

Financial Statements & Supplementary Data  
**The Housing Authority of Washington County**  
*(A Component Unit of Washington County, Oregon)*



year ended June 30, 2014

photo courtesy of the Washington County Visitors Association

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**THE HOUSING AUTHORITY OF  
WASHINGTON COUNTY  
(A Component Unit of Washington County, Oregon)**

Governing Body Under ORS 456.095

Housing Authority Board of Directors  
Washington County, Oregon  
155 North First Avenue  
Hillsboro, Oregon 97124-3091

Board of Directors as of June 30, 2014

<u>Name</u>	<u>Term Expires</u>
Andy Duyck * Director	December 31, 2017
Greg Malinowski * Director	December 31, 2015
Trisha Peterson Director	December 31, 2015
Roy Rogers * Director	December 31, 2014
Dick Schouten * Director	December 31, 2016
Bob Terry * Director	December 31, 2015
Ramsay Weit Director	December 31, 2015

\* Directors also serve on the Washington County Board of Commissioners

Housing Authority Administrative Staff

Adolph A. Valfre, Jr., Ex Officio Executive Director

Washington County Administrative Staff

Robert Davis, County Administrator

Mary Gruss, Chief Finance Officer

Adolph A. Valfre, Jr., Director, Department of Housing Services

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**THE HOUSING AUTHORITY OF  
WASHINGTON COUNTY**

**(A Component Unit of Washington County, Oregon)**

**Table of Contents**

	<b>Page</b>
Letter of Transmittal	1
Independent Auditor's Report	5
Management's Discussion and Analysis	9
Basic Financial Statements:	
Statement of Net Position	15
Statement of Revenues, Expenses and Changes in Net Position	16
Statement of Cash Flows	17
Notes to Basic Financial Statements	18
Other Supplementary Information:	
Financial Data Schedules	26
Actual Modernization Cost Certificate	28
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29
Independent Auditor's Report Required by Oregon State Regulations	33

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December 22, 2014

To the Housing Authority Board of Directors and Citizens of  
Washington County, Oregon:

The Housing Authority of Washington County (the Authority) is pleased to present audited financial statements for the fiscal year that ended June 30, 2014. This report consists of management's representations concerning the finances of the Authority. Consequently, responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures rests with management. Generally accepted accounting principles (GAAP) require that Management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's report on the basic financial statements.

***Housing Authority Programs***

The Authority strives to provide opportunities for low income individuals and families to obtain clean, safe, and affordable housing in Washington County, in a variety of ways:

- The Section 8 Housing Choice Voucher program is the largest program administered by the Authority. The US Department of Housing and Urban Development (HUD) provides funding to provide up to 2,706 families with rental assistance, in the form of direct payments to landlords for all or part of their rent, depending on income. Clients obtain assistance through an application and screening process that gives preference to elderly and disabled individuals. The Authority also has 74 Veterans Affairs Supportive Housing (VASH) vouchers, which provide veterans with housing in conjunction with services received from Veterans Affairs. Another Section 8 program is Family Self-Sufficiency (FSS), under which individuals who voluntarily participate in a self-sufficiency program are eligible for additional funds, which are placed in escrow each month, and are available to pay for education, to start a business, or to purchase a home upon successful completion of the program. The Authority currently has 75 participants in the FSS program.
- The Low Rent Public Housing program provides housing directly to 243 families in Authority-owned, HUD-subsidized rental housing. These units, primarily single-family dwellings and duplexes, were acquired by the Authority between 1979 and 1996. Rent is based on income, and HUD provides an operating subsidy and capital improvement funds. During FY2013-14, the Authority invested approximately \$111,000 of funds provided by the Public Housing Capital Fund program, and approximately \$51,000 of Public Housing Operating subsidy, for modernization.
- The Authority owns two Project-Based Section 8 rental properties for low-income seniors, Holly Tree Village in Beaverton and Tarkington Square in Hillsboro, totaling 188 units. Like the regular Section 8 program, the rent is based on income, and the Authority receives an operating subsidy to supplement rent receipts. The Authority also owns Aloha Park, an 80-unit low-income apartment complex in Aloha, which includes eight units receiving Project-Based Section 8 rental subsidies, and the remainder receiving Section 236 rental subsidies. Aloha Park will be refinanced in FY2014-15, and all eligible

tenants will be converted to tenant-based Section 8 rent subsidies. Other subsidized properties include a 12-unit USDA-supported property, Kaybern Terrace, and eight units of supportive and transitional housing which receive services from other county agencies, and are funded through loan subsidies from the State of Oregon and Supportive Housing funds from HUD.

- The Authority also owns 339 units of affordable housing, in 12 locations, which do not receive direct rental subsidies. These units are priced for families earning under 60% of the area median income.
- Other initiatives of the Authority include participation in a four-county Housing Works grant funded in part by the Department of Labor (DOL), which provides work training for residents. The DOL Housing Works project involves three regional WorkSource agencies and the four regional housing authorities, and supports 75 Section 8 participants from Washington County in employer-supported job training and internships.

### ***Department of Housing Services Programs***

All of the Housing Authority programs are administered by the 35 employees of the Washington County Department of Housing Services (the Department), which in form is a separate entity from the Authority, but in substance is one and the same. The Department is a special revenue fund of Washington County (the County), and also administers the following homeless programs:

- **Ten-Year Plan.** On June 3, 2008, the Board of County Commissioners adopted a first-ever strategic plan that moves homeless families and individuals to self-sufficiency. This plan provides the framework for the County's efforts to reduce homelessness. Details of the plan can be found in *A Road Home: 10-Year Plan to End Homelessness in Washington County*, which is available on the Department web site. General Fund contributions of \$315,850 each in FY2012-13 and FY2013-14 were budgeted for support of homeless programs. The General Fund contribution will increase to \$355,222 for FY2014-15.
- **Homeless to Work Program.** The County contracts with Bridges to Change, a nonprofit agency providing housing and jobs mentoring, to operate the *Homeless to Work Program (HTW)*. Implemented in May 2009, HTW serves 13 unaccompanied adults with transitional housing, supportive services, and job counseling.
- **Continuum of Care.** This program combines housing vouchers similar to the Section 8 program with supportive services provided by non-profit organizations, to reduce homelessness. Approximately 235 families are currently served. Competitive grant applications are submitted annually. The County received \$2.6 million for this program during FY2013-14, providing assistance to fifteen programs, with all programs administered by the Department.
- **Other Homeless Program Initiatives.** The Department is participating in a Health and Human Services (HHS) Substance Abuse & Mental Health Services Administration (SAMHSA) project for \$1.5M over 3 years. This project is led by Luke-Dorf, Inc. as part of a consortium of community health and services providers to serve 90 chronically homeless families. The Department also has addressed the County's Consolidated Plan's "highest needs" and the strategies of the 10-Year Plan to End Homelessness by offering Section 8 project-based vouchers to promote creation of 174 units of permanent housing for 102 chronically homeless singles, 25 special-needs singles and 47 extremely low-income households. The Department is strategically using these Section 8 project-based vouchers to promote new affordable housing development in the County.
- **Aloha/Reedville Community Challenge/Tiger II Planning Grant.** This is a three-year joint project with the County Land Use and Transportation Department, funded in part by HUD and the US Department of Transportation, to promote sustainable communities, accessible transit and economic development in the unincorporated Aloha-Reedville area.



### ***Overall Financial Health of the Housing Authority***

The major HUD-funded programs of the Authority (Section 8, Public Housing) have historically been self-sufficient, and the Authority has operated these programs within the amounts funded. For calendar year 2012 and 2013, however, reduced funding for Section 8 administration made it necessary to draw on Section 8 and other Authority reserves. Calendar year 2014 funding was increased, so the administration of Section 8 is self-sufficient once more.

The other major program is Affordable Housing. The Affordable Housing properties were acquired between 1999 and 2001, and the original cash flows for these properties contained optimistic revenue and expense projections and did not anticipate some of the major deferred maintenance expenditures that would be required for the properties. As a result, the non-HUD programs had cumulative losses in unrestricted net assets of \$2.6 million by June, 2007, and were losing about \$1 million per year. The Authority had been looking for ways to bring the non-HUD programs back to solvency, and in 2007 embarked on a two-pronged approach. First, the Authority obtained approval to sell 40 units of Public Housing, which were in remote locations in the county. In return, the Authority was able to acquire 40 additional Housing Choice Vouchers to replace the lost units, and to use the proceeds to support some of the operating and capital costs of the non-HUD properties. This provided funds to bring the unrestricted fund balance back into positive territory, over time, but the funds remain restricted until used, and it is estimated that all the funds will be applied to the non-HUD properties by 2017.

Second, the Authority worked with Washington County to refinance its debt. This process took more than two years, due to the changing financial situation nationally. In November, 2009, the County issued Full Faith and Credit Refunding Obligations to defease and refund the existing bonds, in return for a promissory note from the Authority, which requires the Authority, in substance, to make the payments on the new bonds. The Authority took additional steps to improve the cash flow of the properties, and it is expected that the non-HUD properties will have positive cash flow henceforward.

### ***Continuing Initiatives***

The Department, along with the Authority, continues to look toward funding opportunities that promote affordable housing, essential services and self-sufficiency in Washington County for low-income families. The Department continues to participate in three federal grants awarded in 2012 – a Health and Human Services (HHS) Substance Abuse & Mental Health Services Administration (SAMHSA) project for \$1.5M over three years; a Department of Labor Workforce Innovation Fund project, called Housing Works for \$5.5M over five years; and a Department of Veterans Affairs Supportive Services for Veterans Families (SSVF) project for \$240,871 in 2014-15.

The SAMHSA project is being led by Luke-Dorf, Inc. as part of a consortium of community health and services providers to service 90 chronically homeless families. Currently, the Department has leased up 41 of these families. The DOL Housing Works project involves three regional WorkSource agencies and the four regional housing authorities, and supports 75 Section 8 participants from Washington County gaining job training in employer-supported job training and internships in the career fields of healthcare, manufacturing and office administration. The SSVF project is a four-county collaboration of Community Action agencies plus the Housing Authority of Washington County, the Salvation Army Veterans Family Center, and the Washington County Disability, Aging & Veterans Services Department. Currently, the grant has served 192 persons in 103 households, re-housed 72 homeless veterans, and provided prevention assistance to 27 households. Of these households, 94 percent maintained or increased income at exit with 20 percent of the households having earned income at program exit. Finally, the Department is collaborating with the three other regional housing authorities with funding from a Metro RTO grant to promote better affordable housing choices closer to jobs and high opportunity centers by low-income families through mobility counseling.

The Department addressed the County's Consolidated Plan's "highest needs" and the strategies of the Ten-year Plan to End Homelessness by allocating 174 Section 8 project-based vouchers to promote creation of permanent housing for households who are chronically homeless, low-income, or who have special needs. Currently, 101

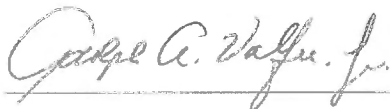
total units are under contract, housing 53 chronically homeless individuals, 25 households with special needs, and 23 extremely low-income families. The Department is strategically using these Section 8 project-based vouchers to promote new affordable housing development in Washington County. An additional 73 project-based vouchers have been awarded to developments that are currently under development or have not yet been identified. Other project-based voucher opportunities, to include conversion of HUD-VA VASH voucher to project-based, for existing, new development and/or substantial rehab to provide affordable housing for seniors, extremely low-income households and chronically homeless veterans are under discussion.

In partnership with community stakeholders, the Department has taken the lead to coordinate and develop a centralized assessment system (e.g. single front door) to the homeless housing and services provided in Washington County. *Community Connect* was implemented in January 2014 to provide people at risk or experiencing homelessness with greater access to community resources, and direct referral to available housing program opportunities that best support the needs of the households. The *Community Connect* system is staffed by Community Action Organization, with more than 900 beds and services aligned that creates an integrated system of care. The system supports a Federal requirement of the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act, and in the first year of implementation has demonstrated efficiencies and effectiveness in serving the homeless.

Similarly, the Department has been participating on the Homeless Cost Study Advisory Committee under the leadership of the Vision Action Network to assess the cost demand of chronic homelessness on public emergency services and health organizations. The Department is working closely with the Department of Land Use and Transportation on affordable housing initiatives and community development measures in the Aloha-Reedville HUD/DOT Livable Communities Grant. To better promote affordable housing development, the Department has also been coordinating with Washington County cities and other taxing jurisdictions to implement a county-wide non-profit low-income tax exemption policy. To date, three governing jurisdictions, three school districts and three special taxing districts have adopted the measure to grant the tax exemption.

On the State level, the Department was an active participant supporting the Oregon Housing Alliance's agenda in the 2013 legislative session to gain Governor's approval for a dedicated funding resource for veterans' housing and services, a Section 8 Voucher fair housing initiative and extension of the Agricultural Workforce Housing Tax Credit. The Department has also been a participant on the Transition Advisory Committee working to transform the Oregon Department of Housing and Community Services. Finally, the Department was also successful in receiving an award of 14 additional HUD-VA VASH vouchers in 2014.

Respectfully Submitted,



Adolph A. Valfre, Jr.  
**Director**



Michael O'Neill  
**Administrative Services Manager**



**Talbot, Korvola  
& Warwick, LLP**

Certified Public Accountants  
& Consultants

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## INDEPENDENT AUDITOR'S REPORT

Housing Authority Board of Directors  
Washington County Board of Commissioners  
Housing Authority of Washington County  
Hillsboro, Oregon

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Housing Authority of Washington County, Hillsboro, Oregon, (the Authority), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Housing Authority Board of Directors  
Washington County Board of Commissioners  
Housing Authority of Washington County

### OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### OTHER MATTERS

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Other Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is required by the U.S. Department of Housing and Urban Development who considers it to be an essential part of financial reporting. The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Letter of Transmittal has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

Housing Authority Board of Directors  
Washington County Board of Commissioners  
Housing Authority of Washington County

**REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Other Reporting Required by Oregon Minimum Standards*

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated December 22, 2014, on our consideration of the Authority's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

**TALBOT, KORVOLA & WARWICK, LLP**

By: *Julie B. Fahey*  
Julie B. Fahey, Senior Manager

Lake Oswego, Oregon  
December 22, 2014

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## **Housing Authority of Washington County Management's Discussion and Analysis**

As management of the Housing Authority of Washington County (the Authority) a component unit of Washington County, Oregon, we offer readers of the Authority's financial statements this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider information presented here in conjunction with the financial statements, which begin on page 15. All amounts in this Management's Discussion and Analysis, unless otherwise indicated, are expressed in thousands of dollars.

### **Financial Highlights (Dollars in thousands)**

- The assets and deferred outflow of resources of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$4,165. Net investment in capital assets was \$1,131 and accounted for 27% of the total net position. The restricted net position totals \$3,070, so the Authority is in a deficit position with respect to its unrestricted net position. This is due to compliance with a notice from the US Department of Housing and Urban Development (HUD) received in FY2008-09, requiring the reclassification of \$2,197 of proceeds from the sale of property from unrestricted to restricted cash. These proceeds, as well as other funds, reside in the same Washington County bank account cash pool as the overdraft, so the balance for the Authority as a whole is a positive amount. Proceeds of property sales are restricted by HUD for use on certain eligible costs. The expenditure of restricted funds for these costs allows the Authority to defer spending of unrestricted funds, which over time will allow for elimination of the book overdraft.
- The Authority's total net position decreased by \$1,793. The chief cause for the decline in net position was the continuation of inadequate funding from the federal government for the Section 8 and Public Housing programs.
- The Authority's debt decreased by \$534.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise two components: 1) financial statements and 2) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

#### ***Basic Financial Statements***

The basic financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. For purposes of financial statement presentation, the Authority is classified as an enterprise fund type, and financial statements present only business-type activities.

The *Statement of Net Position* provides information about the Authority's assets, deferred outflow of resources, and liabilities, with the difference reported as the net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation).

The *Statement of Cash Flows* presents information showing how the Authority's cash and cash equivalents changed during the most recent fiscal year.

The *Notes to Basic Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements can be found on pages 15 through 24 of this report.

## Authority Financial Analysis

### *Assets, Deferred Outflow of Resources, Liabilities and Net Position*

The following provides a summary of the Authority's net position for 2014 compared to 2013. 2013 reflects the effect of GASB 65, related to the discrete presentation of deferred outflows.

	Dollars in thousands		
	2014	2013	Change
<b>Assets:</b>			
Assets, excluding capital assets	\$ 5,484	6,802	(1,318)
Capital assets	28,460	29,853	(1,393)
Total assets	33,944	36,655	(2,711)
Deferred outflow of resources	2,714	2,895	(181)
<b>Liabilities:</b>			
Other current and restricted liabilities	2,881	3,462	(581)
Long-term debt	29,612	30,130	(518)
Total liabilities	32,493	33,592	(1,099)
<b>Net position:</b>			
Net investment in capital assets	1,131	2,171	(1,040)
Restricted	3,070	4,532	(1,462)
Unrestricted (deficit)	(36)	(745)	709
Total net position	\$ 4,165	5,958	(1,793)

As noted earlier, the net position may serve over time as a useful indicator of an entity's financial position. In the case of the Authority, assets and deferred outflow of resources exceeded liabilities by \$4,165 at the close of the most recent fiscal year.

Assets decreased by \$2,711 during FY2013-14. Assets excluding capital assets decreased \$1,318. Contributing to this decrease were \$1,023 decrease in restricted Public Housing cash reserves, which was unrestricted and reclassified to reduce the cash overdraft included in current liabilities. The balance of the decrease is due to reduction of funding, and recapturing of reserves, by HUD. Capital assets decreased by \$1,393, due to depreciation expense in excess of acquisitions.

Deferred outflow of resources decreased \$181, due to amortization of bond refunding costs.

Liabilities decreased by \$1,099. The decrease in other current and restricted liabilities is due primarily to the reduction in the cash overdraft, due to the application of restricted Public Housing reserves referenced in the preceding paragraph. Long-term debt decreased slightly due to debt payments.



Twenty-seven percent of the Authority's net position (\$1,131) reflects investment in capital assets, primarily housing, less any related debt used to acquire those assets that is still outstanding. Seventy-four percent of the Authority's net position (\$3,070) consists of cash restricted by a County loan agreement for debt service, cash from Public Housing property sales restricted by HUD for certain future expenditures, and reserves for replacement of assets required by loan agreements. The deficit in the unrestricted net position of the Authority will decline as the proceeds from property sales are applied to eligible operating and capital expenditures.

The total net position of the Authority decreased \$1,793. The net investment in capital assets decreased by \$1,040, due to depreciation and amortization expense. The restricted net position decreased \$1,462, due to reductions in assets previously discussed, and the unrestricted net position deficit improved by \$709.

***Change in Net Position***

The following provides a summary of the Authority's change in net position for 2014 compared to 2013:

	<b>Dollars in thousands</b>		
	<b>2014</b>	<b>2013</b>	<b>Change</b>
Revenues:			
Intergovernmental revenues	\$ 20,918	19,906	1,012
Rental income	5,523	5,294	229
Other revenue	862	836	26
Total revenues	<u>27,303</u>	<u>26,036</u>	<u>1,267</u>
Expenses:			
Housing assistance payments	19,134	18,721	413
Other operating expenses	8,605	8,387	218
Non-operating expenses, net	1,468	1,434	34
Total expenses	<u>29,207</u>	<u>28,542</u>	<u>665</u>
Net loss before capital contributions	(1,904)	(2,506)	602
Capital contributions	111	509	(398)
Decrease in net position	<u>(1,793)</u>	<u>(1,997)</u>	<u>204</u>
Net position, beginning of year	<u>5,958</u>	<u>7,955</u>	<u>(1,997)</u>
Net position, end of year	<u>\$ 4,165</u>	<u>5,958</u>	<u>(1,793)</u>

Total revenues increased by \$1,267, or 4.9% from the previous year. Intergovernmental revenues increased \$1,012 (5.1%) due to increased Housing Assistance Payment receipts, ongoing administrative fees, and operating subsidies, and a grant from the Department of Labor. Rental income increased \$229 (4.3%) due to rent increases.

Total expenses increased by \$665, or 2.3%. Housing assistance payments increased by \$413 (2.2%) due to increased leaseups. Other operating expenses increased \$218 (2.6%). Non-operating expenses increased \$34.

Capital contributions decreased \$398, as there had been a transfer from the County of two foreclosed properties in the prior year, which was not replicated in the current year.

## **Capital Assets and Debt Administration**

### ***Capital Assets***

As of June 30, 2014, the Authority's capital assets were \$28,460 (net of accumulated depreciation). Capital assets include land, buildings, improvements, vehicles, and office equipment.

The Authority invested \$298 in capital improvements, of which \$111 was from capital contributions funded by the Public Housing Capital Fund program.

Additional detail may be found on page 22 in the Notes to Basic Financial Statements.

### ***Debt and Obligations***

At the end of the current fiscal year, the Authority had total obligations outstanding of \$30,043. Of this amount, \$27,540 consisted of a note payable to Washington County secured by the properties formerly financed by bonds refunded by Washington County Full Faith and Credit Refunding Obligations during FY2009-10, \$2,173 of notes to other lenders, and \$330 in unsecured obligations to Washington County. Additional detail may be found on pages 22-23 in the Notes to Basic Financial Statements.

## **Budget Information**

The Authority is not subject to Oregon Local Budget Law. As a result, an analysis of variances for budgeted amounts is not considered to be meaningful to the reader and is therefore not included in Management's Discussion and Analysis.

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

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Executive Director, Housing Authority of Washington County, 111 NE Lincoln St., Suite 200-L, Hillsboro, OR 97124-3082, (503) 846-4794.

## **BASIC FINANCIAL STATEMENTS**

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**THE HOUSING AUTHORITY OF  
WASHINGTON COUNTY  
(A Component Unit of Washington County, Oregon)**

Statement of Net Position

June 30, 2014

**Assets**

Current assets:

Unrestricted cash and cash equivalents	\$ 845,928
Restricted cash and cash equivalents	483,666
Accounts receivable	553,056
Current portion of contracts receivable	3,503
Other current assets	33,826
Total current assets	1,919,979

Noncurrent assets:

Restricted cash and cash equivalents	3,162,731
Contracts receivable	401,470
Capital assets, non-depreciable	8,214,341
Capital assets, depreciable, net	20,245,749
Total noncurrent assets	32,024,291
Total assets	33,944,270

**Deferred Outflow of Resources**

Deferred refunding costs	2,713,813
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**Liabilities**

Current liabilities:

Book overdraft	1,019,128
Accounts payable	171,070
Unearned revenue	10,364
Accrued interest payable	669,546
Current portion of notes and contracts payable	527,193

Current liabilities payable from restricted assets:

Tenant and other deposits	483,666
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Total current liabilities	2,880,967
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Noncurrent liabilities:

Notes and contracts payable	29,515,322
Deposits payable from restricted assets	96,486

Total non-current liabilities	29,611,808
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Total liabilities	32,492,775
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**Net Position**

Net investment in capital assets	1,131,388
Restricted	3,070,391
Unrestricted (deficit)	(36,471)

Total net position	\$ 4,165,308
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See accompanying notes to basic financial statements.

**THE HOUSING AUTHORITY OF  
WASHINGTON COUNTY**  
**(A Component Unit of Washington County, Oregon)**  
Statement of Revenues, Expenses and Changes in Net Position  
For the year ended June 30, 2014

Operating revenues:	
Intergovernmental revenues	\$ 20,917,885
Rental income	5,522,539
Other	862,484
Total operating revenues	<u>27,302,908</u>
Operating expenses:	
Housing assistance payments	19,133,991
Repairs and maintenance	2,355,648
Administrative costs	3,642,997
Utilities	579,879
Depreciation	1,691,349
Other	335,279
Total operating expenses	<u>27,739,143</u>
Operating loss	<u>(436,235)</u>
Non-operating revenues (expenses):	
Interest on investments	14,797
Interest and amortization	(1,458,961)
Contribution to Washington County Department of Housing Services	(23,412)
Total non-operating revenues (expenses)	<u>(1,467,576)</u>
Loss before capital contributions	(1,903,811)
Capital contributions	110,917
Decrease in net position	<u>(1,792,894)</u>
Net position, beginning of year	<u>5,958,202</u>
Net position, end of year	<u>\$ 4,165,308</u>

See accompanying notes to basic financial statements.

**THE HOUSING AUTHORITY OF  
WASHINGTON COUNTY  
(A Component Unit of Washington County, Oregon)**

Statement of Cash Flows

For the year ended June 30, 2014

Cash flows from operating activities:		
Cash received for services provided	\$	27,058,176
Cash payments for labor and benefits		(3,498,953)
Cash payments for goods and services		(22,623,669)
Net cash provided by operating activities		<u>935,554</u>
Cash flows from noncapital financing activities		
Payment to Washington County Department of Housing Services		(23,412)
Net cash used for noncapital financing activities		<u>(23,412)</u>
Cash flows from capital and related financing activities:		
Capital grants		110,917
Acquisition of capital assets		(298,344)
Decrease in contracts receivable		4,039
Current maturities and principal payments of notes payable		(564,270)
Proceeds of borrowings - Community Housing Fund		30,000
Interest paid on bonds and notes payable		(1,282,277)
Net cash used for capital and related financing activities		<u>(1,999,935)</u>
Cash flows from investing activities:		
Interest on investments		14,797
Net decrease in cash and cash equivalents		(1,072,996)
Cash and cash equivalents at beginning of year		<u>4,546,193</u>
Cash and cash equivalents at end of year (1)	\$	<u><u>3,473,197</u></u>
Reconciliation of operating loss to net cash provided from operating activities:		
Operating loss	\$	(436,235)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense		1,691,349
Changes in assets and liabilities:		
Increase in accounts receivable, net		(247,141)
Increase in other current assets		(3,121)
Decrease in accounts payable		(78,204)
Increase in deposits		6,497
Increase in unearned revenue		2,409
Net cash provided by operating activities	\$	<u><u>935,554</u></u>
(1) Cash and cash equivalents are reflected on the Statement of Net Position as follows:		
Current assets - unrestricted	\$	845,928
Current liabilities - book overdraft		(1,019,128)
Current assets - restricted		483,666
Noncurrent assets - restricted		3,162,731
	\$	<u><u>3,473,197</u></u>

See accompanying notes to basic financial statements.

**THE HOUSING AUTHORITY OF  
WASHINGTON COUNTY  
(A Component Unit of Washington County, Oregon)**

Notes to Basic Financial Statements

June 30, 2014

**(1) The Authority and Summary of Significant Accounting Policies**

***The Authority***

The Housing Authority of Washington County (Authority) is a municipal corporation established under Oregon Revised Statutes, Chapter 456, to provide low-cost housing to individuals meeting criteria established by the U.S. Department of Housing and Urban Development (HUD). As provided by statute, the Housing Authority of Washington County Board of Directors is the governing body of the Authority, appointed by the Washington County, Oregon Board of County Commissioners. HUD provides the Authority with grants for the modernization of low-income housing. In addition, HUD provides rental subsidies and administrative fees for the operation of the program.

The Authority, under the criteria of the Governmental Accounting Standards Board (GASB), is considered a blended component unit of Washington County, Oregon. The Authority is presented as an Enterprise Fund in Washington County's Comprehensive Annual Financial Report.

***Measurement Focus and Basis of Accounting***

The Authority's financial statements are prepared on the flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g. revenues) and decreases (e.g. expenses) affecting the net position of the Authority. Revenues are recorded at the time they are earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

***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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Restricted vs. Unrestricted Net Position***

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

***Revenues and Expenses***

Revenues and expenses are distinguished between operating and non-operating. Operating revenues are generated through the Authority providing assisted housing in HUD-mandated programs and from tenants of Authority-owned properties. Operating expenses include the costs associated with the payment of rental assistance and managing Authority-owned properties. Revenues and expenses generated from interest or other activities are treated as non-operating.



**THE HOUSING AUTHORITY OF  
WASHINGTON COUNTY  
(A Component Unit of Washington County, Oregon)**

Notes to Basic Financial Statements

June 30, 2014

***Cash and Cash Equivalents***

For purposes of the Statement of Cash Flows, cash and cash equivalents include pooled funds held and invested by Washington County, Oregon. This treatment is in conformity with GASB Statement No. 9, which states that deposits in cash management pools that have the general characteristics of demand deposit accounts are appropriately classified as cash equivalents.

***Accounts Receivable***

Accounts receivable consist primarily of receivables for federal grants and tenant rent. All doubtful accounts were written off at year end. At June 30, 2014, no allowance for doubtful accounts is considered necessary.

***Other Current Assets***

Other current assets consist of supplies inventory and prepaid expenses.

***Restricted Assets, Liabilities, and Net Position***

Assets, the use of which is restricted to specific purposes by statute or bond indenture and related liabilities, are segregated on the Statement of Net Position.

***Capital Assets***

Capital asset items purchased are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are recorded at estimated fair market value at the time received.

Major additions, improvements and replacements with an acquisition cost of more than \$5,000 and a useful life of more than one year are capitalized. Normal maintenance and repairs are charged to operations as incurred. Gains or losses realized from sales of capital assets are reflected in the Statement of Revenues, Expenses and Changes in Net Position.

Depreciation is computed on capital assets placed in service using the straight-line method over their estimated useful lives as follows:

Buildings	30 years
Building and site improvements	15 years
Office equipment	7 years
Vehicles	5 years
Computer hardware	5 years
Computer software	3 years

***Contracts Receivable***

The Authority holds three second mortgages and two third mortgages for low-income home purchasers in the amount of \$76,619. The Authority is owed \$328,178 in developer's fees in connection with private

**THE HOUSING AUTHORITY OF  
WASHINGTON COUNTY  
(A Component Unit of Washington County, Oregon)**

Notes to Basic Financial Statements

June 30, 2014

activity bonds issued for the construction of housing projects, and is owed \$176 in current tenant repayment agreements.

The Authority also holds two second mortgages for low-income home purchasers in the original amount of \$101,250 each, which are not reflected in the Statement of Net Position, as the mortgages are incrementally forgiven 50% over thirty years, and are forgiven in full upon death of the purchaser, providing the purchaser uses the property as a primary dwelling during this time. The likelihood of early payment is indeterminable.

***Unearned Revenue***

Unearned revenue represents primarily prepaid rent received from tenants.

***Deferred Refunding Costs***

Deferred refunding costs on refunded debt are amortized using the straight-line method over the shortest remaining original life of the debt instruments refunded.

***Vested Compensated Absences and Sick Pay***

The Authority's personnel are exclusively contracted Washington County employees. Accordingly, the liability of vested compensated absences and sick pay is recorded by the County.

**(2) Cash and Cash Equivalents**

***Deposits with Financial Institutions***

The Authority's deposits with financial institutions are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The bank balance as of June 30, 2014 maintained by the Authority was \$36,104, all of which was covered by FDIC.

***Credit Risk***

Cash and cash equivalents include pooled cash and investments held by Washington County, Oregon on behalf of the Authority. Reference should be made to the Washington County, Oregon Comprehensive Annual Financial Report for June 30, 2014 for information with respect to credit risk.

***Custodial Credit Risk***

Washington County, Oregon maintains a common cash and investment pool for all County funds including those of the Authority. The types of investments in which the County may invest are restricted by State of Oregon Statutes and a Board adopted investment policy. Authorized investments include general obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bankers' acceptances, certain high-grade commercial paper, repurchase agreements, and the State of Oregon Local Government Investment Pool, among others.

**THE HOUSING AUTHORITY OF  
WASHINGTON COUNTY  
(A Component Unit of Washington County, Oregon)**

Notes to Basic Financial Statements

June 30, 2014

At June 30, 2014, the Authority's cash and cash equivalents are comprised of the following:

Bank accounts	\$	36,104
Reserves held by lenders		182,460
Accounts administered by subcontracted management companies		472,294
Deposits with Washington County Investment Pool		<u>2,782,339</u>
Total cash and cash equivalents	\$	<u><u>3,473,197</u></u>

Cash and cash equivalents are reflected on the Statement of Net Position as follows:

Unrestricted:		
Unrestricted cash and cash equivalents	\$	845,928
Book overdraft-Housing Choice Vouchers		(256,818)
Book overdraft-Affordable Housing Program		<u>(762,310)</u>
Total unrestricted		<u>(173,200)</u>
Restricted for:		
Proceeds and interest from Public Housing property sales		1,173,531
Affordable housing county bond reserve		1,158,510
Replacement reserves		719,153
Retainage in escrow		15,051
Restricted for payment of current liabilities		483,666
Restricted for payment of noncurrent liabilities		<u>96,486</u>
Total restricted		<u>3,646,397</u>
Total cash and cash equivalents	\$	<u><u>3,473,197</u></u>

The book overdraft in the Housing Choice Voucher program is due to a new policy by HUD, referred to as Cash Management, under which HUD moves the excess cash reserves from the Authority to a HUD-held bank account. In June, 2014, HUD reduced the monthly HAP disbursement by more than the amount of cash on hand, leaving a temporary overdraft on the books for the Housing Choice Voucher fund. The amount was recorded as a receivable, and the funds were restored in July.

The book overdraft in the Affordable Housing Program arose due to a directive from the Department of Housing and Urban Development (HUD), dated August 17, 2009, requiring the restriction of the proceeds from Public Housing property sales until such time as they are expended. These funds are expended over the course of several years, for expenses that otherwise would be funded from property rental revenues, resulting in a restoration of the overdrawn funds as the balance of the proceeds declines.

**THE HOUSING AUTHORITY OF  
WASHINGTON COUNTY  
(A Component Unit of Washington County, Oregon)**

Notes to Basic Financial Statements

June 30, 2014

**(3) Capital Assets**

Capital asset activity is as follows:

	<b>Balance June 30, 2013</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Balance June 30, 2014</b>
Capital assets not being depreciated:					
Land	\$ 8,169,334		—	—	8,169,334
Construction in progress	19,963	25,044	—	—	45,007
Total capital assets not being depreciated	<u>8,189,297</u>	<u>25,044</u>	<u>—</u>	<u>—</u>	<u>8,214,341</u>
Capital assets being depreciated:					
Buildings and improvements	46,856,179	273,300	—	—	47,129,479
Office equipment and other	107,640	—	—	—	107,640
Vehicles	281,112	—	—	—	281,112
Total capital assets being depreciated	<u>47,244,931</u>	<u>273,300</u>	<u>—</u>	<u>—</u>	<u>47,518,231</u>
Less accumulated depreciation for:					
Buildings and improvements	(25,232,559)	(1,678,417)	—	—	(26,910,976)
Office equipment and other	(107,640)	—	—	—	(107,640)
Vehicles	(240,934)	(12,932)	—	—	(253,866)
Total accumulated depreciation	<u>(25,581,133)</u>	<u>(1,691,349)</u>	<u>—</u>	<u>—</u>	<u>(27,272,482)</u>
Total capital assets being depreciated, net	21,663,798	(1,418,049)	—	—	20,245,749
Total capital assets, net	<u>\$ 29,853,095</u>	<u>(1,393,005)</u>	<u>—</u>	<u>—</u>	<u>28,460,090</u>

**(4) Long-term Debt**

***Bonds Payable***

On November 5, 2009, Washington County issued \$28,985,000 in Full Faith and Credit Refunding Obligations, Series 2009, to defease and refund the Authority's outstanding Revenue Bonds Series 1999A, 2001A and B, and 2002A, in return for a promissory note issued on behalf of the County requiring payments by the Authority to the County sufficient to pay the semi-annual bond payments required by the Full Faith and Credit Refunding Obligations. The Authority also issued second trust deeds to the County to secure the debt.

**THE HOUSING AUTHORITY OF  
WASHINGTON COUNTY  
(A Component Unit of Washington County, Oregon)**

Notes to Basic Financial Statements

June 30, 2014

**Notes and Contracts Payable**

Changes in long-term notes and contracts payable are as follows:

Notes	Amount Issued	Interest Rates	Outstanding June 30, 2013	Increase	Decrease	Outstanding June 30, 2014
Farmer's Home Administration	\$ 361,000	9 to 9.5%	\$ 330,453	—	(3,558)	326,895
State of Oregon	181,238	0 to 8.97%	48,119	—	(9,433)	38,686
Office of Community Development	652,310	0%	652,310	—	—	652,310
HOME contracts	1,104,300	3.0%	1,104,300	—	—	1,104,300
Washington County IGA	1,300,000	4.6%	427,547	—	(97,500)	330,047
Washington County Loan Agreement	28,985,000	2.25% to 5.0%	27,925,000	—	(385,000)	27,540,000
Berkadia Bank Mortgage	250,637	7%	89,056	—	(68,779)	20,277
Community Housing Fund	30,000	2%	—	30,000	—	30,000
			<u>\$ 30,576,785</u>	<u>30,000</u>	<u>(564,270)</u>	<u>30,042,515</u>

Future maturities of notes and contracts payable principal and interest are as follows:

Fiscal year ending June 30,	Notes and Contracts Payable	
	Principal	Interest
2015	\$ 527,193	1,267,792
2016	548,574	1,256,925
2017	719,635	1,235,351
2018	481,033	1,221,040
2019	455,706	1,205,237
2020-2024	3,078,221	5,674,659
2025-2029	3,876,297	4,935,620
2030-2034	4,773,310	4,032,883
2035-2039	5,955,236	2,800,231
2040-2044	7,290,000	1,289,916
2045	1,685,000	42,125
Due on sale of property	652,310	—
	<u>\$ 30,042,515</u>	<u>24,961,779</u>

Current and future maturities at year-end are summarized as follows:

Current maturities	\$ 527,193
Non-current maturities	<u>29,515,322</u>
	<u>\$ 30,042,515</u>

**THE HOUSING AUTHORITY OF  
WASHINGTON COUNTY  
(A Component Unit of Washington County, Oregon)**

Notes to Basic Financial Statements

June 30, 2014

**(5) Transactions with Related Parties**

The Authority paid the Washington County \$703,625 for administrative, maintenance, legal and allocated overhead expenses, and \$2,761,595 for salaries and benefits for contracted employees. The Authority also contributed \$23,412 to Washington County Department of Housing Services for matching required for a Sustainable Communities grant.

**(6) Insured Risks**

Potential liabilities for workers' compensation, liability/casualty and unemployment compensation claims are covered under the self-insurance plans maintained by Washington County, Oregon. Accordingly, insurance reserves are recorded by the County. Reference should be made to the Washington County, Oregon Comprehensive Annual Financial Report for the year ended June 30, 2014 for treatment of insurance risks. Potential liabilities for property and general liability are covered under the Housing Authorities Risk Retention Pool (HARRP.) Claims incurred by the Authority are submitted and paid by the Risk Retention Pool. During the past three fiscal years there were no settlements which exceeded insurance coverage.

**(7) Conduit Debt Obligations**

The Authority has issued multi-family Housing Revenue Bonds to provide financial assistance to private sector entities for the construction, acquisition and rehabilitation of affordable housing. The bonds are fully secured by letters of credit and are payable solely from payments received from the developer on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. The bonds do not constitute a debt or pledge of the faith and credit of the Authority, the County, or the State and, accordingly, have not been reported in the accompanying basic financial statements.

As of June 30, 2014, there was one series of multi-family Housing Revenue Bonds outstanding, with an aggregate principal amount payable of \$9,500,000.

**(8) Litigation**

The Authority has various claims and pending legal proceedings outstanding. These proceedings are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the Authority. In the opinion of management, the ultimate disposition of such proceedings are not expected to have a material adverse financial effect on the Authority.

**(9) Subsequent Events**

In August, 2014 the Authority executed a loan of \$2.1 million to refinance one of the Authority's properties, the 80-unit Aloha Park apartment complex. Approximately \$740,000 of the loan proceeds will be used for improvements to the property, and \$1.1 million will be used for improvements to other Authority properties and for other purposes as needed. The Authority received 72 tenant-based Housing Choice Vouchers related to this transaction.

**OTHER SUPPLEMENTARY INFORMATION**

**THE HOUSING AUTHORITY OF  
WASHINGTON COUNTY**  
(A Component Unit of Washington County, Oregon)  
Financial Data Schedule

June 30, 2014

Assets	Housing Choice Vouchers	Low Rent Public Housing	Business Activities	Total	Allocated Overhead	HAWC Total
<b>Current assets</b>						
Cash						
Unrestricted	\$ —	830,206	—	830,206	15,722	845,928
Other restricted	96,486	1,173,531	1,892,714	3,162,731	—	3,162,731
Tenant security deposits	—	71,735	345,011	416,746	—	416,746
Restricted for payment of current liabilities	66,920	—	—	66,920	—	66,920
Total cash	163,406	2,075,472	2,237,725	4,476,603	15,722	4,492,325
Receivables						
Accounts receivable - PHA projects	9,929	—	—	9,929	—	9,929
Accounts receivable - HUD other projects	307,010	60,810	—	367,820	—	367,820
Accounts receivable - other governments	—	—	67,758	67,758	—	67,758
Accounts receivable - miscellaneous	1,842	—	25,662	27,504	—	27,504
Accounts receivable-tenants	—	7,037	66,742	73,779	529	74,308
Notes & mortgages receivable - current	—	176	3,327	3,503	—	3,503
Fraud recovery	—	5,737	—	5,737	—	5,737
Total receivables net of allowances for doubtful accounts	318,781	73,760	163,489	556,030	529	556,559
Prepaid expenses and other assets	—	835	27,991	28,826	—	28,826
Inventories	—	10,000	—	10,000	—	10,000
Inventories - reserve for obsolescence	—	(5,000)	—	(5,000)	—	(5,000)
Total current assets	482,187	2,155,067	2,429,205	5,066,459	16,251	5,082,710
<b>Non-current assets</b>						
Capital assets						
Land	—	3,625,840	4,543,494	8,169,334	—	8,169,334
Buildings	—	16,220,879	30,908,600	47,129,479	—	47,129,479
Furniture, equipment and machinery - administration	24,226	332,035	—	356,261	32,491	388,752
Accumulated depreciation	(24,226)	(12,829,385)	(14,386,380)	(27,239,991)	(32,491)	(27,272,482)
Construction in progress	—	—	45,007	45,007	—	45,007
Total capital assets, net	—	7,349,369	21,110,721	28,460,090	—	28,460,090
Notes, loans and mortgages receivable non-current	—	—	401,470	401,470	—	401,470
Total non-current assets	—	7,349,369	21,512,191	28,861,560	—	28,861,560
<b>Total assets</b>	<b>\$ 482,187</b>	<b>9,504,436</b>	<b>23,941,396</b>	<b>33,928,019</b>	<b>16,251</b>	<b>33,944,270</b>
<b>Deferred outflow of resources</b>	<b>—</b>	<b>—</b>	<b>2,713,813</b>	<b>2,713,813</b>	<b>—</b>	<b>2,713,813</b>
<b>Total assets and deferred outflows</b>	<b>\$ 482,187</b>	<b>9,504,436</b>	<b>26,655,209</b>	<b>36,641,832</b>	<b>16,251</b>	<b>36,658,083</b>
<b>Liabilities and net position</b>						
<b>Liabilities</b>						
Current liabilities						
Bank overdraft	\$ 256,818	—	762,310	1,019,128	—	1,019,128
Accounts payable	4,355	7,637	79,482	91,474	16,251	107,725
Accrued interest payable	—	—	669,546	669,546	—	669,546
Accounts payable - HUD PHA programs	8,159	—	—	8,159	—	8,159
Accounts payable - PHA projects (portability)	1,567	—	—	1,567	—	1,567
Accounts payable - other government	—	53,619	—	53,619	—	53,619
Tenant security deposits	—	71,735	345,011	416,746	—	416,746
Unearned revenue	—	3,285	7,079	10,364	—	10,364
Current portion of long-term debt, capital projects	—	—	527,193	527,193	—	527,193
Other current liabilities	66,920	—	—	66,920	—	66,920
Total current liabilities	337,819	136,276	2,390,621	2,864,716	16,251	2,880,967
Non-current liabilities						
Long-term debt, capital projects	—	—	29,515,322	29,515,322	—	29,515,322
Other non-current liabilities	96,486	—	—	96,486	—	96,486
Total non-current liabilities	96,486	—	29,515,322	29,611,808	—	29,611,808
<b>Total liabilities</b>	<b>434,305</b>	<b>136,276</b>	<b>31,905,943</b>	<b>32,476,524</b>	<b>16,251</b>	<b>32,492,775</b>
<b>Net position:</b>						
Net investment in capital assets	—	7,349,369	(6,217,981)	1,131,388	—	1,131,388
Restricted net position	4,146	1,173,531	1,892,714	3,070,391	—	3,070,391
Unrestricted net position	43,736	845,260	(925,467)	(36,471)	—	(36,471)
Total net position	47,882	9,368,160	(5,250,734)	4,165,308	—	4,165,308
<b>Total liabilities and net position</b>	<b>\$ 482,187</b>	<b>9,504,436</b>	<b>26,655,209</b>	<b>36,641,832</b>	<b>16,251</b>	<b>36,658,083</b>

The Real Estate Assessment Center (REAC), established by the U.S. Department of Housing and Urban Development, requires the submission of certain financial data under the Uniform Financial Reporting Standards for Public Housing Authorities. This Financial Data Schedule is prepared pursuant to these requirements, consistent with accounting principles generally accepted in the United States of America, and is presented in the form specified by REAC.



**THE HOUSING AUTHORITY OF  
WASHINGTON COUNTY**  
(A Component Unit of Washington County, Oregon)

Financial Data Schedule

For the year ended June 30, 2014

Revenues and expenses	Housing Choice Vouchers	Operating Fund	Capital Fund	Business Activities	Elimination	FDS Total	Allocated Overhead	HAWC Total
<b>Revenues</b>								
Net tenant rental revenue	\$ —	604,014	—	4,918,525	—	5,522,539	—	5,522,539
Tenant revenue - other	—	29,640	—	129,428	—	159,068	—	159,068
HUD PHA operating grants	19,508,239	897,324	319,424	—	—	20,724,987	—	20,724,987
Capital grants	—	—	110,917	—	—	110,917	—	110,917
Other government grants	—	—	—	192,898	—	192,898	—	192,898
Investment income - unrestricted	698	5,255	—	(2,612)	—	3,341	359	3,700
Mortgage interest income	—	—	—	670	—	670	—	670
Fraud recovery - unrestricted	15,819	12,800	—	—	—	28,619	—	28,619
Fraud recovery - restricted	15,819	—	—	—	—	15,819	—	15,819
Other revenue	320,969	6,599	—	331,410	—	658,978	—	658,978
Gain on sale of assets	—	—	—	—	—	—	—	—
Investment income - restricted	—	10,427	—	—	—	10,427	—	10,427
<b>Total revenues</b>	<b>19,861,544</b>	<b>1,566,059</b>	<b>430,341</b>	<b>5,570,319</b>	<b>—</b>	<b>27,428,263</b>	<b>359</b>	<b>27,428,622</b>
<b>Operating expenses</b>								
Administrative salaries	732,654	150,320	27,972	467,308	—	1,378,254	420,312	1,798,566
Auditing fees	20,246	16,701	—	3,453	—	40,400	—	40,400
Management fee	—	—	—	164,436	—	164,436	—	164,436
Advertising and marketing	1,689	—	—	175	—	1,864	—	1,864
Employee benefit contributions	378,527	89,584	15,062	84,597	—	567,770	178,307	746,077
Office expenses	15,348	3,525	—	47,355	—	66,228	616	66,844
Legal expenses	7,448	2,406	—	18,845	—	28,699	451	29,150
Travel expenses	1,377	326	—	2,597	—	4,300	—	4,300
Allocated overhead	331,560	310,777	—	152,490	—	794,827	(794,827)	—
Other operating	272,781	190,580	—	98,314	—	561,675	195,448	757,123
Tenant services-salaries	17,914	—	—	—	—	17,914	—	17,914
Tenant services - benefits	10,651	—	—	—	—	10,651	—	10,651
Tenant services - other	5,672	—	—	—	—	5,672	—	5,672
Water	—	20,493	—	121,111	—	141,604	—	141,604
Electricity	—	7,739	—	92,145	—	99,884	—	99,884
Gas	—	2,530	—	24,058	—	26,588	—	26,588
Sewer	—	33,258	—	274,465	—	307,723	—	307,723
Other utility expense	—	3,799	—	281	—	4,080	—	4,080
Maintenance salaries	—	403,310	—	266,860	—	670,170	—	670,170
Materials and other	—	135,158	—	197,874	—	333,032	52	333,084
Contract costs	—	108,210	—	988,609	—	1,096,819	—	1,096,819
Maintenance benefits	—	222,834	—	32,741	—	255,575	—	255,575
Property insurance	—	33,049	—	107,482	—	140,531	—	140,531
Liability insurance	4,374	3,511	—	7,914	—	15,799	—	15,799
Other insurance	1,432	7,161	—	163	—	8,756	—	8,756
Other general expenses	42,521	—	—	26,706	—	69,227	—	69,227
Payments in lieu of taxes	—	53,619	—	—	—	53,619	—	53,619
Bad debt - tenant rents	—	19,092	—	51,667	—	70,759	—	70,759
Interest on notes payable	—	—	—	1,458,961	—	1,458,961	—	1,458,961
<b>Total operating expenses</b>	<b>1,844,194</b>	<b>1,817,982</b>	<b>43,034</b>	<b>4,690,607</b>	<b>—</b>	<b>8,395,817</b>	<b>359</b>	<b>8,396,176</b>
<b>Excess (deficiency) of operating revenue over operating expenses</b>	<b>18,017,350</b>	<b>(251,923)</b>	<b>387,307</b>	<b>879,712</b>	<b>—</b>	<b>19,032,446</b>	<b>—</b>	<b>19,032,446</b>
<b>Other expenses</b>								
Housing assistance payments	18,885,792	—	—	—	—	18,885,792	—	18,885,792
HAP portability in	248,199	—	—	—	—	248,199	—	248,199
Depreciation expense	4,845	535,488	—	1,151,016	—	1,691,349	—	1,691,349
<b>Total expenses</b>	<b>20,983,030</b>	<b>2,353,470</b>	<b>43,034</b>	<b>5,841,623</b>	<b>—</b>	<b>29,221,157</b>	<b>359</b>	<b>29,221,516</b>
<b>Other financing sources (uses)</b>								
Operating transfers in	188,000	—	—	—	(188,000)	—	—	—
Operating transfers out	—	—	—	(188,000)	188,000	—	—	—
Tfrs between program and project-in	—	—	—	1,033,898	(1,033,898)	—	—	—
Tfrs between program and project-out	—	(1,033,898)	—	—	1,033,898	—	—	—
<b>Total other financing sources (uses)</b>	<b>188,000</b>	<b>(1,033,898)</b>	<b>—</b>	<b>845,898</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Excess (deficiency) of total revenue over (under) total expenses</b>	<b>\$ (933,486)</b>	<b>(1,821,309)</b>	<b>387,307</b>	<b>574,594</b>	<b>—</b>	<b>(1,792,894)</b>	<b>—</b>	<b>(1,792,894)</b>
<b>Memo Account Information</b>								
Required annual debt principal payments	\$ —	—	—	564,270	—	564,270	—	564,270
Beginning equity (deficit)	\$ 981,368	10,802,162	—	(5,825,328)	—	5,958,202	—	5,958,202
Equity transfers	\$ —	—	—	—	—	—	—	—
Administrative fee equity	\$ 43,736	—	—	—	—	43,736	—	43,736
Housing assistance payments equity	\$ 4,146	—	—	—	—	4,146	—	4,146
Unit months available	32,245	2,916	—	7,524	—	42,685	—	42,685
Unit months leased	31,498	2,903	—	7,336	—	41,737	—	41,737
Land and land improvements	\$ —	—	2,878	—	—	2,878	—	2,878
Buildings and building improvements	\$ —	50,994	108,039	—	—	159,033	—	159,033
Furniture and equipment - dwelling purchases	\$ —	—	—	—	—	—	—	—
Furniture and equipment - admin purch	\$ —	—	—	—	—	—	—	—

The Real Estate Assessment Center (REAC), established by the U.S. Department of Housing and Urban Development, requires the submission of certain financial data under the Uniform Financial Reporting Standards for Public Housing Authorities. This Financial Data Schedule is prepared pursuant to these requirements, consistent with accounting principles generally accepted in the United States of America, and is presented in the form specified by REAC.

**Actual Modernization  
Cost Certificate**

U.S. Department of Housing  
and Urban Development  
Office of Public and Indian Housing

RECEIVED  
JUL 09 2014  
OPH Portland  
OMB Approval No. 2577-0157 (exp. 10/1/2017)

Comprehensive Improvement Assistance Program (CIAP)  
Comprehensive Grant Program (CGP)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

This collection of information requires that each Housing Authority (HA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

HA Name: Housing Authority of Washington County (OR022)	Modernization Project Number: OR16P022501-13
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The HA hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Modernization Grant, is as shown below:

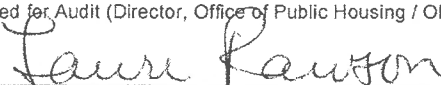
A. Original Funds Approved	\$	\$ 430,341.00
B. Funds Disbursed	\$	\$ 430,341.00
C. Funds Expended (Actual Modernization Cost)	\$	\$ 430,341.00
D. Amount to be Recaptured (A-C)	\$	\$ 0.00
E. Excess of Funds Disbursed (B-C)	\$	\$ 0.00

- 2. That all modernization work in connection with the Modernization Grant has been completed;
- 3. That the entire Actual Modernization Cost or liabilities therefor incurred by the HA have been fully paid;
- 4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work; and
- 5. That the time in which such liens could be filed has expired.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.  
Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)  
Signature of Executive Director & Date:

X 

07/09/2014

<b>For HUD Use Only</b>	
The Cost Certificate is approved for audit: Approved for Audit (Director, Office of Public Housing / ONAP Administrator) X 	Date: 10/9/2014
The audited costs agree with the costs shown above: Verified: (Designated HUD Official) X	Date:
Approved: (Director, Office of Public Housing / ONAP Administrator) X	Date:

form HUD-53001 (1/2014)

**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***

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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

INDEPENDENT AUDITOR'S REPORT

Housing Authority Board of Directors  
Washington County Board of Commissioners  
Housing Authority of Washington County  
Hillsboro, Oregon

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 Housing Authority of Washington County, Hillsboro, Oregon (the Authority), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 22, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 may exist that have not been identified.

**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* (Continued)**

**INDEPENDENT AUDITOR'S REPORT (Continued)**

**COMPLIANCE AND OTHER MATTERS**

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

**PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Talbot, Kowalew & Warwick, LLP*

Lake Oswego, Oregon  
December 22, 2014

**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATIONS**

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## INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Housing Authority Board of Directors  
Washington County Board of Commissioners  
Housing Authority of Washington County  
Hillsboro, Oregon

We have audited the basic financial statements of the Housing Authority of Washington County, Hillsboro, Oregon, (the Authority), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2014, and have issued our report thereon dated December 22, 2014. 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.

### COMPLIANCE

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures, which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing, nothing came to our attention that caused us to believe the Authority was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATIONS (Continued)**

Page 2

**OAR 162-10-230 INTERNAL CONTROL**

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

Our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements in accordance with *Government Auditing Standards* is presented elsewhere in this report, as listed in the Table of Contents.

\* \* \* \* \*

**RESTRICTION ON USE**

This report is intended solely for the information and use of the Board of Directors, Board of Commissioners, Oregon Secretary of State Audits Division, and management and is not intended to be and should not be used by anyone other than these specified parties.

*Talbot, Kowala & Warwick, LLP*

Lake Oswego, Oregon  
December 22, 2014

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