

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**

**INDEPENDENT AUDITORS' REPORT**

**AND**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2024**

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
**YEAR ENDED DECEMBER 31, 2024**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Joint Pacific County Housing Authority  
Pacific County, 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 Joint Pacific County Housing Authority (the Authority) as of and for the year ended December 31, 2024, 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 Joint Pacific County Housing Authority as of December 31, 2024, 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 Joint Pacific County Housing 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Joint Pacific County Housing 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 Joint Pacific County Housing 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 Joint Pacific County Housing 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 information on pages 4 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Joint Pacific County Housing Authority's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT, CONTINUED

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the schedule of expenditures of state financial assistance, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2025, on our consideration of the Joint Pacific County Housing 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 Joint Pacific County Housing 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 Joint Pacific County Housing Authority's internal control over financial reporting and compliance.

*Finney, Hill & Company, P.S.*

September 26, 2025  
Seattle, Washington

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
**Management’s Discussion and Analysis**  
**December 31, 2024**

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The Joint Pacific County Housing Authority (“Authority”), management’s discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority’s financial activity, identify changes in the Authority’s financial position, and identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the Authority’s financial statements.

***Financial Highlights***

- Year-end cash and cash equivalents are \$1,133,398 of which \$476,165 are unrestricted and \$657,233 are restricted for a specific use. Unrestricted cash and cash equivalents increased during the year by \$158,277 (50%) and restricted cash and equivalents increased slightly by \$132,182 (25%). The Authority’s overall cash position increased by 34% during 2024.
- Total revenues were \$1,160,246 in 2024 and \$740,290 in 2023. Revenues increased by \$419,956 (57%). Operating revenues increased by \$183,962 (29%) and non-operating revenues increased by \$235,994 (207%). This increase in operating revenue was primarily due to an increase in units rented, as more construction projects have been completed. This increase in non-operating revenue was primarily due to an increase in subsidies and non-capital grants received.
- Total expenses of all Authority programs increased by \$696,887 (72%). Total operating expenses were \$1,504,788 in 2024 and \$800,943 in 2023. In addition, non-operating expenses in 2024 and 2023 were \$159,276 and \$166,234, respectively.
- The Authority’s Net Position decreased by \$218,175 during 2024 mainly driven by the increase in expenses being greater than the increase in tenant revenues and grants. The year-end Net Position is \$5,726,614.

***Authority Wide Financial Statements***

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

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

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

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

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

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

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**December 31, 2024**

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

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

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

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

***Condensed Comparative Financial Information***

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

<b>Summary Statement of Net Position</b>			
	<b>2024</b>	<b>2023</b>	<b>Net Change</b>
<b>ASSETS:</b>			
Current and Other Assets	\$ 2,130,455	1,727,985	402,470
Capital Assets (net)	27,487,189	20,538,626	6,948,563
Total Assets	<u>\$ 29,617,644</u>	<u>22,266,611</u>	<u>7,351,033</u>
<b>LIABILITIES:</b>			
Current Liabilities	\$ 988,592	2,138,787	(1,150,195)
Noncurrent Liabilities	22,449,883	13,657,595	8,792,288
Total Liabilities	<u>23,438,475</u>	<u>15,796,382</u>	<u>7,642,093</u>
<b>DEFERRED INFLOW OF RESOURCES:</b>			
Amounts related to leases	452,555	462,440	(9,885)
Total Deferred Inflow of Resources	<u>452,555</u>	<u>462,440</u>	<u>(9,885)</u>
<b>NET POSITION:</b>			
Invested in Capital Assets Net of Related Debt	4,601,498	5,052,598	(451,100)
Restricted	605,192	492,773	112,419
Unrestricted	519,924	462,418	57,506
Total Net Position	<u>5,726,614</u>	<u>6,007,789</u>	<u>(281,175)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION</b>	<u>\$ 29,617,644</u>	<u>22,266,611</u>	<u>7,351,033</u>

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**December 31, 2024**

The Authority's current liabilities exceed unrestricted current assets by \$296,496 for a current ratio of 0.70. The current ratio is a measure of the ability to pay debts as they become due. Current and other assets increased by \$402,470 (23%). The increase in current and other assets primarily comes from a \$290,459 (34%) increase in cash. Current liabilities decreased by \$1,150,194 (54%). The large decrease in current liabilities is primarily due to the large, \$1,228,434 (67%) decrease in accounts payable related to capital, as the Authority wrapped up capital projects in 2024.

The Authority has \$657,233 in cash that was restricted in use by grant regulations, required reserves related to debt, development funds and security deposits. This amount increased \$132,182 (25%), from a balance of \$525,051 at the beginning of the fiscal year, as the Authority increased their reserves.

The Authority's capital assets increased by \$6,948,563 (34%), the majority of which comes from the continuing construction of new capital projects, as well as the purchase of land and buildings. The decrease in construction in progress is offset by an increase in buildings as the Willapa Center building was materially complete at the end of 2024. The Authority's noncurrent liabilities increased by \$8,792,288 (64%) as more money is drawn down on the loans associated with the construction of the Willapa Center, Alder House and River's Edge.

The Authority's Net Position decreased in 2024 by \$281,175. This decrease shown is due to the decrease in the amount invested in capital assets, offset by a slight increase in the restricted and unrestricted net position. The net position Invested in Capital Assets net of Related Debt decreased due to the continuing depreciation of capital assets. The accumulated depreciation increased at a higher rate than in previous years due to the addition of new buildings. Unrestricted net position is reporting \$519,924 as of December 31, 2024, with revenues being used to increase capital assets throughout the year.

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

<b>Summary Statement of Revenues, Expenses and Changes in Net Fund Position</b>			
	<b>2024</b>	<b>2023</b>	<b>Net Change</b>
<b>Revenues</b>			
Operating			
Tenant Revenue and Rental Assistance	\$ 810,066	626,104	183,962
Non-Operating			
Government Operating Subsidies and Grants	324,541	91,902	232,639
Other Income	-	-	-
Interest Income	25,639	22,284	3,355
<b>Total Revenue</b>	<b>1,160,246</b>	<b>740,290</b>	<b>419,956</b>
<b>Expenses</b>			
Operating	1,504,788	800,943	703,845
Non-Operating	159,276	166,234	(6,958)
<b>Total Expenses</b>	<b>1,664,064</b>	<b>967,177</b>	<b>696,887</b>
Excess (Deficiency) of Revenues over Expenses	(503,818)	(226,887)	(276,931)
Capital Contributions	222,643	2,601,160	(2,378,517)
<b>Change in Net Position</b>	<b>(281,175)</b>	<b>2,374,273</b>	<b>(2,655,448)</b>
Beginning Total Net Position	6,007,789	3,633,516	2,374,273
<b>Ending Total Net Position</b>	<b>\$ 5,726,614</b>	<b>6,007,789</b>	<b>(281,175)</b>

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
**Management’s Discussion and Analysis**  
**December 31, 2024**

The \$183,962 (29%) increase in operating revenues reflects an increase in rented units as Willapa Center construction was completed, as well as increases in rental rates. Operating expenses increased \$703,845 (88%), due to two primary reasons: 1) a \$418,057 (214%) increase in depreciation expense associated with the new buildings that were capitalized in 2024 and 2) increases in administration, maintenance, and utilities costs, as costs go up due to economic conditions. The \$232,639 (253%) increase in the Government Operating Subsidies and Grants line increased due to an increase in grant funding from local document recording fees, as well as a grant which was passed through to the component unit as a capital contribution. Non-operating expenses decreased by \$6,958 (4%), due to a decrease in grant expenses. Interest expense increased due to increased debt related to Willapa Center and Alder House. Capital Contributions decreased \$2,378,517 (91%) due to a decrease in draws related to Willapa Center funding, as the project reached completion.

**Capital Asset and Long-Term Debt Administration**

**Capital Assets**

At year end, the Authority had \$27,487,189 reported in capital assets as shown on the following schedule, which represents a net increase of \$6,948,563 from the end of last year driven by an increase in buildings and land assets, offset by a decrease in capital work in progress and annual depreciation.

The following table also summarizes the changes in capital assets between fiscal years 2024 and 2023.

<b>Change in Capital Assets</b>			
	<b>2024</b>	<b>2023</b>	<b>Net Change</b>
Land	\$ 1,281,858	791,903	489,955
Buildings and improvements	23,587,623	5,123,316	18,464,307
Site improvements	4,227	4,227	-
Equipment	6,037	6,037	-
Leasehold Improvements	1,225,566	1,225,566	-
Less Accumulated Depreciation	(2,689,494)	(2,075,835)	(613,659)
Right to Use Asset	96,293	96,293	-
Less Accumulated Amortization	(10,114)	(5,394)	(4,720)
Capital Work in Progress	3,985,193	15,372,513	(11,387,320)
Total Capital Assets (net)	\$ 27,487,189	20,538,626	6,948,563

**Long-Term Debt**

The Authority’s long-term debt consists of \$22,185,667 in private placement debt, of which \$5,610,568 is from recoverable grants. Increases were mainly driven by \$8.7 million of draws on state and federal loans for construction of Willapa Center, Alder House, and River’s Edge. Reductions during the year consisted of scheduled debt service payments.

Please refer to Note 5 – CAPITAL ASSETS and Note 8 - LONG TERM LIABILITIES in the Notes to the Financial Statements for more detailed information.

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**December 31, 2024**

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**Other Potentially Significant Matters**

The Authority has a policy of adding new units where possible and preserving existing affordable housing in its jurisdiction. As a part of this policy the Authority is involved in the following real estate transactions:

- The Authority continues with development for the Alder House project in South Bend, WA. Funding for this project is through a state loan. Alder House received Certificate of Occupancy was received in April 2025 and is currently leasing.
- The Authority continues with development for the River's Edge project in Raymond, WA. Funding for this project is through a recoverable grant. River's Edge closed through title on December 23, 2024. Retention on the project was paid June 2025. A hold back in the amount of \$50,000 for foundation repair is in escrow at Pacific County Title. The property is under operation.
- The Authority wrapped up the development of Willapa Center, a 30-unit property funded by National and State Housing Trust Fund (HTF), Federal Home Loan Bank (FHLB), Community Development Block Grant (CDBG), Early Learning Facilities (ELF) and Building Communities.

***Contacting the Housing Authority's Financial Management***

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information should be addressed to the Finance Director of the Joint Pacific County Housing Authority, c/o Housing Opportunities of SW Washington. HOSWWA's office is located at 820 11th Ave., Longview, WA 98632. The telephone number is (360) 423-0140 x 2001.

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
Statement of Net Position  
December 31, 2024

	<u>Primary Government</u>	<u>Component Unit</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 476,165	111,685
Receivables	73,011	7,686
Current portion of lease receivable	2,816	-
Accrued interest - due from Component Unit	96,215	-
Prepaid expenses	43,889	20,425
Total unrestricted current assets	<u>692,096</u>	<u>139,796</u>
Restricted assets:		
Tenant security deposits	52,041	17,315
Other restricted cash and cash equivalents	605,192	211,973
Total restricted current assets	<u>657,233</u>	<u>229,288</u>
Total current assets	<u>1,349,329</u>	<u>369,084</u>
Non-current assets:		
Capital assets, net:		
Non-depreciable capital assets	5,267,051	21,688
Depreciable/amortizable capital assets, net	22,220,138	6,171,394
Total capital assets, net	<u>27,487,189</u>	<u>6,193,082</u>
Other assets:		
Notes receivable - due from Component Unit	516,958	-
Investments in partnership - Component Unit	113,616	-
Lease receivable, net of current portion	150,552	-
Other assets, net	-	137,833
Total other assets	<u>781,126</u>	<u>137,833</u>
Total noncurrent assets	<u>28,268,315</u>	<u>6,330,915</u>
Total assets	<u>\$ 29,617,644</u>	<u>6,699,999</u>

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

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
Statement of Net Position, continued  
December 31, 2024

	Primary Government	Component Unit
<b>Liabilities, Deferred Inflow of Resources, and Net Position</b>		
Current liabilities:		
Accounts payable	\$ 56,086	38,360
Accounts payable - related party	227,318	18,569
Construction costs payable	614,082	-
Compensated absences	2,806	-
Current portion of lease liability	2,832	-
Current portion of long-term debt	19,010	-
Interest payable - due to Primary Government	-	96,217
Unearned revenue	14,417	1,557
Payable from restricted assets:		
Developer fees payable	-	8,222
Tenant security deposits	52,041	18,849
Total payable from restricted assets	52,041	27,071
Total current liabilities	988,592	181,774
Non-current liabilities:		
Lease liability, net of current portion	83,110	-
Accrued interest, net of current portion	200,116	140,580
Long-term debt, net of current portion	22,166,657	2,332,241
Loans payable - Primary Government	-	516,958
Total noncurrent liabilities	22,449,883	2,989,779
Total liabilities	23,438,475	3,171,553
Deferred inflow of resources:		
Amounts related to leases	452,555	-
Total deferred inflow of resources	452,555	-
Total liabilities and deferred inflow of resources	23,891,030	3,171,553
Net position:		
Invested in capital assets, net of related debt	4,601,498	3,343,883
Restricted net position - replacement reserves	497,364	44,892
Restricted net position - debt placement	54,297	-
Restricted net position - operating reserves	47,572	167,081
Restricted net position - development funds	5,959	-
Unrestricted	519,924	(27,410)
Total net position	5,726,614	3,528,446
Total liabilities, deferred inflow of resources, and net position	\$ 29,617,644	6,699,999

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

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended December 31, 2024

	<u>Primary Government</u>	<u>Component Unit</u>
Operating revenues:		
Tenant rental revenue and rental assistance, net	\$ 782,856	352,851
Tenant revenue - other	<u>27,210</u>	<u>7,676</u>
Total operating revenue	<u>810,066</u>	<u>360,527</u>
Operating expenses:		
Administration	218,291	59,445
Tenant services	79,986	26,675
Utilities	136,266	70,725
Ordinary maintenance and operations	382,473	150,980
Depreciation expense	613,659	267,398
Amortization expense	4,720	13,512
Other general expense	<u>69,393</u>	<u>22,885</u>
Total operating expenses	<u>1,504,788</u>	<u>611,620</u>
Operating income (loss)	<u>(694,722)</u>	<u>(251,093)</u>
Nonoperating revenues (expenses):		
Government operating subsidies and grants	324,541	25,000
Grant to Component Unit	(27,794)	-
Interest income	25,639	10
Interest expense	(131,482)	(41,213)
Other nonoperating expenses	<u>-</u>	<u>(151,345)</u>
Total nonoperating revenues (expenses), net	<u>190,904</u>	<u>(167,548)</u>
Capital contributions and special items:		
Capital grants and contributions	<u>222,643</u>	<u>113,576</u>
Total capital contributions	<u>222,643</u>	<u>113,576</u>
Change in net position	(281,175)	(305,065)
Net position, beginning of year	<u>6,007,789</u>	<u>3,833,511</u>
Net position, end of year	<u>\$ 5,726,614</u>	<u>3,528,446</u>

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

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
Statement of Cash Flows  
For the Year Ended December 31, 2024

	Primary Government
Cash flows provided by (used in) operating activities:	
Cash received from tenants and rent assistance	\$ 830,391
Cash paid to suppliers	(517,991)
Cash paid to employees	<u>(297,865)</u>
Net cash provided (used) by operating activities	<u>14,535</u>
Cash flows from noncapital financing activities:	
Cash received from noncapital grants	324,541
Grants paid to Component Unit	<u>(141,370)</u>
Net cash provided (used) by noncapital financing activities	<u>183,171</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(8,795,376)
Cash received from capital grants	281,989
Proceeds from issuance of long-term debt	8,714,587
Principal paid on long-term debt	(83,830)
Interest paid	(32,141)
Payments on leases	<u>(2,660)</u>
Net cash provided (used) by capital and related financing activities	<u>82,569</u>
Cash flows from investing activities:	
Interest and dividends	<u>10,184</u>
Net cash provided (used) by investing activities	<u>10,184</u>
Net increase (decrease) in cash and cash equivalents	<u>290,459</u>
Cash and cash equivalents at beginning of year	<u>842,939</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,133,398</u></u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>	
Cash - unrestricted	\$ 476,165
Cash - restricted	605,192
Cash - tenant security deposits	<u>52,041</u>
Total cash	<u><u>\$ 1,133,398</u></u>

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

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
Statement of Cash Flows, continued  
For the Year Ended December 31, 2024

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	<u>Primary Government</u>
Net operating income (loss)	\$ (694,722)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:	
Depreciation and amortization	618,379
(Increase) decrease in assets:	
Receivables, net	(2,072)
Prepays and other assets	(40,254)
Increase (decrease) in liabilities:	
Accounts and other payables	100,922
Prepaid rent	12,519
Accrued expenses	<u>19,763</u>
Total adjustments	<u>709,257</u>
Net cash provided (used) by operating activities	<u>\$ 14,535</u>
 SUMMARY OF NON CASH TRANSACTIONS:	
Accounts payable paid off to finance capital asset purchases	\$ (1,228,434)

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

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Joint Pacific County Housing Authority (“Authority”) conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the most significant policies:

Reporting Entity

The Authority serves the citizens of Pacific County in Washington State, by providing affordable housing, housing subsidies, home ownership and self-sufficiency opportunities.

The Pacific County Board of Commissioners formed the Pacific County Housing Authority in 1975 to administer the Section 8 Rental Assistance Program in Pacific County. This entity became inactive in 1994. In 2003, the County and its four cities formed the Joint Pacific County Housing Authority to re-emphasize the need for affordable housing throughout Pacific County.

The Authority is a municipal corporation governed by an appointed five-member board. The Authority was incorporated on April 22, 2003, and operates under the laws of the State of Washington applicable to Housing Authorities. The five-member board is appointed as follows: One board member shall be appointed by the Mayor of each City and one member shall be appointed by the Pacific County Commissioners. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Authority has one component unit. 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 relationship with the Authority. The Component Unit’s year end is December 31, 2024, the same as the Authority’s.

*Discretely Presented Component Unit:*

Driftwood Point Apartments Limited Liability Limited Partnership (Partnership) was formed as a limited partnership under the laws of the State of Washington on January 7, 2015, for the purpose of constructing and operating an affordable rental housing project consisting of 27 units located in the City of Long Beach, Washington. The partnership consists of two general partners, LHA Driftwood Point GP LLC as managing partner (of which Housing Authority of the City of Longview is the sole member) and Driftwood Point GP LLC as co-general partner (of which the Authority is the sole member), and one investment limited partner, U.S. Bancorp Community Development Corporation. Per the partnership agreement, covenants exist between the general partners and the Investment Limited Partner related to the delivery of tax credits, partnership operations, and other business matters. The project is eligible for the Affordable Housing Tax Credits established under the program described in Section 42 of the Internal Revenue Code. The construction of this project was completed October 2019 and units were leased in December 2019.

The Component Unit financial statements for the limited partnership may be obtained from the administrative office of the Authority.

Basis of Accounting and Presentation

The proprietary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED DECEMBER 31, 2024

**1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the authority are tenant revenues. Operating expenses for the Authority include administrative expenses, the cost of tenant services, depreciation on capital assets, etc. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. As such, 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.

Cash and Cash Equivalents

"Cash and cash equivalents" are considered to be cash on hand and demand deposits. 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 quarterly and subject to approval of the Board of Commissioners and are expensed at the end of each quarter. 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.

Restricted Assets

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

- "Tenant security deposits" consist of security deposits held pursuant to residential rental agreements. A "tenant security deposits" liability is included in current liabilities until the tenant moves out at which time the deposits are refunded or taken as income.
- "Other restricted cash" includes replacement and operating reserves and cash advanced by grantors for construction. The reserves are held by a third party in accordance with debt covenants. The grant funds were received from grantors but undistributed at year end.

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 are expensed. Major expenses (\$3,000 or more with a useful life of one year or more) for capital and intangible assets, including right to use assets, and major repairs that increase useful lives, are capitalized. All capital and intangible assets are valued at historical cost or estimated historical cost, where historical cost is not known.

Property, plant, and equipment donated or sold at a bargain discounted price to the Authority is recorded at the acquisition value determined at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
 NOTES TO FINANCIAL STATEMENTS, continued  
 FOR THE YEAR ENDED DECEMBER 31, 2024

**1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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

<u>Asset Categories</u>	<u>Years</u>
Buildings	40
Building Improvements	15
Leasehold Improvements	27.5
Office Equipment	12

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

Preliminary costs incurred for proposed projects are recorded in “Construction-in-progress” pending construction of the facility. Costs relating to projects ultimately constructed are transferred to the project; charges that relate to abandoned projects are expensed.

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.

Notes Receivable

Notes receivable may carry below market interest rates and/or contain provisions for deferral of interest or principal. Such notes and related interest amounts are recorded in the financial statements according to the terms of the notes. No adjustment to market rates has been made due to the compliance requirements that must be met for deferral to occur.

Investment in Partnership

The Authority is the General Partner in discretely presented component unit, Driftwood Point Apartments LLLP. The Authority’s investment in the limited partnership is recorded at the lower of cost (adjusted for the Authority’s proportionate share of earnings or losses) or fair market value.

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 is generated from tenant rent payments received in advance of the period in which these are considered earned.

Compensated Absences

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

Vacation pay, which cannot be carried over past the employee’s anniversary date, is payable upon resignation, retirement or death. Sick leave may be carried over the years but can only be taken for medical-related absences. Sick leave may accumulate up to 480 hours. Upon resignation, retirement, or death; sick leave is lost.

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED DECEMBER 31, 2024

**1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Leases

The Authority has recorded a lease receivable and deferred inflows of resources related to leases in the statement of net position.

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 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 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 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 7 for more information.

The Authority has recorded lease liabilities and associated Intangible, right to use, assets, which are included in depreciable capital assets, net.

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 Authority'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 leases include how the 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 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 Authority generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancelable 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 Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. See Note 7 for more information.

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED DECEMBER 31, 2024

**1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Use of Estimates

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

Tax Exemption

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

Recently Adopted Accounting Standards

GASB Statement No. 100, *Accounting Changes and Error Corrections-an Amendment of GASB Statement 62*, was adopted by the Authority effective January 1, 2024. This Statement prescribes financial reporting for accounting changes and corrections of errors with required descriptive note disclosures. The aggregate amount of adjustments to and restatements of beginning net position will be displayed by reporting unit in the financial statements and note disclosures will describe the nature of these adjustments. For periods earlier than those included in the basic financial statements, this statement also requires supplementary or required supplementary information to be restated for error corrections. There were no material changes to the Authority's financial statements required as a result of adopting this standard.

GASB Statement No. 101, *Compensated Absences*, was adopted by the Authority effective April 1, 2024. This Statement establishes standards of accounting and financial reporting for compensated absences and clarifies the recognition and measurement of these liabilities. There was no material impact on the Authority's financial statements due to implementing this standard.

New Accounting Standards to be Adopted in Future Years

GASB Statement No. 102, *Certain Risk Disclosures* requires governments to assess whether an event associated with a concentration or constraints that would cause substantial impact has occurred and provides guidance on when disclosures are required. The requirements of this statement are effective for periods beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*, requires the Management Discussion and Analysis be limited to five sections with detailed analyses, discusses unusual or infrequent items and the requirement to present them with flows of resources, redefines the proprietary fund operating and non-operating revenues and expenses, establishes definitions of Major component units and budgetary comparison information. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of capital assets to be displayed separately in the capital asset note disclosures and defines additional disclosures for capital assets held for sale. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

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

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED DECEMBER 31, 2024

**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.

**3. 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 (“WPDPC”). 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 WPDPC pursuant to RCW 39.58. The WPDPC 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 WPDPC insures all demand deposits and bank balances of the Authority against loss.

**4. RECEIVABLES**

Current Receivables

The receivables at year-end consist of amounts owed from various organizations or individuals for goods and services rendered or owed on promissory notes or contracts receivable. The receivable balances are as follows at December 31, 2024:

Description	Due at 12/31/24
Tenant accounts, net*	\$ 4,428
HUD	162
USDA	1,625
Government grants	60,482
HOSWWA (related party)	1,188
Component Unit	237
Miscellaneous	4,889
	\$ 73,011

\*Tenant receivables are presented net of an allowance for doubtful accounts of \$15,613 as of December 31, 2024.

For receivables from Component Units, see Related Parties Transactions Note 11.

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**5. CAPITAL ASSETS**

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

Capital asset activity for the year ended December 31, 2024 was as follows:

	Balances 01/01/24	Additions	Disposals	Reclasses	Balances 12/31/24
Capital assets not being depreciated:					
Land	\$ 791,903	489,955	-	-	1,281,858
Construction in process	15,372,513	3,976,999	-	(15,364,319)	3,985,193
Total capital assets not being depreciated	<u>16,164,416</u>	<u>4,466,954</u>	<u>-</u>	<u>(15,364,319)</u>	<u>5,267,051</u>
Capital assets being depreciated:					
Buildings and improvements	5,123,316	3,099,988	-	15,364,319	23,587,623
Site improvements	4,227	-	-	-	4,227
Equipment	6,037	-	-	-	6,037
Leasehold improvements	1,225,566	-	-	-	1,225,566
Total capital assets being depreciated	6,359,146	3,099,988	-	15,364,319	24,823,453
Less total accumulated depreciation	<u>(2,075,835)</u>	<u>(613,659)</u>	<u>-</u>	<u>-</u>	<u>(2,689,494)</u>
Total capital assets being depreciated, net	<u>4,283,311</u>	<u>2,486,329</u>	<u>-</u>	<u>15,364,319</u>	<u>22,133,959</u>
Capital assets being amortized:					
Intangible - Right-to-Use Asset	96,293	-	-	-	96,293
Accumulated amortization	<u>(5,394)</u>	<u>(4,720)</u>	<u>-</u>	<u>-</u>	<u>(10,114)</u>
Total capital assets being amortized, net	<u>90,899</u>	<u>(4,720)</u>	<u>-</u>	<u>-</u>	<u>86,179</u>
Total capital assets being depreciated / amortized, net	<u>4,374,210</u>	<u>2,481,609</u>	<u>-</u>	<u>15,364,319</u>	<u>22,220,138</u>
Total capital assets, net	<u>\$ 20,538,626</u>	<u>6,948,563</u>	<u>-</u>	<u>-</u>	<u>27,487,189</u>

**Component Unit**

Capital asset activity for year ended December 31, 2024 for the component unit was as follows:

	Balances 01/01/24	Additions	Disposals	Balances 12/31/24
Capital assets not being depreciated:				
Construction in process	\$ -	21,688	-	21,688
Total capital assets not being depreciated	<u>-</u>	<u>21,688</u>	<u>-</u>	<u>21,688</u>
Capital assets being depreciated:				
Buildings	7,226,237	-	-	7,226,237
Equipment	5,449	-	-	5,449
Total capital assets being depreciated	7,231,686	-	-	7,231,686
Less accumulated depreciation	<u>(1,097,384)</u>	<u>(267,398)</u>	<u>-</u>	<u>(1,364,782)</u>
Total capital assets being depreciated, net	<u>6,134,302</u>	<u>(267,398)</u>	<u>-</u>	<u>5,866,904</u>
Capital assets being amortized:				
Intangible - Right-to-Use Asset	325,000	-	-	325,000
Accumulated amortization	<u>(17,225)</u>	<u>(3,285)</u>	<u>-</u>	<u>(20,510)</u>
Total capital assets being amortized, net	<u>307,775</u>	<u>(3,285)</u>	<u>-</u>	<u>304,490</u>
Total capital assets, net	<u>\$ 6,442,077</u>	<u>(248,995)</u>	<u>-</u>	<u>6,193,082</u>

*These notes are an integral part of the financial statements.*

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
 NOTES TO FINANCIAL STATEMENTS, continued  
 FOR THE YEAR ENDED DECEMBER 31, 2024

**5. CAPITAL ASSETS, continued**

Significant Commitments

The Authority has several significant construction projects in progress as of December 31, 2024. The project authorization, amount spent and drawn to date, and remaining commitment of these projects at December 31, 2024, is as follows:

Property	Project Name	Project Authorization	Expenses as of 12/31/24	Remaining Commitment
Alder House	WA RCHA	\$ 7,582,690	5,221,621	2,361,069
Alder House	Pacific County	153,044	100,544	52,500
River's Edge	WA Dept of Commerce - Fund 057	1,135,000	1,124,679	10,321
River's Edge	Pacific County	19,907	19,308	599
		<u>\$ 8,890,641</u>	<u>6,466,152</u>	<u>2,424,489</u>

**6. RESTRICTED ASSETS**

“Tenant security deposits” of \$52,041 are held in trust for tenants of the Joint Pacific County Housing Authority. In accordance with the Washington State Landlord Tenant law the Authority holds these funds in a segregated bank account. The funds are returned at the end of tenancy less any damage that may occur.

“Other restricted cash and cash equivalents” consists of:

Description	12/31/2024
Replacement reserves - USDA	\$ 151,618
Replacement reserves - other	345,789
Operating reserves	101,869
Other	5,916
	<u>\$ 605,192</u>

Withdrawals from these reserve accounts are subject to lender or grantor approval.

Component unit restricted assets include “tenant security deposits” of \$17,315, which are held in trust for tenants of the Driftwood Point Apartments, and “other restricted cash”, which includes operating, replacement, and debt service reserves restricted in accordance with the Partnership Agreement and withdrawals are subject to Limited Partner approval.

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED DECEMBER 31, 2024

**7. LEASE COMMITMENTS**

Lessor Arrangements

At December 31, 2024, the Authority has two long-term lease arrangements in which it is acting as Lessor:

In October 2018, the Authority entered into a 99-year lease. The lease is for land, on which apartments are to be developed. The entirety of the lease payments were paid up front at the time of lease commencement. As a result, there is a deferred inflow of resources related to this lease that is being amortized over the life of the lease on a straight-line basis. Lease amortization revenue of \$3,285 was recognized in other revenue in 2024.

In September 2023, the Authority entered into a 15-year lease with a non-profit entity for the use of commercial space in the Authority's Willapa Center property. The lease requires monthly payments of \$1,000, escalating annually by 5%, and the lease expires in September 2038. The tenant may terminate the lease sooner only if available funding is reduced or eliminated with 180 days' notice to the Authority. Lease amortization revenue of \$4,783 was recorded in tenant rental revenue and lease interest income of \$10,045 was recorded in interest income for the year ended December 31, 2024.

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

Years Ending December 31	Lease Receivable		
	Principal	Interest	Total
2025	\$ 2,816	9,889	12,705
2026	3,659	9,681	13,340
2027	4,591	9,416	14,007
2028	5,620	9,087	14,707
2029	6,754	8,689	15,443
2030-2034	55,112	34,487	89,599
2035-2039	74,816	10,224	85,040
	\$ 153,368	91,473	244,841

Lessee Arrangements

At December 31, 2024, the Authority has two leases in which it is acting as the Lessee for a building and office equipment. Refer to Note 5, Capital Assets, for information related to the Right to Use asset associated with these leases:

The building lease requires annual payments of \$6,551, increasing annually by the same percentage as tenants rent increases (if any) on the underlying leased apartments. The lease term ends May 31, 2050, but the final payment is made in June 2049.

The office equipment lease requires monthly payments of \$151. The lease term ends September 31, 2028.

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED DECEMBER 31, 2024

**7. LEASE COMMITMENTS, continued**

Future minimum rental commitments for this lease are as follows for the years ending December 31:

Years Ending December 31	Lease Payable		
	Principal	Interest	Total
2025	\$ 2,832	5,528	8,360
2026	3,014	5,345	8,359
2027	3,209	5,151	8,360
2028	2,961	4,946	7,907
2029	1,745	4,805	6,550
2030-2034	10,585	22,169	32,754
2035-2039	14,503	18,252	32,755
2040-2044	19,870	12,885	32,755
2045-2049	27,223	5,531	32,754
	<u>\$ 85,942</u>	<u>84,612</u>	<u>170,554</u>

**8. LONG-TERM LIABILITIES**

Significant Debt Agreement Terms – Primary Government

The Authority has a long-term loan from Washington Community Reinvestment Association (“WCRA”), which is secured by the Eagles Apartments. Should default occur all principal and interest are due and payable immediately. Prepayment in the first 20 years of the WCRA loan results in a prepayment premium equal to the greater of: (a) 1% of entire unpaid principal balance of the note or (b) the difference obtained by subtracting from the interest rate on the Note, the yield rate of the 6.02% US Treasury Security due May 11, 2022. To avoid the acceleration clause, the Authority shall always during the Loan term rent the apartments to tenants in accordance with the unit rental covenants.

The Authority has a long-term loan from the Washington State Department of Commerce HOME Program, which is secured by the Eagles Apartments. Should default occur all principal and interest are due and payable immediately. To avoid the acceleration clause, the Authority must apply the "HUD Income Limits" for tenants of the Eagles Apartments for the remaining life of the loan.

The Authority obtained two long-terms loans, one state and one federal, and one recoverable grant (also state funded) through the Washington State Department of Commerce HTF. The Authority was awarded up to \$7,535,675 for the state loan, up to \$3,112,193 for the federal loan, and up to \$1,750,850 for the recoverable grant. The loans each have a 1% simple interest applicable with all principal and interest due on March 30, 2062, in one lump sum. The recoverable grant has 0% interest and the principal is due March 30, 2062, but the loan is forgivable in its entirety if the loan covenants are met. These funds were awarded for construction of the Willapa Center which is a mixed-use project containing 30 units of affordable housing, a childcare facility which will contain two classrooms and accessory spaces operated by the Raymond School District, and additional space for social service providers. The state and federal loans and the recoverable grant are all secured through both a deed of trust and a promissory note. If the contractor does not provide the specified National HTF Program Assisted Units for the required National HTF Program Affordability Period, then the Promissory Note principal, plus all unpaid accrued interest shall be due to the Department of Commerce within a time frame as may be specified by the Department. The length of commitment to serve the target population per this contract will be no less than forty (40) years, and shall commence on March 31, 2022 and end on March 30, 2062 and applies to the thirty (30) units funded by this Contract. As of December 31, 2024, the state loan has an outstanding balance of \$7,535,655, the federal loan has an outstanding balance of \$3,112,193, and the recoverable grant had total draws of \$1,612,394.

*These notes are an integral part of the financial statements.*

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED DECEMBER 31, 2024

**8. LONG-TERM LIABILITIES, continued**

The Authority has a long-term loan from Bank of the Pacific which is secured by the Timberland Apartments. Should default occur the interest rate would increase to 18% and all principal and interest would be due and payable immediately.

The Authority was awarded a recoverable grant for \$1,537,674 from the Washington State Department of Commerce HTF. This grant has no expectation of repayment if the terms and conditions of the contract have been met through the term of commitment that ends December 13, 2061. However, if the property is sold, refinanced, transferred, the use changes during the term of commitment, or the Authority is materially out of compliance with the terms and conditions of the contract, the award amount, plus a proportional share of the appreciated value of the property will be due and payable to the HTF within thirty days of such event. This funding was awarded for renovation needs of the Authority's newly acquired Pacific Place property having 24 units. To ensure conditions are met a Promissory Note was established with the deed of the property as collateral. Total draws on this award at December 31, 2024 are \$1,537,674.

The Authority acquired a long-term USDA Loan as part of the Pacific Place property acquisition. This loan was transferred to the Authority in December 2021 at \$632,177 with a 2.5% interest rate with a 30-year term amortized over 50 years. This loan matures on December 16, 2051 and is secured by an interest in the property. The balance on this loan at December 31, 2024 is \$619,672.

The Authority obtained a long-term loan through the Washington State Department of Commerce HTF as part of the Alder House acquisition. The Authority was awarded a \$7,582,690 loan with a 1% simple interest rate beginning April 15, 2025, with all principal and interest due on April 14, 2065, in one lump sum. These funds were awarded for the acquisition and rehabilitation of real property to provide thirty-five affordable housing units for Low Income Households. The state loan is secured through both a deed of trust and a promissory note. If the contractor does not provide the specified state HTF Program Assisted Units for the required state HTF Program Affordability Period, then the Promissory Note principal, plus all unpaid accrued interest shall be due to the Department of Commerce within a time frame as may be specified by the Department. As of December 31, 2024, the loan has total draws of \$4,535,031.

The Authority was awarded a recoverable grant for \$2,590,000 from the Washington State Department of Commerce HTF as part of the River's Edge acquisition. This grant has no expectation of repayment if the terms and conditions of the contract have been met through the term of commitment that ends December 22, 2064. However, if the property is sold, refinanced, transferred, the use changes during the term of commitment, or the Authority is materially out of compliance with the terms and conditions of the contract, the award amount, plus a proportional share of the appreciated value of the property will be due and payable to the HTF within thirty days of such event. This funding was awarded for the acquisition of real property to provide thirty-five units of affordable housing for Low Income Households. To ensure conditions are met a Promissory Note was established with the deed of the property as collateral. Total draws on this award at December 31, 2024 are \$2,460,500.

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**8. LONG-TERM LIABILITIES, continued**

All loans were used to acquire and renovate capital assets that provide low-income housing. The direct borrowing mortgages and loans currently outstanding as of December 31, 2024 for the Primary Government are as follows:

Purpose	Original Amount	Issue Date	Maturity	Monthly Payments	Interest Rate	Amount Outstanding
Renovate Eagles Apartments	\$ 557,813	6/30/2000	2051	\$ 2,446 *	0.00%	\$ 557,813
Renovate Eagles Apartments	206,423	6/28/2001	2032	1,323	6.50%	92,438
Acquire Timberland Apartments	180,000	6/21/2013	2028	908	3.50%	129,063
Willapa Center New Construction - State	7,535,675	7/9/2021	2062	N/A**	1.00%	7,535,655
Willapa Center New Construction - Federal	3,112,193	7/9/2021	2062	N/A**	1.00%	3,112,193
Willapa Center New Construction - State***	1,750,850	7/9/2021	2062	N/A**	0.00%	1,612,394
Pacific Place Apartments Purchase	632,177	12/16/2021	2048	2,336	2.50%	612,906
Pacific Place Apartments Rehabilitation***	1,537,674	12/16/2021	2061	N/A***	0.00%	1,537,674
Alder House Purchase and Rehabilitation	7,582,690	4/14/2024	2065	N/A**	1.00%	4,535,031
River's Edge Purchase and Rehabilitation	2,590,000	12/22/2024	2064	N/A***	0.00%	2,460,500
	<u>\$ 25,685,495</u>					<u>\$ 22,185,667</u>

\* Payments are deferred until 2033.

The following schedule provides the debt service requirements for the direct borrowing long-term debt of the Primary Government for years ending December 31:

Year Ending	Total Required Debt Service and Future Maturities	
	Principal	Interest
2025	\$ 19,010	31,454
2026	20,029	30,434
2027	21,113	29,351
2028	142,691	24,069
2029	20,850	17,213
2030-2034	134,350	72,324
2035-2039	193,630	64,067
2040-2044	199,860	57,838
2045-2049	206,918	50,780
2050-2054	433,769	18,130
2055-2059	-	-
2060-2064	16,258,416	4,166,075
2065	4,535,031	1,813,888
	<u>\$ 22,185,667</u>	<u>6,375,623</u>

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED DECEMBER 31, 2024

**8. LONG-TERM LIABILITIES, continued**

Changes in long-term liabilities for the Primary Government year ended December 31, 2024 are as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
CTED	\$12,636,673	8,714,587	-	21,351,260	\$ -
Impact Capital	65,889	-	(65,889)	-	-
WCRA	102,738	-	(10,300)	92,438	10,172
USDA	619,672	-	(6,766)	612,906	6,937
Bank of the Pacific	129,938	-	(875)	129,063	1,901
Total direct placement debt	<u>13,554,910</u>	<u>8,714,587</u>	<u>(83,830)</u>	<u>22,185,667</u>	<u>19,010</u>
Accrued interest	100,775	99,341	-	200,116	-
Lease liability	88,602	-	(2,660)	85,942	2,832
	<u>\$ 13,744,287</u>	<u>8,813,928</u>	<u>(86,490)</u>	<u>22,471,725</u>	<u>\$ 21,842</u>

Long-Term Debt – Component Unit

The component unit has the following outstanding direct borrowing debt payable to the Authority:

Ground lease loan – The component unit entered into a lease of real property from the primary government in October 2018, for the purpose of building low-income housing. The lease includes annual payments of \$10, in addition to \$325,000 to be paid from net cash flow, with any unpaid balance due no later than December 31, 2058. Interest accrues at 2.99%. In order to avoid the acceleration clause, the component unit must be managed and operated pursuant to the Housing Authorities Act at all times during the term of the agreement. The balance at December 31, 2024 was \$292,500. The lease expires on December 31, 2117. Payments are made based on available cash flow.

Sponsor loan – In October 2018, the primary government loaned the component unit \$224,458 for the purpose of developing Driftwood Point Apartments. Payments are due based on cash flow and the loan is secured by the Driftwood Point Apartments. Should default occur all principal and interest will become immediately due and payable in full. Any unpaid principal balance will accrue interest at 12% per annum until paid in full. In order to avoid the acceleration clause, the component unit must be managed and operated pursuant to the Housing Authorities Act at all times during the term of this agreement. Interest accrues at 2.99%. The balance at December 31, 2024 was \$224,458. Payments are made based on available cash flow.

The component unit entered into a loan with the Department of Commerce on February 1, 2019, for \$2,332,241 for the purpose of developing Driftwood Point Apartments. The income from leases and rents associated with the property as well as the deed of trust have been pledged as collateral. Should default occur the component unit will be responsible for all the Lender's costs of collection and legal proceedings. The component unit must rent the apartments to tenants in accordance with the unit rental covenants set forth in the regulatory agreement in order to avoid the acceleration clause. Interest accrues at 1.00% and the first payment is due in 2037. The balance, including accrued interest of \$140,580, was \$2,472,821 at December 31, 2024.

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED DECEMBER 31, 2024

**8. LONG-TERM LIABILITIES, continued**

The following schedule provides the debt service requirements for the direct borrowing long-term debt of the component unit for years ending December 31:

	Dept of Commerce		Required Debt Service
	Principal	Interest	
2025	\$ -	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029	-	-	-
2030-2034	-	-	-
2035-2039	-	405,080	405,080
2040-2044	460,088	215,046	675,134
2045-2049	593,274	81,860	675,134
2050-2054	623,536	51,597	675,133
2055-2059	655,343	19,791	675,134
Total	\$ 2,332,241	773,374	3,105,615

Changes in component unit long-term liabilities for the year ended December 31, 2024 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One year
Private Placement Loans - Payable to Primary Government	\$ 516,958	-	-	516,958	\$ -
Private Placement Governmental Loan	2,332,241	-	-	2,332,241	-
Private Placement Governmental Loan - Accrued Interest	116,311	24,269	-	140,580	-
	\$ 2,965,510	24,269	-	2,989,779	\$ -

**9. CONTINGENCIES**

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

The Housing Trust Fund (HTF) provided a \$21,476 construction funding grant for the Eagles apartments. The grant is in the form of a recoverable grant and has no expectation of repayment if the terms and conditions of the contract have been met through the term of commitment that ends on April 30, 2051. However, if the property is sold, refinanced, transferred, the use changes during the term of commitment, or the Authority is materially out of compliance with the terms and conditions of the contract, the award amount, plus a proportional share of the appreciated value of the property will be due and payable to the HTF within thirty days of such event.

The HTF provided a \$3,070,000 construction funding grant for the Pacific Pearl apartments. This grant is in the form of a recoverable grant and has no expectation of repayment if the terms and conditions of the contract have been met through the term of commitment that ends August 31, 2050. However, if the property is sold, refinanced, transferred, the use changes during the term of commitment, or the Authority is materially out of compliance with the terms and conditions of the contract, the award amount, plus a proportional share of the appreciated value of the property will be due and payable to the HTF within thirty days of such event.

*These notes are an integral part of the financial statements.*

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED DECEMBER 31, 2024

**9. CONTINGENCIES, continued**

General partners of Driftwood Point Apartments LLLP are obligated to advance all funds necessary to satisfy operating deficits of the component unit. Any accumulating operating deficit advances are subject to limitation of \$114,233 commencing after the end of the stabilization period.

During the construction of Willapa Center, contaminated soils were identified on the property. The Authority engaged an environmental consultant to assist with remediation and the contaminated soils were excavated and removed, testing was completed, and the Authority entered into a voluntary compliance agreement with the Department of Ecology to complete further remediation work, which may include additional excavation. The Department of Ecology may provide grant funds to cover some or all of the future costs of remediation. This process may take several years to resolve. No environmental consultants have been engaged as of yet to perform any additional work related to this remediation, and management is not able to estimate the future costs that may be incurred.

**10. RISK MANAGEMENT**

The Authority is a member of the Housing Authorities Risk Retention Pool (HARRP).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Inter local 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 currently has a total of eighty-two members, of which thirty-two are Washington entities.

New members originally contract for a three-year term, and thereafter automatically renew on an annual basis. Members may quit (after completion of the three-year commitment) upon giving notice to HARRP prior to their renewal date. HARRP can terminate the members after giving 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 coverages are written on an occurrence basis, without member deductibles. Errors & Omissions coverage (which includes Employment Practices Liability) is written on a claims made basis, and the members are responsible for 10% of the incurred costs of the claims. (Due to special underwriting circumstances, some members may be subject to a greater E&O co-payment.) The Property coverage offered by HARRP is on a replacement cost basis with deductibles ranging from \$5,000 to \$25,000. Fidelity coverage, with limits of \$100,000 (with options up to \$500,000) for employee dishonesty and forgery or alteration and \$10,000 for theft are also provided with deductibles the same as for Property.

Coverage limits for General Liability, Errors & Omissions and Property are \$2,000,000 per occurrence and \$4,000,000 annual aggregate. (Some members have chosen greater Property limits for higher valued properties.) Limits for Automobile Liability are \$2,000,000/\$2,000,000. HARRP self-insures \$2,000,000 per claim. The HARRP Board of Directors determines the limits and coverage terms, in its sole discretion.

HARRP provides loss control services, claim investigation and adjusting, litigation management and defense with in-house staff and retained third party contractors.

HARRP is fully funded by member contributions that are adjusted annually by the HARRP Board on the basis of independent actuarial studies. These assessments cover loss, loss adjustment, 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.

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED DECEMBER 31, 2024

**10. RISK MANAGEMENT, continued**

HARRP invests its funds that are not needed for its daily operations, in accordance with the strictest provisions of the laws of the states of Washington, Oregon, California and Nevada as they relate to investments of public funds. HARRP's Investment Policy is reviewed by staff and the HARRP Board on an annual basis.

HARRP's financial transactions are subject to annual audits by independent auditors. HARRP also subjects its claims management practices to an independent audit every three years. The Washington State Auditor's Office (SAO) performs a compliance audit every other third year, as does the Division of Enterprise Services (DES) part of the Washington State Risk management department.

The HARRP Board of Directors provides general policy direction for staff. It is composed of the executive directors of nine of HARRP's members, three each from the Association of Washington Housing Authorities (AWHA), the Housing Authorities of Oregon (HAO) association and the California-Association of Housing Authorities (CAHA). HARRP's Executive Director reports to the HARRP Board of Directors and directs the members of HARRP's staff in their daily functions.

**11. RELATED PARTY TRANSACTIONS**

Housing Opportunities of Southwest Washington

The Authority contracts with the Housing Opportunities of Southwest Washington (HOSWWA) to provide administrative support and property management and accounting services. In 2024, the Authority was charged \$90,301 by HOSWWA for property management and accounting service fees, of which \$13,764 was outstanding and payable to HOSWWA as of December 31, 2024. The Authority also contracts with HOSWWA for development support. During the year ended December 31, 2024, the Authority incurred \$579,735 in developer fees payable to HOSWWA, of which \$186,677 was outstanding and payable as of December 31, 2024. Other accounts payable to HOSWWA as of December 31, 2024 for various expense reimbursements totaled \$29,954.

The Chief Executive Officer of HOSWWA acts as the Executive Director for the Authority but receives no additional compensation.

Component Unit

In 2016 the Authority was awarded a grant from the Washington Housing Trust Fund and in 2017 the Authority received an allocation of Tax Credits from the Washington Housing Finance Commission for Driftwood Point Apartments. The project started construction in 2018. As part of this project, the Authority has issued two long-term notes to Driftwood Point Apartments, a note for \$292,500 for the Driftwood Point ground lease and a Sponsor loan to Driftwood of \$224,458 to help pay for project costs. Both notes are secured by a Deed of Trust on the property, both pay an interest rate of 2.99% interest. The termination dates are December 31, 2058 and December 31, 2117, respectively. Both loans will be paid from cash flow from the Driftwood Point Apartments. The accrued interest due from the component unit on December 31, 2024, was \$54,438 for the Driftwood Point ground lease and \$41,777 for the Sponsor loan, for a total of \$96,215.

As of December 31, 2024, the payable to related party balance at the component unit is comprised of: \$40 in annual lease payments, \$5,670 payable to the limited partner for investor services fees, and \$12,859 for miscellaneous payables to the managing general partner, HOSWWA.

The component unit has recorded a right to use asset for the right to use the land associated with the above noted Driftwood Point ground lease, at \$325,000 with accumulated amortization of \$20,510. The balance of the right to use asset, net, was \$304,490 on December 31, 2024.

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED DECEMBER 31, 2024

**11. RELATED PARTY TRANSACTIONS, continued**

The component unit incurred vapor mitigation costs of \$82,504 for the year ended December 31, 2023, and additional costs of over \$151,345 for the year ended December 31, 2024. Driftwood Point Apartments LLLP has been informed that the WA State Department of Ecology may require ongoing monitoring and testing. The future cost, if any, cannot be estimated at this time. During 2024, the Authority contributed \$113,576 in pass-through awards from the Department of Ecology to Driftwood Point Apartments LLLP in the form of capital contributions, to help fund costs incurred in remediation.

In 2024, the Authority received \$25,000 from Pacific County in document recording fees that were intended to go to Driftwood. The Authority passed this funding on to Driftwood as an operating grant.

**12. SUBSEQUENT EVENTS**

Alder House construction was substantially completed in April of 2025, with a certificate of occupancy dated April 30, 2025.

In November 2024, Driftwood Point Apartments LLLP entered into an agreement with a contractor to provide additional remediation services in 2025. These services were agreed to be performed on a pro-bono basis by the vendor, with no expense to the Partnership with the exception of out-of-pocket expenses that directly relate to the Services performed and insurance costs of the vendor, which are expected to be minimal. The vendor is currently working on a final clean-up action to include filing for an Environmental Covenant. There is a possibility that the Department of Ecology will require the Partnership to continue monitoring activities for another year, at an estimated cost of \$15,500 for each of four monitoring events. The requirement for this additional year of monitoring could be reduced or eliminated with the introduction of an Environmental Covenant and depending upon the results of future testing. Finally, an additional monitoring event will be required in 2031, which is expected to cost approximately \$15,500.

During the acquisition of River's Edge, the Authority identified that the property had damaged foundation issues in certain places. The Authority negotiated with the seller for a credit of \$50,000 to be held in escrow for the necessary repairs and also intends to utilize Pacific County funds to work on these repairs. Bids from contractors are currently being solicited for the repair work, and the total repair cost is estimated to be slightly less than \$250,000. However, some of the damage is extensive and the cost for repairs could be higher. The Authority has engaged a structural engineer to assist in overseeing the work on this project, and the structural engineer projects that repairs will be able to move forward with continued occupancy.

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

FEDERAL AGENCY		ALN	Other Award Number	Expenditures			Passed - thru to Subrecipients	Note
				From Pass-Thru Awards	From Direct Awards	Total		
Pass-Thru Agency	Federal Program							
<b>U.S. DEPARTMENT OF AGRICULTURE</b>								
	Rural Rental Housing Loans	10.415	56-025-330859589-01-3	\$ -	619,672	619,672	\$ -	3
	Rural Rental Housing Loans - Int Subsidy	10.415	56-025-330859589-01-3	-	3,868	3,868	-	
	<b>Total ALN 10.415</b>			-	623,540	623,540	-	*
	Rural Rental Assistance	10.427	56-025-330859589-01-3	-	132,735	132,735	-	
	<b>Total U.S. Department of Agriculture</b>			-	<b>756,275</b>	<b>756,275</b>	-	
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>								
WA State Department of Commerce	Housing Trust Fund	14.275	18-42502-002	3,112,193	-	3,112,193	-	3 *
City of Raymond	Community Development Block Grants	14.228	B-19-DC-53-001	74,565	-	74,565	-	
	<b>Total U.S. Department of Housing and Urban Development</b>			<b>3,186,758</b>	-	<b>3,186,758</b>	-	
<b>Total Expenditures of Federal Awards</b>				<b>\$ 3,186,758</b>	<b>756,275</b>	<b>3,943,033</b>	<b>\$ -</b>	

\* Denotes Major Program

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – FEDERAL DEMINIMIS INDIRECT COST RATE

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

NOTE 3 – FEDERAL LOANS

The Authority was approved by the Department of Commerce to receive a federal loan totaling up to \$3,112,193 for construction of the Willapa Center, which is a mixed-use project containing 30 units of affordable housing, a childcare facility which will contain two classrooms and accessory spaces operated by the Raymond School District, and additional space for social service providers. During the year, draws of \$185,399 were made on the loan. The December 31, 2024 balance outstanding on this loan was \$3,112,193.

The amounts shown as federal expenditures for the USDA Rural Housing Loan program under assistance listing 10.415 represent outstanding loan balances as of the beginning of the period. The loan balance outstanding at December 31, 2024 was \$612,906.

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

***UNAUDITED***

State Agency	Program Title	Identification Number	Total
WA State Department of Ecology	Herber Property Soil Removal and Groundwater	C2300046	\$ <u>134,586</u>
<b>Total Expenditures of State Financial Assistance</b>			<b><u><u>134,586</u></u></b>

**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 Directors  
Joint Pacific County Housing Authority  
Pacific County, 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 Joint Pacific County Housing Authority (the "Authority"), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 26, 2025.

The financial statements of Driftwood Point Apartments, 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 Driftwood Point Apartments, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.*

September 26, 2025  
Seattle, Washington

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

Board of Directors  
Joint Pacific County Housing Authority  
Pacific County, Washington

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Joint Pacific County Housing Authority's (the Authority's) compliance with the types of compliance requirements identified as subject to audit 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 December 31, 2024. Joint Pacific County Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Joint Pacific County Housing Authority 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 December 31, 2024.

***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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Joint Pacific County Housing 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 Joint Pacific County Housing 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 Auditor's 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.*

September 26, 2025  
Seattle, Washington

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
 Schedule of Findings and Questioned Costs  
 For the year ended December 31, 2024

**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</u>	<u>Name of Federal Program</u>
14.275	<i>U.S. Department of Housing and Urban Development – Housing Trust Fund</i>
10.415	<i>U.S. Department of Agriculture – Rural Development 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? \_\_\_\_\_ yes   X   no

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
Schedule of Findings and Questioned Costs, continued  
For the year ended December 31, 2024

**Section II – Financial Statement Findings**

**NONE**

**Section III – Federal Award Findings and Questioned Costs**

**NONE**

**JOINT PACIFIC COUNTY HOUSING AUTHORITY**  
Schedule of Prior Year Findings and Responses

Reference Number: 2023-001 Federal ALN: N/A

Topic: Accounting for Construction Costs

Audit Finding: Management’s internal controls over construction accounting did not provide for proper cut-off of costs associated with construction and development projects during the year under audit.

Corrective Action: The Authority implemented a new standard operating procedure to address this finding, requiring each construction invoice to be marked with the date the work was completed prior to the invoice being processed by the accounting department. The Authority also implemented a year-end review of construction invoices by the Finance Manager.

Status: Closed.

  

Reference Number: 2023-002 Federal ALN: N/A

Topic: SEFA Preparation

Audit Finding: Management’s internal controls over year-end financial reporting did not identify a material overstatement in the schedule of expenditures of federal awards (“SEFA”).

Corrective Action: The Authority redesigned the contract cataloging and tracking to the office of the CEO, and started updating the SEFA throughout the year as new contracts are awarded, rather than only annually. The CEO and the Finance Manager will review the SEFA before each year-end audit.

Status: Closed.

  

Reference Number: 2023-003 Federal ALN: N/A

Topic: Accounting for Lease Transactions

Audit Finding: Management’s internal controls over lease accounting did not provide for a search for new or modified leases after the initial year of implementation of GASB 87, such that new or modified leasing arrangements would be properly identified, valued, and disclosed in accordance with GASB standards.

Corrective Action: The Authority developed a process for collecting new lease agreements and assigned the Finance Manager the responsibility of reviewing the lease agreement file throughout the year and at year-end. The CEO’s office will be responsible for oversight and checking that the lease catalog is correct.

Status: Closed.