
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$3,872		\$200,000		-\$185,000							-\$15,000	\$3,872		\$3,872
11050 Changes in Compensated Absence Balance															
11060 Changes in Contingent Liability Balance															
11070 Changes in Unrecognized Pension Transition Liability															
11080 Changes in Special Term/Severance Benefits Liability															
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents															
11100 Changes in Allowance for Doubtful Accounts - Other															
11170 Administrative Fee Equity						\$815,048							\$815,048		\$815,048
11180 Housing Assistance Payments Equity						\$0							\$0		\$0
11190 Unit Months Available	456		1524	1116	408	19082			1812	396			24794		24794
11210 Number of Unit Months Leased	441		1512	1074	408	18562			1771	292			24060		24060
11270 Excess Cash															
11610 Land Purchases															
11620 Building Purchases															
11630 Furniture & Equipment - Dwelling Purchases															
11640 Furniture & Equipment - Administrative Purchases															
11650 Leasehold Improvements Purchases															
11660 Infrastructure Purchases															
13510 CFFP Debt Service Payments															
13901 Replacement Housing Factor Funds															

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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 27, 2023. The financial statements of Lilac Place, LLLP, the discretely presented component, unit were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Lilac Place, LLLP.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Finney, Hill & Company, P.S.

June 27, 2023
Seattle, Washington

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

Board of Commissioners
Housing Opportunities of Southwest Washington
Longview, Washington

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Housing Opportunities of Southwest Washington's (the "Authority's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2022. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Finney, Hill & Company, P.S.

June 27, 2023
Seattle, Washington

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2022

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>Assistance Listing No.</u>	<u>Name of Federal Program</u>
14.871/879	<i>Housing Voucher Cluster</i>
10.427	<i>Rural Rental Assistance Payments</i>

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

Auditee qualifies as low-risk auditee? _____ yes X no

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
For the year ended September 30, 2022

Section II – Financial Statement Findings

NONE

Section III – Federal Award Findings and Questioned Costs

NONE

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

NONE