

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

**FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 – 3
Management's Discussion and Analysis	4 – 9
Basic Financial Statements:	
Statement of Net Position	10 – 11
Statement of Revenues, Expenses, and Changes in Net Position.....	12
Statement of Cash Flows	13 – 14
Notes to Financial Statements	15 – 44
Required Supplementary Information:	
Schedule of Proportionate Share of the Net Pension Liability.....	45
Schedule of Employer Contributions	46
Notes to Required Supplementary Information.....	47
Schedule of Expenditures of Federal Awards and Notes	48 – 49
Supplemental Information:	
Financial Data Schedule	50 – 54
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 <i>Government Auditing Standards</i>	55 – 56
Independent Auditors' Report on Compliance for Each Major Federal Program and On Internal Control Over Compliance Required by the Uniform Guidance.....	57 – 58
Schedule of Findings and Questioned Costs	59 – 60
Schedule of Prior Year Findings and Responses.....	61

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, 2023, 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, 2023, 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, the schedule of the Authority's proportionate share of the net pension liability on page 45, and the 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 25, 2024 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 25, 2024
Seattle, Washington

HOUSING OPPORTUNITIES OF SW WASHINGTON
Management's Discussion and Analysis
September 30, 2023

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 \$799 thousand (29%) during the year. Unrestricted cash and cash equivalents increased by \$901 thousand (61%) and restricted cash and cash equivalents decreased by \$102 thousand (8%).
- The Authority maintained an average occupancy rate of 96% across all projects, equal to 2022's occupancy rate.
- Total assets and deferred outflows of resources of the authority exceeded total liabilities and deferred inflows of resources at September 30, 2023 by \$4.3 million, which is an increase of \$1.8 million (69%) during the year. Net investments in capital assets increased by \$334 thousand (48%).
- Non-operating (grants and interest) revenues were \$16.0 million, an increase of \$1.5 million. HUD operating grants increased by approximately \$1.5 million. Operating revenues increased slightly from the previous year by \$85 thousand.
- Operating expenses were \$17.3 million and include \$12.6 million in housing assistance payments (HAP) made to landlords (73% of operating expenses). HAP increased by \$793 thousand (7%) from the previous year. Administrative and tenant service expenses increased \$110 thousand (10%) and \$121 thousand (13%), respectively, largely due to an increase in salaries. 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

HOUSING OPPORTUNITIES OF SW WASHINGTON
Management's Discussion and Analysis
September 30, 2023

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, 2023 and 2022:

	<u>Sept. 30, 2023</u>	<u>Sept. 30, 2022</u>
Current and other assets	\$ 6,175,473	4,893,522
Capital assets	12,091,738	10,912,817
Total assets	18,267,211	15,806,339
Deferred Outflows of Resources	423,423	458,679
Total assets and deferred outflows of resources	<u>\$ 18,690,634</u>	<u>16,265,018</u>
Current liabilities	\$ 1,598,188	1,006,484
Long-term liabilities	12,312,563	12,046,327
Total liabilities	13,910,751	13,052,811
Deferred Inflows of Resources	435,560	647,953
Total liabilities and deferred inflows of resources	<u>\$ 14,346,311</u>	<u>13,700,764</u>
Net position		
Net investment in capital assets	\$ (364,562)	(698,648)
Restricted	1,257,277	1,366,189
Unrestricted	3,451,608	1,896,713
Total net position	<u>\$ 4,344,323</u>	<u>2,564,254</u>
Total liabilities, deferred inflows, and net position	<u>\$ 18,690,634</u>	<u>16,265,018</u>

HOUSING OPPORTUNITIES OF SW WASHINGTON
Management's Discussion and Analysis
September 30, 2023

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 \$4.3 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 an increase of \$334 thousand and is negative \$364 thousand at fiscal year-end. The increase is due primarily to a \$1.9 million increase in capital assets, netted against normal depreciation, as well as an increase in the SBITA liability due to the implementation of GASB 96.
- The Restricted Net Position consists of three major components: net pension assets, debt service reserves held by trustees to support debt service commitments (including replacement reserves), and required reserves for development and homeowner and other escrow balances. HAP reserves are restricted and can only be used for housing assistance payments for the Housing Choice Voucher program. This category decreased by \$108 thousand in fiscal year 2023 and ended the year at \$1.3 million. Decreases were primarily due to withdrawals from debt service reserves to fund replacement costs.
- 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 2023, this amount increased by \$1.6 million and ended the year at \$3.5 million. The increase in this category is primarily due to larger increase in operating and non-operating revenues over the increase in expenses.

Current and other assets increased by 26%, or \$1.3 million. This increase is primarily related to the increase in cash, which increased due to a mix of factors. Tenant revenues increased at a higher rate than the expenses associated with the operating costs. The Authority also received \$1.2 million in capital contributions. Capital assets increased by \$1.2 million, or 11%, due to the purchase of new assets and the increase of construction in progress, as the Authority continues to build more housing units, offset by depreciation.

Current liabilities increased by 59%, or \$592 thousand, primarily related to the large capital-related accounts payable balance of \$466 thousand that was paid off in early 2024. Another factor is an increase in compensated absences of \$58 thousand, or 122%, caused by an increase in the base used to calculate the balance.

The adjustments to pension related accounts reflect slight variances between 2022 and 2023. Net pension assets, reflected within other assets above, increased by more than \$81 thousand or 16%. The deferred outflows of resources above are all related to pension and had a decrease of \$35 thousand, an 8% decrease. Net pension liability decreased by \$38 thousand or 13%, while deferred inflows of resources related to pensions decreased by about \$199 thousand or 35%. These swings in balances are due to impacts of the market and changes in actuarial assumptions.

HOUSING OPPORTUNITIES OF SW WASHINGTON
Management's Discussion and Analysis
September 30, 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, 2023 and 2022.

	Sept. 30, 2023	Sept. 30, 2022
Operating revenue		
Net tenant rental revenue	\$ 1,552,629	1,424,495
Other revenue	474,733	517,887
Total operating revenue	2,027,362	1,942,382
Non-operating revenue		
Government operating subsidies and grants	15,996,298	14,526,546
Other non-operating revenue	162,748	15,120
Total non-operating revenue	16,159,046	14,541,666
Total revenue	18,186,408	16,484,048
Operating expenses	17,321,963	16,114,816
Non-operating expenses		
Interest expense	316,982	302,058
Total expenses	17,638,945	16,416,874
Capital contribution	1,232,606	-
Change in net position	1,780,069	67,174
Net position, beginning	2,564,254	2,497,080
Net position, ending	\$ 4,344,323	2,564,254

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

The change in net position increased by \$1.7 million or 2550% over the prior year. This was caused by a \$1.7 million or 10% increase in total revenue, while total expenses increased only \$1.2 million or 7%. Another factor contributing to the increase is a \$1.2 million capital contribution in 2023.

A \$1.5 million or 10% increase in government grants and subsidies was the largest factor contributing towards the increase in revenue, the majority of which is directly related to HUD funding for the HCV program. Other non-operating revenues had a \$148 thousand or 976% increase over the prior year, primarily due to insurance proceeds received on property damage.

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,

HOUSING OPPORTUNITIES OF SW WASHINGTON
Management's Discussion and Analysis
September 30, 2023

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.

Operating expenses increased \$1.2 million or 7%, mainly due to an increase in overall wages, as well as an increase in HAP payments of \$792 thousand or 7%.

A major economic condition 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 2023 and 2022, 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.

Capital Asset and Long-Term Debt Activity

Capital Assets

During the fiscal year the Authority had \$12.1 million invested in a variety of capital assets as reflected in the following schedule, which represents a net increase of \$1.2 million from the end of last year, because of annual depreciation offset by an increase in construction in progress expenditures, as well as other capital asset purchases. Intangible assets also increased by \$372 thousand after the implementation of GASB 96.

	<u>Sept. 30, 2023</u>	<u>Sept. 30, 2022</u>
Land	\$ 2,356,050	2,271,229
Construction in Progress	954,493	184,370
Total non-depreciable capital assets	<u>3,310,543</u>	<u>2,455,599</u>
Buildings	16,259,432	15,635,448
Equipment	333,928	323,685
Leasehold Improvements	3,110,189	3,110,189
Total depreciable capital assets	19,703,549	19,069,322
Accumulated Depreciation	<u>(11,366,761)</u>	<u>(10,719,820)</u>
Total depreciable capital assets, net	<u>8,336,788</u>	<u>8,349,502</u>
Intangible - Right-to-Use Equipment	121,943	121,943
Intangible - SBITA	371,652	-
Accumulated Amortization	<u>(49,188)</u>	<u>(14,227)</u>
Total amortizable capital assets, net	<u>444,407</u>	<u>107,716</u>
Total Capital Assets, net	<u>\$ 12,091,738</u>	<u>10,912,817</u>

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

HOUSING OPPORTUNITIES OF SW WASHINGTON
Management's Discussion and Analysis
September 30, 2023

Long-Term Debt

As of September 30, 2023, the Authority had \$11.6 million in loans, notes, and mortgages. This is an increase of approximately \$43 thousand from the prior year balance of \$11.6 million. Debt changed due to a mix of standard principal payments and refinancing occurring in 2023, offset with the addition of a \$305 thousand loan. This information is presented in detail in Note 8 of the notes to the financial statements.

Economic Factors Affecting the Authority

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

HUD's funding of federal low-income housing subsidies is dependent on congressional appropriations and related budget prioritizations. Federal budget cuts enacted in prior years and expected to occur in future periods, represent the greatest on-going economic challenge for the Authority. The following funding impacts from such actions were experienced in 2023:

- The administrative cost portion of the Housing Choice Voucher program funding was funded at the following percent of eligibilities: 89.55% during 2022 and 97.38% during 2023.
- The Section 8 Housing Choice Voucher Program Housing Assistance Payments was funded at 100% of subsidy eligibility in 2022 and 100% in 2023.

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 2023 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 5.4% in September 2022 to 4.1% in September 2023 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, 2023
(With Component Unit presentation as of December 31, 2022)

Assets and Deferred Outflows of Resources	Primary Government	Component Unit
	<u> </u>	<u> </u>
Current Assets:		
Cash - Unrestricted	\$ 2,369,246	131,766
Accounts Receivable (net)	888,657	626
Lease Receivable	11,944	-
Prepaid Expenses	52,412	18,933
Inventory	-	-
Restricted Assets:		
Cash - Restricted	1,093,220	362,673
Tenant Security Deposits	<u>75,620</u>	<u>17,875</u>
Total Restricted Assets	<u>1,168,840</u>	<u>380,548</u>
Total Current Assets	<u>4,491,099</u>	<u>531,873</u>
Noncurrent Assets:		
Notes and Interest Receivable - Component Unit	399,088	-
Notes Receivable - Other	221,647	-
Deferred Developer Fees Receivable - Related Party	67,641	-
Lease Receivable, net of current	54,127	-
Capital Assets:		
Capital Assets, Nondepreciable	3,310,543	308,313
Capital Assets, Depreciable, Net of Depreciation	8,336,788	5,183,332
Right-to-Use Lease and SBITA Assets, Net of Amortization	<u>444,407</u>	<u>-</u>
Capital Assets, net	<u>12,091,738</u>	<u>5,491,645</u>
Net Pension Asset	592,301	-
Investments in Joint Ventures	349,570	-
Other Noncurrent Assets	<u>-</u>	<u>46,272</u>
Total Noncurrent Assets	<u>13,776,112</u>	<u>5,537,917</u>
Total Assets	<u>18,267,211</u>	<u>6,069,790</u>
Deferred Outflows of Resources (Related to Pensions)	<u>423,423</u>	<u>-</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 18,690,634</u>	<u>6,069,790</u>

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

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
STATEMENT OF NET POSITION, CONTINUED
September 30, 2023
(With Component Unit presentation as of December 31, 2022)

Liabilities, Deferred Inflows, and Net Position	<u>Primary Government</u>	<u>Component Unit</u>
Current Liabilities:		
Accounts Payable and Other Accrued Liabilities	\$ 773,399	19,974
Payable to Primary Government	-	20,290
Compensated Absences, current	105,059	-
Interest Payable, current	33,579	4,855
Unearned Revenue	223,309	2,386
FSS Escrow Liability, current	35,237	-
Long-Term Debt, current	284,313	22,367
SBITA Liability, current	43,766	-
Lease Liability, current	23,906	-
Tenant Security Deposits	<u>75,620</u>	<u>17,875</u>
Total Current Liabilities	<u>1,598,188</u>	<u>87,747</u>
Noncurrent Liabilities:		
Accrued Interest, net of current	248,337	82,306
Long-Term Debt, net of current portion	11,312,527	1,158,671
Note Payable to Primary Government	-	404,467
FSS Escrow Liability - long-term	169,698	-
SBITA Liability, net of current	264,454	-
Lease Liability, net of current	61,584	-
Net Pension Liability	<u>255,963</u>	<u>-</u>
Total Noncurrent Liabilities	<u>12,312,563</u>	<u>1,645,444</u>
Total Liabilities	<u>13,910,751</u>	<u>1,733,191</u>
Deferred Inflow of Resources - Related to Pension	371,188	-
Deferred Inflow of Resources - Related to Leases	<u>64,372</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>435,560</u>	<u>-</u>
Total Liabilities & Deferred Inflows of Resources	<u>14,346,311</u>	<u>1,733,191</u>
Net Position:		
Net Investment in Capital Assets	(364,562)	3,906,140
Restricted Net Position - Pensions	592,301	-
Restricted Net Position - Debt Service & Replacement Reserves	557,608	362,673
Restricted Net Position - Development	89,266	-
Restricted Net Position - Other	18,102	-
Unrestricted Net Position	<u>3,451,608</u>	<u>67,786</u>
Total Net Position	<u>4,344,323</u>	<u>4,336,599</u>
Total Liabilities, Deferred Inflows, and Net Position	<u><u>\$ 18,690,634</u></u>	<u><u>6,069,790</u></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, 2023
(With Component Unit presentation for the year ended December 31, 2022)

	Primary Government	Component Unit
Operating Revenues:		
Net Rental Revenue	\$ 1,552,629	483,131
Tenant Revenue - Other	62,450	-
Other Income	412,283	9,543
Total Operating Revenues	2,027,362	492,674
Operating Expenses:		
Administrative	1,235,443	124,674
Tenant Services	1,057,447	21,177
Utilities	421,175	50,559
Maintenance	992,996	53,232
Other General Expenses	261,774	59,855
Housing Assistance Payments	12,605,689	-
Depreciation and Amortization	747,439	299,226
Total Operating Expenses	17,321,963	608,723
Operating Income (Loss)	(15,294,601)	(116,049)
Non-operating revenues & expenses:		
HUD PHA Operating Grants	13,888,986	-
Other Government Grants - operating	2,107,312	-
Investment Income	13,323	-
Other Nonoperating Income (Expense)	149,425	-
Interest Expense	(316,982)	(70,548)
Total non-operating revenues & expenses	15,842,064	(70,548)
Changes in net position before capital contributions	547,463	(186,597)
Contributions - capital projects	1,232,606	-
Change in net position	1,780,069	(186,597)
Net position at beginning of year	2,564,254	4,523,196
Net position at end of year	\$ 4,344,323	4,336,599

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, 2023

	Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Tenants	\$ 1,813,994
Cash Received from Other Activities	462,212
Cash Paid to Suppliers	(1,741,245)
Cash Paid to Employees	(2,493,671)
Cash Paid to Landlords	(12,577,689)
Net cash used by operating activities:	<u>(14,536,399)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Noncapital Grants	<u>16,001,067</u>
Net cash provided by non-capital financing activities:	<u>16,001,067</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(1,037,119)
Payments on Leases	(42,806)
Proceeds from Insurance Claims for Casualty Losses	163,553
Payments on Capital Asset Casualty Losses	(246,468)
Payments on SBITAs	(63,431)
Proceeds from Issuance of Long-Term Debt	309,000
Principal Paid on Capital Debt	(266,344)
Interest Paid	(297,345)
Proceeds from Capital Grants	<u>711,397</u>
Net cash used by capital and related financing activities	<u>(769,563)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Collection on Notes Receivable	22,330
Interest Received	<u>82,362</u>
Net cash provided by investing activities:	<u>104,692</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>799,797</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,738,289</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 3,538,086</u></u>
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash - Unrestricted	\$ 2,369,246
Cash - Restricted	1,093,220
Cash - Tenant Security Deposits	<u>75,620</u>
Total Cash	<u><u>\$ 3,538,086</u></u>

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, 2023

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

Operating income (loss)	\$ (15,294,601)
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation and amortization	747,439
Forgiveness of note payable	19,775
(Increase) decrease in assets:	
Accounts receivable	242,551
Other operating receivables	11,363
Prepaid expenses and other assets	4,424
Pension asset	(81,231)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(64,311)
Pension liability	(202,451)
Security deposits	677
FSS escrow liability	28,000
Other payables	(12,919)
Unearned revenues	7,172
Compensated absences	57,713
Total adjustments	758,202
Net cash provided (used) by operating activities	\$ (14,536,399)
<u>Noncash Transactions:</u>	
SBITA Asset Financed with Debt	\$ 371,652
Accounts Payable used to finance Capital Assets	465,750

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, 2023

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, Wahkiakum, 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, 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, 2023

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

The Component Unit financial statements are presented as of December 31, 2022. 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 and services.

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, 2023

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

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, eleven loans are still outstanding. 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 \$389,137 plus \$9,951 in accrued interest. The component unit discloses \$404,467 as a long-term liability plus \$82,306 in accrued interest. The differences are the result of differing year ends of September 2023 for the Authority and December 2022 for the component unit, as well as a \$15,330 waterfall payment made towards the Authority's accrued interest in June 2023.

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 included the following as of September 30, 2023:

Foster Youth to Independence Funds	\$	52,155
FSS Escrow Deposits and Forfeitures		209,711
Tenant Security Deposits		75,620
USDA Rural Development Replacement Reserves		357,980
Dept of Commerce Loan Replacement Reserves		199,628
Emergency Housing Vouchers		38,277
Veterans Affairs Program Funds Advanced		91,410
USDA Rural Development Funds Advanced		23,979
Other Program Funds Advanced		17,486
Development		89,266
Other Restricted		13,328
		<u>\$ 1,168,840</u>

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.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2023

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

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.

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 in Progress" accounts 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.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2023

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

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.

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 except for a maximum carry-over of up to 40 hours, 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 9.

Family Self-Sufficiency

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

Unearned Revenue

The Authority has unearned revenue arise when the cash has been received, but the potential revenue has not been earned in the current period. Unearned revenue 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.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2023

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

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.

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 consists 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.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2023

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

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.

SBITA Liability and Right to Use Asset

SBITA liabilities consist of amounts recorded in compliance with GASB 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The Authority has recorded the SBITA liability and associated intangible, right to use, SBITA asset.

At the commencement of a subscription-based information technology arrangement, the Authority initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for payments made at or before the implementation date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized using the straight-line basis over the same useful lives as the SBITA term. See Note 7 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.

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. 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. The implementation of this GASB statement did not have an impact on the Authority's financial statements for the year ended September 30, 2023.

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). The implementation of this GASB statement did not have an impact on the Authority's financial statements for the year ended September 30, 2023.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2023

Note 1 – SUMMARY OF SIGNIFICANT POLICIES, continued

GASB 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This statement requires recognition of certain subscription assets and liabilities for arrangements that previously were classified as operating expense and recognized as outflows of resources based on the payment provisions of the contract. It establishes a single model for SBITA accounting based on the foundational principle that SBITAs are financings of the rights to use an underlying information technology software asset.

As a result of implementing this GASB, the Authority has recorded the intangible, right to use, SBITA asset and SBITA liability of \$371,652, with a respective accumulated amortization and reduction of SBITA liability in fiscal year 2023 of \$10,572 and \$63,431. In addition, \$3,277 was recorded as interest expense reflected within the Statement of Revenues, Expenses, and Changes in Net Position. The implementation of this GASB did not have a material effect on beginning net position.

New Accounting Standards to be Adopted in Future Years

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/or 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, 2023

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.

The total amount of cash and cash equivalents at September 30, 2023 is \$3,538,086.

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, 2023, 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, 2022, the component units' carrying amount of deposits was \$512,314. 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, 2023

Note 4 –RECEIVABLES

Accounts Receivable

The Authority has accounts receivable due from the following as of September 30, 2023:

Tenants, net of allowance	\$ 22,268
Other Governments	618,343
Component Unit	17,805
HUD	181,670
Related Parties	19,266
Miscellaneous	29,305
	<u>\$ 888,657</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 Authority has notes receivable from the component unit in the amount of \$389,137 plus \$9,951 in accrued interest. The component unit discloses \$404,467 as a long-term liability plus \$82,306 in accrued interest. The differences are the result of differing year ends of September 2023 for the Authority and December 2022 for the component unit, as well as a \$15,330 waterfall payment made toward the accrued interest balance in June 2023.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Notes to the Financial Statements, continued
For the Year Ended September 30, 2023

Note 4 – RECEIVABLES, continued

The schedule of notes receivable as of September 30, 2023 is as follows:

	Original Amount	Issue Date	Maturity	Interest Rate	Amount Outstanding
Development					
Lilac Place	\$ 404,467	Oct-13	Jan-58	3.28%	\$ 50,937
Lilac Place	<u>338,200</u>	Apr-14	Oct-58	3.28%	<u>338,200</u>
	742,667				389,137
Forgivable Notes					
E	<u>20,000</u>	Aug-17	Aug-27	0.00%	<u>9,833</u>
	20,000				9,833
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
P	<u>40,000</u>	Apr-16	based on cash flow	1.00%	<u>21,814</u>
	<u>230,000</u>				<u>211,814</u>
Total	<u>\$ 992,667</u>				<u>\$ 610,784</u>

Notes receivable activity for the year ended September 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Lilac Place	\$ 404,467	-	(15,330)	389,137
Forgivable notes	11,833	-	(2,000)	9,833
Other notes	<u>216,814</u>	-	<u>(5,000)</u>	<u>211,814</u>
	<u>\$ 633,114</u>	<u>-</u>	<u>(22,330)</u>	<u>610,784</u>

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2023

Note 5 – CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended September 30, 2023 was as follows:

	Beginning Balance 09/30/22	Restated* Beg. Balance 09/30/22	Additions	Dispositions / Transfers	Ending Balance 09/30/23
Land	\$ 2,271,229	2,271,229	84,821	-	2,356,050
Construction in progress	184,370	184,370	786,899	(16,776)	954,493
Total non-depreciable capital assets	<u>2,455,599</u>	<u>2,455,599</u>	<u>871,720</u>	<u>(16,776)</u>	<u>3,310,543</u>
Buildings	15,635,448	15,635,448	607,208	16,776	16,259,432
Equipment	323,685	323,685	24,541	(14,298)	333,928
Leasehold improvements	3,110,189	3,110,189	-	-	3,110,189
Total depreciable capital assets	19,069,322	19,069,322	631,749	2,478	19,703,549
Less: accumulated depreciation	<u>(10,719,820)</u>	<u>(10,719,820)</u>	<u>(661,239)</u>	<u>14,298</u>	<u>(11,366,761)</u>
Total depreciable capital assets, net	<u>8,349,502</u>	<u>8,349,502</u>	<u>(29,490)</u>	<u>16,776</u>	<u>8,336,788</u>
Intangible - Right-to-Use Equipment	121,943	121,943	-	-	121,943
Intangible - SBITA	-	51,239	371,652	(51,239)	371,652
Accumulated Amortization	<u>(14,227)</u>	<u>(14,227)</u>	<u>(86,200)</u>	<u>51,239</u>	<u>(49,188)</u>
Total amortizable capital assets, net	<u>107,716</u>	<u>158,955</u>	<u>285,452</u>	<u>-</u>	<u>444,407</u>
Total capital assets, net	<u>\$ 10,912,817</u>	<u>10,964,056</u>	<u>1,127,682</u>	<u>-</u>	<u>12,091,738</u>

* The beginning balance was restated to reclassify prepaid assets into an intangible asset, in accordance with GASBS No. 96.

In 2023, the Authority received \$394,271 in insurance recoveries related to the destruction of a few units in the Tulip Valley building complex. The carrying amount of the damaged units is equal to \$108,900. Damage restoration expenses as of September 30, 2023, and 2022 were \$247,466 and \$24,857, respectively. The remaining amount of insurance recoveries are expected to be spent over the course of fiscal year 2024. Additional future costs of restoration are expected to total approximately \$386,000, which are expected to be covered by insurance proceeds, less the Authority's deductible of \$2,500.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Notes to the Financial Statements, continued
For the Year Ended September 30, 2023

Note 5 – CAPITAL ASSETS, continued

Component Unit

Capital asset activity for the Component Unit for the year ended December 31, 2022 was as follows:

	Beginning Balance 12/31/21	Increases	Decreases	Ending Balance 12/31/22
Land	\$ 308,313	-	-	308,313
Construction in progress	-	-	-	-
Total non-depreciable capital assets	<u>308,313</u>	<u>-</u>	<u>-</u>	<u>308,313</u>
Land improvements	615,439	-	-	615,439
Building	7,100,407	-	-	7,100,407
Equipment	227,935	-	-	227,935
Total depreciable capital assets	7,943,781	-	-	7,943,781
Less accumulated depreciation	<u>(2,461,223)</u>	<u>(299,226)</u>	<u>-</u>	<u>(2,760,449)</u>
Total depreciable capital assets, net	<u>5,482,558</u>	<u>(299,226)</u>	<u>-</u>	<u>5,183,332</u>
Total capital assets, net	<u>\$ 5,790,871</u>	<u>(299,226)</u>	<u>-</u>	<u>5,491,645</u>

Note 6 – LEASE COMMITMENTS

Lessor

At September 30, 2023, 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 for the years ending September 30::

	Lease Receivables		
	Principal	Interest	Total Requirements
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	12,804	295	13,099
	<u>\$ 66,071</u>	<u>8,544</u>	<u>74,615</u>

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Notes to the Financial Statements, continued
For the Year Ended September 30, 2023

Note 6 – LEASE COMMITMENTS, continued

Lessee

At September 30, 2023, 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 for the years ending September 30:

	Lease Payable		
	Principal	Interest	Total Requirements
2024	\$ 23,906	2,782	26,688
2025	24,813	1,875	26,688
2026	25,754	934	26,688
2027	11,017	103	11,120
2028	-	-	-
	\$ 85,490	5,694	91,184

Note 7 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

In 2023, the Authority used its SBITA policy to evaluate financial agreements that are potential SBITAs. At September 30, 2023, the Authority has one SBITA liability for its general ledger accounting and housing management software. The agreement commenced in July 2023 and is for a noncancellable term of 2 years and an additional renewal option for another 5 years, which management intends to exercise. Payments may increase annually, not exceeding CPI.

The Authority’s schedule of future payments included in the measurement of the SBITA payable is as follows for the years ending September 30:

	SBITA Liability		
	Principal	Interest	Total Requirements
2024	\$ 43,766	19,664	63,430
2025	46,559	16,872	63,431
2026	49,529	13,902	63,431
2027	52,689	10,742	63,431
2028	56,051	7,380	63,431
2029	59,626	3,804	63,430
	\$ 308,220	72,364	380,584

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2023

Note 8 – 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, 2023:

Purpose	Original Amount	Issue Date	Fiscal Year Maturity	Interest Rate	Amount Outstanding	Other Disclosures
Purchase land for future development OBH	\$ 553,000	09/30/17	2025	1.00%	\$ 553,000	Secured by deed of trust on property. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
Purchase land for future development OBH	251,500	04/30/18	2026	1.00%	251,495	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%	289	Not secured. No prepayment penalty.
Refinance of Admin Building loan	463,000	11/20/18	2029	4.43%	407,954	Secured by deed of trust on real property and assignment of leases and rents for real property in Cowlitz County. Must maintain required debt ratio. Upon default, interest rate increases by 5% and all principal and accrued interest will be immediately due and payable. Prepayment penalty 5% in the first year, decreasing 1% per year.
Construction of 20 units of assisted housing - Phoenix House	1,775,000	06/30/08	2059	0.00%	1,775,000	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%	391,381	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%	35,025	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%	10,997	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.

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, 2023

Note 8 – LONG TERM DEBT AND LIABILITIES, continued

Schedule of Direct Placement Debt Outstanding as of September 30, 2023, continued

Purpose	Original Amount	Issue Date	Fiscal Year Maturity	Interest Rate	Amount Outstanding	Other Disclosures
Refinance - Woodside West	565,574	12/28/20	2027	6.125%	527,743	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%	450,995	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.
Leasehold improvements - Sylvester Arms	1,565,717	01/09/94	2054	0.50%	1,153,523	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 to the end of the loan period, in response to the COVID-19 pandemic.
	603,443	03/16/22	2032	4.50%	582,064	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	2049	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	2049	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%	49,915	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.

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, 2023

Note 8 – LONG TERM DEBT AND LIABILITIES, continued

Schedule of Direct Placement Debt Outstanding as of September 30, 2023, continued

Purpose	Original Amount	Issue Date	Fiscal Year Maturity	Interest Rate	Amount Outstanding	Other Disclosures
Purchase 39 units of elderly/disabled housing - Tulip Valley	1,238,636	08/01/95	2031	1.00%	296,732	Secured by deed of trust and assignment of leases and rents for all real property in Cowlitz County. Must meet low income housing requirements. Upon default, all principal and accrued interest will be immediately due and payable. No prepayment penalty.
Refinance - Hawthorne House	340,966	12/28/20	2031	4.125%	269,774	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%	901,420	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%	78,912	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%	191,919	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%	285,402	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%	452,320	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, 2023

Note 8 – LONG TERM DEBT AND LIABILITIES, continued

Schedule of Direct Placement Debt Outstanding as of September 30, 2023, continued

Purpose	Original Amount	Issue Date	Fiscal Year Maturity	Interest Rate	Amount Outstanding	Other Disclosures
Purchase 18th Ave Veterans Housing	309,000		2032	4.00%	304,939	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>\$ 14,280,875</u>				<u>\$ 11,596,840</u>	

Mortgage debt service requirements to maturity are as follows:

Years Ending September 30	Principal	Interest	Required Debt Service
2024	\$ 284,313	280,260	564,573
2025	850,252	310,040	1,160,292
2026	534,675	269,766	804,441
2027	753,618	227,025	980,643
2028	268,435	190,855	459,290
2029-2033	2,641,600	756,579	3,398,179
2034-2038	603,353	357,471	960,824
2039-2043	567,617	156,391	724,008
2044-2048	1,511,311	53,698	1,565,009
2049-2053	510,562	18,388	528,950
2054-2058	1,296,104	2,539	1,298,643
2059-2063	1,775,000	-	1,775,000
	<u>\$ 11,596,840</u>	<u>2,623,012</u>	<u>14,219,852</u>

Changes in Long-Term Liabilities

During the year ended September 30, 2023, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct placement debt:					
Mortgages	\$ 11,554,183	42,657	-	11,596,840	\$ 284,313
Total direct placement debt	11,554,183	42,657	-	11,596,840	284,313
Accrued interest	262,279	19,637	-	281,916	33,579
Pension liability	294,196	-	(38,233)	255,963	-
Lease liability	108,521	-	(23,031)	85,490	23,906
SBITA liability	-	308,220	-	308,220	43,766
FSS Escrow	176,935	28,000	-	204,935	35,237
Compensated absences	47,346	57,713	-	105,059	105,059
	<u>\$ 12,443,460</u>	<u>456,227</u>	<u>(61,264)</u>	<u>12,838,423</u>	<u>\$ 525,860</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, 2023

Note 8 – LONG TERM DEBT AND LIABILITIES, continued

Component Unit

Loans

The Component Unit has long-term notes payable secured by capital assets. These notes were used to acquire capital assets that provide affordable housing. The notes payable are to be repaid to the Authority, U.S. Bank, and Clark County by the component unit. The notes to the Authority (\$404,467) and Clark County (\$386,062) are to be paid out of residual receipts as they become available. The Columbia Bank (formerly WCRA) loan (\$794,976) is to be paid back out of operations.

Outstanding loans for the Component Unit are as follows:

	Original Amount	Issue date	Fiscal year maturity	Interest rate	Amount outstanding Dec 31, 2022
Mortgage	\$ 878,642	Jan-15	2030	6.00%	\$ 794,976
2nd Mortgage	215,054	Jan-14	2058	0.50%	187,491
Deferred Loan	200,000	Jan-14	2058	0.00%	198,571
Long-term debt - unrelated parties	1,293,696				1,181,038
Note Payable - General Partner	404,467	Jan-14	2058	3.28%	404,467
Total long-term debt	<u>\$ 1,698,163</u>				<u>\$ 1,585,505</u>

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

Years ending December 31	Principal	Interest	Required debt service
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	27,224	43,256	70,480
2028-2032	720,073	90,886	810,959
2033-2037	25,285	3,205	28,490
2038-2042	25,924	2,566	28,490
2043-2047	26,578	1,912	28,490
2048-2052	27,250	1,240	28,490
2053-2057	27,938	552	28,490
2058-2062	608,836	617,295	1,226,131
	<u>\$ 1,585,505</u>	<u>946,438</u>	<u>2,531,943</u>

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
Notes to the Financial Statements, continued
For the Year Ended September 30, 2023

Note 8 – LONG TERM DEBT AND LIABILITIES, continued

During the year ended December 31, 2022, 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	-	(41,990)	1,181,038	\$ 22,367
Note Payable - General Partner	404,467	-	-	404,467	-
Accrued Interest	104,196	(17,035)	-	87,161	4,855
	<u>\$ 1,731,691</u>	<u>(17,035)</u>	<u>(41,990)</u>	<u>1,672,666</u>	<u>\$ 27,222</u>

Note 9 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year ended September 30, 2023:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ 255,963
Pension assets	592,301
Deferred outflows of resources	423,423
Deferred inflows of resources	371,188
Pension expense/expenditures	(70,881)

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.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2023

Note 9 – PENSION PLANS, continued

Public Employees’ Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for fiscal year 2023 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
October 2022 - June 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.39%	6.00%
July 2023 - August 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	9.39%	6.00%
September 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Total	9.53%	6.00%

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, 2023

Note 9 – PENSION PLANS, continued

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.

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.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2023

Note 9 – PENSION PLANS, continued

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for fiscal year 2023 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
October 2022 - June 2023		
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%
July 2023 - August 2023		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	9.39%	6.36%
September 2023		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Employee PERS Plan 3		Varies
Total	9.53%	6.36%

The Authority’s actual PERS plan contributions were \$76,877 to PERS Plan 1 and \$135,926 to PERS Plan 2/3 for the year ended September 30, 2023.

Actuarial Assumptions

The total pension liability (TPL) for each of the plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. 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, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, 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%

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2023

Note 9 – PENSION PLANS, continued

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 methods since the last valuation:

Method changes

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR).

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, 2023 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%	

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, 2023

Note 9 – PENSION PLANS, continued

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	357,599	255,963	167,258
PERS 2/3	644,198	(592,301)	(1,608,162)

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, 2023, the Authority reported its proportionate share of the net pension liabilities (assets) as follows:

Plan	Liability or (Asset)
PERS 1	\$ 255,963
PERS 2/3	(592,301)

At June 30, 2023, the Authority’s proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	0.01057%	0.01121%	0.00065%
PERS 2/3	0.01378%	0.01445%	0.00067%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 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, 2023, the Authority recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 19,067
PERS 2/3	(89,948)
TOTAL	(70,881)

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2023

Note 9 – PENSION PLANS, continued

Deferred Outflows of Resources and Deferred Inflows of Resources

At September 30, 2023, 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	\$ -	\$ (28,874)
Contributions subsequent to the measurement date	16,269	-
TOTAL	\$ 16,269	\$ (28,874)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 120,651	\$ (6,618)
Net difference between projected and actual investment earnings on pension plan investments	-	(223,215)
Changes of assumptions	248,668	(54,200)
Changes in proportion and differences between contributions and proportionate share of contributions	2,030	(58,281)
Contributions subsequent to the measurement date	35,805	-
TOTAL	\$ 407,154	\$ (342,314)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 120,651	\$ (6,618)
Net difference between projected and actual investment earnings on pension plan investments	-	(252,089)
Changes of assumptions	248,668	(54,200)
Changes in proportion and differences between contributions and proportionate share of contributions	2,030	(58,281)
Contributions subsequent to the measurement date	52,074	-
TOTAL	\$ 423,423	\$ (371,188)

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2023

Note 9 – 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, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	PERS 1	PERS 2/3
2024	\$ (19,644)	\$ (125,321)
2025	(24,705)	(144,778)
2026	15,233	175,634
2027	242	62,186
2028	-	61,575
Thereafter	-	(261)

Note 10 – 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 \$36,034 for the year ended September 30, 2023, and \$175 was payable to the administrator at September 30, 2023.

Note 11 – 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, 2023

Note 11 – 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 12 – LINE OF CREDIT

At September 30, 2023 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, 2023 and as of September 30, 2023, \$0 was outstanding and payable. The line of credit matures on January 1, 2025.

Note 13 – 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 2023, the Authority charged JPCHA \$89,804 for these administrative and management services. JPCHA owed the Authority \$19,266 as of September 30, 2023.

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON

Notes to the Financial Statements, continued

For the Year Ended September 30, 2023

Note 13 – 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 \$148,900 during fiscal year 2023, all of which was received during the fiscal year ended September 30, 2023.

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, 2023, \$67,641 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 2023, the Authority charged Driftwood Point Apartments, LLLP \$100,645 for these administrative and management services and \$0 in management fees and reimbursements receivable were due from Driftwood Point Apartments, LLLP at September 30, 2023.

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 \$218,191 for these management services, and \$17,805 in management fees and reimbursements receivable were due from Lilac Place, LLLP at September 30, 2023.

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 had approximately \$12,000 in development costs during the fiscal year ended September 30, 2023, which are included in the Statement of Net Position for the Primary Government.

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, 2023

Note 14 – SUBSEQUENT EVENTS

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.

The Authority began construction for Sunrise Village Housing LLLP (the Partnership) in February, 2024, and admitted a limited partner to the Partnership, resulting in the following ownership changes: The Limited Partner, US Bancorp, holds 99.99% interest in the Partnership, and the General Partner, the Authority, holds a 0.01% interest in the Partnership. The Authority provided a maximum cumulative guarantee of \$181,630 for three years following the end of the stabilization period. The Partnership has entered a Development Services Agreement with Community Frameworks, and the developer fee of \$1,000,000 will be divided between Community Frameworks (65%) and the Authority (35%). The Authority's portion of this fee is \$350,000. There is an additional deferred developer fee of \$500,000 that will be paid to the Authority through payments out of available cash flow, as defined in the Partnership Agreement.

The Sunrise Village Housing LLLP construction is financed as follows: low-income housing tax credit (LIHTC) equity contributions from the Limited Partner of \$9.8 million; a WA State HTF forgivable loan of \$3.9 million; a City of Longview HOME loan of \$442,000; a City of Longview HOME-ARP loan of \$746,000; a City of Longview Infrastructure Loan of \$250,000; and, a Sponsor loan from the Authority to the Partnership for \$1.6 million, which will be payable out of the Partnership's available cash flow, as defined in the Partnership Agreement. The Sponsor loan is expected to be fully funded from various grant awards received by the Authority totaling \$1.6 million for the Sunrise Village Housing project. Sunrise Village Housing construction is expected to be completed in April 2025. The project includes 40 affordable units with 20 of those subsidized through a Project Based Voucher contract. The project will include a property office, community room, laundry facilities and a maintenance room.

In November 2023, HOSWWA signed an Inter-Local Agreement with the City of Longview such that 0.01% in sales tax revenues will be passed on to the Authority to fund affordable housing. The funds are to be utilized for development staffing, administrative fees and development funds. In 2024 anticipate using sales tax funds to develop the property at 5317 Ocean Beach. The expected funding amount is approximately \$750,000 to \$1 million per year, and is based on actual tax revenues on a monthly basis.

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 Ten Fiscal Years

<u>Year Ended June 30,</u>	<u>Employer's proportion of the net pension liability (asset)</u>	<u>Employer's proportionate share of the net pension liability (asset)</u>	<u>Employer's covered payroll</u>	<u>Employer's proportionate share of the net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability (asset)</u>
2023	0.011213%	\$ 255,963	\$ 2,015,379	12.70%	80.16%
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 Ten Fiscal Years

<u>Year Ended June 30,</u>	<u>Employer's proportion of the net pension liability (asset)</u>	<u>Employer's proportionate share of the net pension liability (asset)</u>	<u>Employer's covered payroll</u>	<u>Employer's proportionate share of the net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability (asset)</u>
2023	0.014451%	\$ (592,301)	\$ 2,015,379	29.39%	107.02%
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 Ten 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
2023	\$ 76,877	\$ (76,877)	\$ -	\$ 2,137,197	3.60%
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 Ten 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
2023	\$ 135,926	\$ (135,926)	\$ -	\$ 2,137,197	6.36%
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 Ten Fiscal Years

Note 1: 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 2: 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 3: 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</u>	
<u>Date</u>	<u>Date</u>	<u>Rate</u>	<u>Date</u>	<u>this 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	6/30/2023	10.39%	9/1/2022	6/30/2023	10.39%
7/1/2023	8/31/2023	9.39%	7/1/2023	8/31/2023	9.39%
9/1/2023	current	9.53% *	9/1/2023	current	9.53% *

* Employer contribution rate includes an administrative expense rate of 0.20%

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2023

Assistance Listing Number	Federal Agency	Program Name	Pass Through Agency	Other Identification Number	Direct Federal Expenditures	In-Direct Federal Expenditures	Total	Passed Thru to Sub-recipients	Foot note
10.415	Department of Agriculture	Rural Rental Housing Loans		56-008-977666317-016	\$ 43,766	-	43,766	-	
10.415	Department of Agriculture	Rural Rental Housing Loans		56-008-977666317-016	347,732	-	347,732	-	3b
10.415	Department of Agriculture	Rural Rental Housing Loans		56-008-977666317-028	945,652	-	945,652	-	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	276,943	-	276,943	-	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	754,378	-	754,378	-	3d
Total Assistance Listing No. 10.415					2,477,297	-	2,477,297	-	*
10.427	Department of Agriculture	Rural Rental Assistance Payments		56-008-977666317-016	162,229	-	162,229	-	
10.427	Department of Agriculture	Rural Rental Assistance Payments		56-008-977666317-028	329,220	-	329,220	-	
10.427	Department of Agriculture	Rural Rental Assistance Payments		56-008-977666317-030	85,663	-	85,663	-	
10.427	Department of Agriculture	Rural Rental Assistance Payments		56-008-977666317-041	192,382	-	192,382	-	
Total Assistance Listing No. 10.427					769,494	-	769,494	-	
Total Department of Agriculture					3,246,791	-	3,246,791	-	
14.228	Department of Housing & Urban Development	CDBG	City of Longview	20-6221C-157	-	83,683	83,683	-	
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	-	238,869	238,869	-	
Total Assistance Listing No. 14.239					-	3,965,647	3,965,647	-	*
14.896	Department of Housing & Urban Development	Family Self-Sufficiency Program Coordinators		WA007	96,602	-	96,602	-	
14.871	Department of Housing & Urban Development	Section 8 Housing Choice Vouchers		WA007	12,396,932	-	12,396,932	-	
14.871	Department of Housing & Urban Development	Emergency Housing Vouchers		WA007	349,192	-	349,192	-	
14.871	Department of Housing & Urban Development	Foster Youth to Independence		FR-6600-N-41	52,155	-	52,155	-	
14.879	Department of Housing & Urban Development	Mainstream 5		WA007	1,046,260	-	1,046,260	-	
Total Housing Voucher Cluster					13,844,539	-	13,844,539	-	
Total Department of Housing and Urban Development					13,941,141	4,049,330	17,990,471	-	
64.024	Department of Veterans Affairs	Veterans Per-Diem 35		LONG000-1496-648-PD-21	727,260	-	727,260	-	
64.024	Department of Veterans Affairs	GPD Case Management		LONG000-1070-648-CM-20	77,448	-	77,448	-	
64.024	Department of Veterans Affairs	Veterans Grant Program		LONG000-2423-648-CG-22	269,445	-	269,445	-	
Total Assistance Listing No. 64.024					1,074,153	-	1,074,153	-	
Total Department of Veterans Affairs					1,074,153	-	1,074,153	-	
Total Expenditures of Federal Awards					\$ 18,262,085	4,049,330	22,311,415	-	

* Denotes a major program

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2023

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 Cluster (Assistance Listing No. 14.871 and 14.879) represent amounts received by the Authority. Actual expenditures of the grant funds during the period were \$13,654,535.

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, 2023 is \$901,420.
- 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, 2023 is \$296,732.
- 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, 2023 is \$270,831.
- 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, 2023 is \$737,721.
- 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, 2023 is \$1,153,523.
- 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, 2023 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, 2023 is \$777,991.

Note 4 – INDIRECT COST RATE

The Authority has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance for Department of Veterans Affairs awards. The Authority has not elected to use the 10% de minimus indirect cost rate for any other departments' awards.

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: 09/30/2023

	6.1 Component Unit - Discretely Presented	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	10.415 Rural Rental Housing Loans	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	10.427 Rural Rental Assistance Payments	14.EHV Emergency Housing Voucher	14.EFA FSS Escrow Forfeiture Account	14.880 Family Unification Program (FUP)	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$131,766		\$732,058		\$74,152	\$46,933	\$781,145	\$38,321	\$685,406	\$11,228			\$2,501,009		\$2,501,009
112 Cash - Restricted - Modernization and Development	\$362,673		\$199,628				\$0		\$357,980				\$920,281		\$920,281
113 Cash - Other Restricted			\$102,594				\$203,375			\$1,560	\$4,776	\$52,155	\$364,460		\$364,460
114 Cash - Tenant Security Deposits	\$17,875		\$34,948				\$0		\$40,672				\$93,495		\$93,495
115 Cash - Restricted for Payment of Current Liabilities			\$17,329				\$157	\$91,410	\$23,979	\$38,277			\$171,152		\$171,152
100 Total Cash	\$512,314	\$0	\$1,066,557	\$0	\$74,152	\$46,933	\$984,677	\$129,731	\$1,108,037	\$51,065	\$4,776	\$52,155	\$4,050,397	\$0	\$4,050,397
121 Accounts Receivable - PHA Projects															
122 Accounts Receivable - HUD Other Projects		\$7,015	\$299		\$9,162		\$165,194						\$181,670		\$181,670
124 Accounts Receivable - Other Government			\$562,334			\$26,237	\$164	\$53,634					\$642,369		\$642,369
125 Accounts Receivable - Miscellaneous			\$37,631				\$174						\$37,805		\$37,805
126 Accounts Receivable - Tenants	\$2,059		\$3,500				\$15,501		\$11,428				\$32,488		\$32,488
126.1 Allowance for Doubtful Accounts - Tenants	\$-1,433		\$-2,202				\$-13,452		\$-5,959				\$-23,046		\$-23,046
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0		\$0	\$0	\$0	\$0	\$0				\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current			\$29,749										\$29,749		\$29,749
128 Fraud Recovery															
128.1 Allowance for Doubtful Accounts - Fraud															
129 Accrued Interest Receivable			\$192										\$192		\$192
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$626	\$7,015	\$631,503	\$0	\$9,162	\$26,237	\$167,581	\$53,634	\$5,469	\$0	\$0	\$0	\$901,227	\$0	\$901,227
131 Investments - Unrestricted															
132 Investments - Restricted															
135 Investments - Restricted for Payment of Current Liability															
142 Prepaid Expenses and Other Assets	\$18,933		\$32,143		\$2,666	\$94	\$8,454	\$1,178	\$7,370	\$507			\$71,345		\$71,345
143 Inventories							\$0		\$0				\$0		\$0
143.1 Allowance for Obsolete Inventories			\$0				\$0	\$0	\$0				\$0		\$0
144 Inter Program Due From			\$7,015										\$7,015	\$-7,015	\$0
145 Assets Held for Sale															
150 Total Current Assets	\$531,873	\$7,015	\$1,757,218	\$0	\$85,980	\$73,264	\$1,160,712	\$184,543	\$1,120,876	\$51,572	\$4,776	\$52,155	\$5,029,984	\$-7,015	\$5,022,969
161 Land	\$308,313		\$1,763,312						\$572,737				\$2,664,362		\$2,664,362
162 Buildings	\$7,715,846		\$9,625,363						\$6,634,069				\$23,975,278		\$23,975,278
163 Furniture, Equipment & Machinery - Dwellings	\$227,935		\$57,301										\$285,236		\$285,236
164 Furniture, Equipment & Machinery - Administration			\$175,606				\$69,769		\$11,231				\$276,626		\$276,626
165 Leasehold Improvements			\$3,515,357		\$4,554	\$1,302	\$57,855	\$12,698	\$10,066	\$1,952			\$3,603,784		\$3,603,784
166 Accumulated Depreciation	\$-2,760,449		\$-6,935,736		\$-1,442	\$-412	\$-71,686	\$-4,021	\$-4,402,032	\$-618			\$-14,176,396		\$-14,176,396
167 Construction in Progress			\$932,837					\$1,342	\$20,314				\$954,493		\$954,493
168 Infrastructure															
160 Total Capital Assets, Net of Accumulated Depreciation	\$5,491,645	\$0	\$9,154,040	\$0	\$3,112	\$890	\$75,958	\$10,019	\$2,846,385	\$1,334	\$0	\$0	\$17,583,383	\$0	\$17,583,383
171 Notes, Loans and Mortgages Receivable - Non-Current			\$664,911										\$664,911		\$664,911
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due															
173 Grants Receivable - Non Current															
174 Other Assets	\$46,272		\$360,786		\$9,432	\$0	\$145,151	\$92,625	\$46,331	\$15,567			\$716,164		\$716,164
176 Investments in Joint Ventures			\$349,570										\$349,570		\$349,570
180 Total Non-Current Assets	\$5,537,917	\$0	\$10,529,307	\$0	\$12,544	\$890	\$221,109	\$102,644	\$2,892,716	\$16,901	\$0	\$0	\$19,314,028	\$0	\$19,314,028
200 Deferred Outflow of Resources			\$202,450		\$6,743		\$103,765	\$66,215	\$33,121	\$11,129			\$423,423		\$423,423
290 Total Assets and Deferred Outflow of Resources	\$6,069,790	\$7,015	\$12,488,975	\$0	\$105,267	\$74,154	\$1,485,586	\$353,402	\$4,046,713	\$79,602	\$4,776	\$52,155	\$24,767,435	\$-7,015	\$24,760,420
311 Bank Overdraft															
312 Accounts Payable <= 90 Days	\$23,814		\$502,283			\$241	\$52,572	\$5,120	\$92,098	\$374			\$676,502		\$676,502
313 Accounts Payable >90 Days Past Due															
321 Accrued Wage/Payroll Taxes Payable			\$104,946										\$104,946		\$104,946
322 Accrued Compensated Absences - Current Portion	\$5,450		\$42,540		\$2,360	\$303	\$31,545	\$16,514	\$10,920	\$877			\$110,509		\$110,509
324 Accrued Contingency Liability															
325 Accrued Interest Payable	\$87,161		\$31,646						\$1,933				\$120,740		\$120,740
331 Accounts Payable - HUD PHA Programs	\$0												\$0		\$0

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: 09/30/2023

	6.1 Component Unit - Discretely Presented	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	10.415 Rural Rental Housing Loans	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	10.427 Rural Rental Assistance Payments	14.EHV Emergency Housing Voucher	14.EFA FSS Escrow Forfeiture Account	14.880 Family Unification Program (FUP)	Subtotal	ELIM	Total
332 Account Payable - PHA Projects															
333 Accounts Payable - Other Government															
341 Tenant Security Deposits	\$17,875		\$34,948						\$40,672				\$93,495		\$93,495
342 Unearned Revenue	\$2,386		\$17,329				\$157	\$91,410	\$23,979	\$38,277		\$52,155	\$225,693		\$225,693
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$22,367		\$185,456		\$895	\$128	\$11,248	\$3,016	\$150,859	\$383			\$374,352		\$374,352
344 Current Portion of Long-term Debt - Operating Borrowings															
345 Other Current Liabilities			\$10,182				\$36,042		\$3,057				\$49,281		\$49,281
346 Accrued Liabilities - Other	\$11,000		\$1,317						\$404				\$12,721		\$12,721
347 Inter Program - Due To		\$7,015											\$7,015	-\$7,015	\$0
348 Loan Liability - Current															
310 Total Current Liabilities	\$170,053	\$7,015	\$930,647	\$0	\$3,255	\$672	\$131,564	\$116,060	\$323,922	\$39,911	\$0	\$52,155	\$1,775,254	-\$7,015	\$1,768,239
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$1,563,138		\$8,218,585		\$2,293	\$856	\$29,318	\$5,786	\$3,380,743	\$984			\$13,201,703		\$13,201,703
352 Long-term Debt, Net of Current - Operating Borrowings															
353 Non-current Liabilities - Other			\$248,337				\$168,138	\$0	\$0	\$1,560			\$418,035		\$418,035
354 Accrued Compensated Absences - Non Current															
355 Loan Liability - Non Current															
356 FASB 5 Liabilities															
357 Accrued Pension and OPEB Liabilities			\$122,382		\$4,076		\$62,727	\$40,028	\$20,022	\$6,727			\$255,962		\$255,962
350 Total Non-Current Liabilities	\$1,563,138	\$0	\$8,589,304	\$0	\$6,369	\$856	\$260,183	\$45,814	\$3,400,765	\$9,271	\$0	\$0	\$13,875,700	\$0	\$13,875,700
300 Total Liabilities	\$1,733,191	\$7,015	\$9,519,951	\$0	\$9,624	\$1,528	\$391,747	\$161,874	\$3,724,687	\$49,182	\$0	\$52,155	\$15,650,954	-\$7,015	\$15,643,939
400 Deferred Inflow of Resources			\$241,845		\$5,911		\$90,965	\$58,047	\$29,035	\$9,756			\$435,559		\$435,559
508.4 Net Investment in Capital Assets	\$3,906,140		\$284,249		-\$76	-\$94	\$35,392	\$1,217	-\$685,217	-\$33			\$3,541,578		\$3,541,578
511.4 Restricted Net Position	\$362,673		\$585,417		\$9,432		\$145,151	\$92,625	\$404,311	\$15,567	\$4,776		\$1,619,952		\$1,619,952
512.4 Unrestricted Net Position	\$67,786	\$0	\$1,857,513	\$0	\$80,376	\$72,720	\$822,331	\$39,639	\$573,897	\$5,130	\$0		\$3,519,392		\$3,519,392
513 Total Equity - Net Assets / Position	\$4,336,599	\$0	\$2,727,179	\$0	\$89,732	\$72,626	\$1,002,874	\$133,481	\$292,991	\$20,664	\$4,776	\$0	\$8,680,922	\$0	\$8,680,922
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$6,069,790	\$7,015	\$12,488,975	\$0	\$105,267	\$74,154	\$1,485,586	\$353,402	\$4,046,713	\$79,602	\$4,776	\$52,155	\$24,767,435	-\$7,015	\$24,760,420

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: 09/30/2023

	0.1 Component Unit - Discretely Presented	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	10.415 Rural Rental Housing Loans	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	10.427 Rural Rental Assistance Payments	14.EHV Emergency Housing Voucher	14.EFA FSS Escrow Forfeiture Account	14.880 Family Unification Program (FUP)	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$483,131		\$1,237,388						\$507,211				\$2,227,730	-\$191,970	\$2,035,760
70400 Tenant Revenue - Other	\$0		\$18,090						\$44,359				\$62,449		\$62,449
70500 Total Tenant Revenue	\$483,131	\$0	\$1,255,478	\$0	\$0	\$0	\$0	\$0	\$551,570	\$0	\$0	\$0	\$2,290,179	-\$191,970	\$2,098,209
70600 HUD PHA Operating Grants		\$96,602			\$1,046,260		\$12,396,932			\$349,192			\$13,888,986		\$13,888,986
70610 Capital Grants															
70710 Management Fee															
70720 Asset Management Fee															
70730 Book Keeping Fee															
70740 Front Line Service Fee															
70750 Other Fees															
70700 Total Fee Revenue													\$0	\$0	\$0
70800 Other Government Grants			\$1,039,450	\$152,592		\$238,869		\$829,707	\$769,298				\$3,029,916		\$3,029,916
71100 Investment Income - Unrestricted			\$13,266										\$13,266		\$13,266
71200 Mortgage Interest Income															
71300 Proceeds from Disposition of Assets Held for Sale															
71310 Cost of Sale of Assets															
71400 Fraud Recovery							\$1,756						\$1,756		\$1,756
71500 Other Revenue	\$9,529		\$1,273,622			\$2,860	\$41,474		\$398,520		\$4,776		\$1,730,781	-\$603,829	\$1,126,952
71600 Gain or Loss on Sale of Capital Assets			\$0										\$0		\$0
72000 Investment Income - Restricted	\$16								\$57				\$73		\$73
70000 Total Revenue	\$492,676	\$96,602	\$3,581,816	\$152,592	\$1,046,260	\$241,729	\$12,440,162	\$829,707	\$1,719,445	\$349,192	\$4,776	\$0	\$20,954,957	-\$795,799	\$20,159,158
91100 Administrative Salaries	\$42,586	\$1,451	\$615,473		\$4,586	\$653	\$69,518	\$117,563	\$27,844	\$1,701			\$881,375	-\$686,878	\$194,497
91200 Auditing Fees	\$8,150		\$4,691		\$2,370	\$285	\$27,519	\$1,192	\$2,875	\$800			\$47,882		\$47,882
91300 Management Fee	\$48,261		\$0		\$0	\$0	\$0	\$0	\$0	\$0			\$48,261		\$48,261
91310 Book-keeping Fee															
91400 Advertising and Marketing			\$687		\$9	\$1	\$484		\$1,230	\$4			\$2,415		\$2,415
91500 Employee Benefit contributions - Administrative		\$567	\$14,845		-\$3,096	\$196	-\$47,474	-\$12,457	-\$7,420	-\$9,007			-\$63,846		-\$63,846
91600 Office Expense	\$16,636	\$592	\$127,334		\$4,292	\$1,150	\$71,717	\$113,955	\$25,548	\$1,728			\$362,952		\$362,952
91700 Legal Expense			\$11,628						\$6,547				\$18,175		\$18,175
91800 Travel	\$1,732		\$2,176		\$180	\$26	\$3,209	\$6,207	\$14,032	\$77			\$27,639		\$27,639
91810 Allocated Overhead															
91900 Other	\$7,311		\$127,887		\$31,098	\$4,893	\$387,456	\$11,711	\$141,531	\$10,262			\$722,149		\$722,149
91000 Total Operating - Administrative	\$124,676	\$2,610	\$904,721	\$0	\$39,439	\$7,204	\$512,429	\$238,171	\$212,187	\$5,965	\$0	\$0	\$2,047,002	-\$686,878	\$1,360,124
92000 Asset Management Fee															
92100 Tenant Services - Salaries		\$75,143	\$19,785		\$27,160	\$3,857	\$342,942	\$250,463		\$50,689			\$770,039	-\$107,958	\$662,081
92200 Relocation Costs															
92300 Employee Benefit Contributions - Tenant Services		\$18,849	\$7,523		\$8,348	\$1,185	\$105,386	\$55,995		\$17,048			\$214,334		\$214,334
92400 Tenant Services - Other	\$21,177		\$2,175					\$175,860	\$2,996				\$202,208		\$202,208
92500 Total Tenant Services	\$21,177	\$93,992	\$29,483	\$0	\$35,508	\$5,042	\$448,328	\$482,318	\$2,996	\$67,737	\$0	\$0	\$1,186,581	-\$107,958	\$1,078,623
93100 Water	\$18,815		\$48,949						\$58,581				\$126,345		\$126,345
93200 Electricity	\$8,267		\$61,216					\$88	\$28,607				\$98,178		\$98,178
93300 Gas			\$6,392										\$6,392		\$6,392
93400 Fuel															
93500 Labor															
93600 Sewer	\$10,148		\$78,995						\$124,313				\$213,456		\$213,456
93700 Employee Benefit Contributions - Utilities															
93800 Other Utilities Expense	\$13,329		\$11,271						\$2,763				\$27,363		\$27,363
93000 Total Utilities	\$50,559	\$0	\$206,823	\$0	\$0	\$0	\$0	\$88	\$214,264	\$0	\$0	\$0	\$471,734	\$0	\$471,734
94100 Ordinary Maintenance and Operations - Labor	\$18,760		\$187,311						\$197,376				\$403,447	-\$963	\$402,484
94200 Ordinary Maintenance and Operations - Materials and Other	\$13,428		\$60,647		\$6		\$62	\$178	\$61,590	\$2			\$135,913		\$135,913
94300 Ordinary Maintenance and Operations Contracts	\$21,044		\$111,399		\$4,471	\$1,168	\$52,047	\$6,446	\$181,485	\$1,656			\$379,716		\$379,716
94500 Employee Benefit Contributions - Ordinary Maintenance	\$0		\$62,704						\$65,412				\$128,116		\$128,116
94000 Total Maintenance	\$53,232	\$0	\$422,061	\$0	\$4,477	\$1,168	\$52,109	\$6,624	\$505,863	\$1,658	\$0	\$0	\$1,047,192	-\$963	\$1,046,229

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: 09/30/2023

	0.1 Component Unit - Discretely Presented	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	10.415 Rural Rental Housing Loans	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	10.427 Rural Rental Assistance Payments	14.EHV Emergency Housing Voucher	14.EFA FSS Escrow Forfeiture Account	14.880 Family Unification Program (FUP)	Subtotal	ELIM	Total
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			\$15,383										\$15,383		\$15,383
96120 Liability Insurance															
96130 Workmen's Compensation															
96140 All Other Insurance	\$16,475		\$52,974		\$612	\$162	\$7,778	\$4,441	\$40,885				\$123,327		\$123,327
96100 Total Insurance Premiums	\$16,475	\$0	\$68,357	\$0	\$612	\$162	\$7,778	\$4,441	\$40,885	\$0	\$0	\$0	\$138,710	\$0	\$138,710
96200 Other General Expenses	\$36,069		\$765		\$6,275		\$49,974	\$431		\$1,169			\$94,683		\$94,683
96210 Compensated Absences	\$5,450		\$18,158		\$1,649	\$212	\$22,480	\$10,104	\$5,274	\$164			\$63,163		\$63,163
96300 Payments in Lieu of Taxes															
96400 Bad debt - Tenant Rents	\$1,861		\$2,977				\$13,452		\$6,782				\$25,072		\$25,072
96500 Bad debt - Mortgages															
96600 Bad debt - Other															
96800 Severance Expense															
96000 Total Other General Expenses	\$43,380	\$0	\$21,900	\$0	\$7,924	\$212	\$85,906	\$10,535	\$12,056	\$1,005	\$0	\$0	\$182,918	\$0	\$182,918
96710 Interest of Mortgage (or Bonds) Payable	\$70,548		\$154,050	\$152,592	\$124	\$36	\$1,580	\$347	\$8,200	\$53			\$387,530		\$387,530
96720 Interest on Notes Payable (Short and Long Term)															
96730 Amortization of Bond Issue Costs															
96700 Total Interest Expense and Amortization Cost	\$70,548	\$0	\$154,050	\$152,592	\$124	\$36	\$1,580	\$347	\$8,200	\$53	\$0	\$0	\$387,530	\$0	\$387,530
96900 Total Operating Expenses	\$380,047	\$96,602	\$1,807,395	\$152,592	\$88,084	\$13,824	\$1,108,130	\$742,524	\$996,451	\$76,018	\$0	\$0	\$5,461,667	-\$795,799	\$4,665,868
97000 Excess of Operating Revenue over Operating Expenses	\$112,629	\$0	\$1,774,421	\$0	\$958,176	\$227,905	\$11,332,032	\$87,183	\$722,994	\$273,174	\$4,776	\$0	\$15,493,290	\$0	\$15,493,290
97100 Extraordinary Maintenance															
97200 Casualty Losses - Non-capitalized									\$247,466				\$247,466		\$247,466
97300 Housing Assistance Payments			\$56,281		\$914,963	\$218,154	\$11,010,624		\$1,174	\$289,381			\$12,490,577		\$12,490,577
97350 HAP Portability-In							\$115,112						\$115,112		\$115,112
97400 Depreciation Expense	\$259,226		\$556,150		\$911	\$260	\$18,470	\$2,540	\$218,716	\$390			\$1,046,663		\$1,046,663
97500 Fraud Losses															
97600 Capital Outlays - Governmental Funds															
97700 Debt Principal Payment - Governmental Funds															
97800 Dwelling Units Rent Expense															
90000 Total Expenses	\$679,273	\$96,602	\$2,369,826	\$152,592	\$1,003,958	\$232,238	\$12,252,336	\$745,064	\$1,463,807	\$365,789	\$0	\$0	\$19,361,485	-\$795,799	\$18,565,686
10010 Operating Transfer In								\$109,113					\$109,113	-\$109,113	\$0
10020 Operating transfer Out								-\$109,113					-\$109,113	\$109,113	\$0
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)									\$0				\$0		\$0
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
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$186,597	\$0	\$1,211,990	\$0	\$42,302	\$9,491	\$187,826	\$84,643	\$255,638	-\$16,597	\$4,776	\$0	\$1,593,472	\$0	\$1,593,472
11020 Required Annual Debt Principal Payments	\$21,320	\$0	\$113,369	\$0	\$0	\$0	\$0	\$0	\$148,913	\$0	\$0	\$0	\$283,602		\$283,602
11030 Beginning Equity	\$4,523,196	\$0	\$1,515,189	\$0	\$47,430	\$63,135	\$815,048	\$48,838	\$37,353	\$37,261	\$0	\$0	\$7,087,450		\$7,087,450
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors			\$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: 09/30/2023

	0.1 Component Unit - Discretely Presented	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	10.415 Rural Rental Housing Loans	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	10.427 Rural Rental Assistance Payments	14.EHV Emergency Housing Voucher	14.EFA FSS Escrow Forfeiture Account	14.880 Family Unification Program (FUP)	Subtotal	ELIM	Total
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							\$1,002,874						\$1,002,874		\$1,002,874
11180 Housing Assistance Payments Equity							\$0						\$0		\$0
11190 Unit Months Available	456	0	1524		1372	408	19196	0	1812	438			25206		25206
11210 Number of Unit Months Leased	321	0	1478		1254	408	18717	0	1726	403			24307		24307
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, 2023, 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 25, 2024. 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 or significant deficiencies may exist that were not 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 25, 2024
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, 2023. 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, 2023.

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 25, 2024
Seattle, Washington

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2023

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>
14.239	Department of Housing and Urban Development - <i>Home Investment Partnerships Program</i>
10.415	Department of Agriculture - <i>Rural Rental Housing Loans</i>

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

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

HOUSING OPPORTUNITIES OF SOUTHWEST WASHINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
For the year ended September 30, 2023

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