



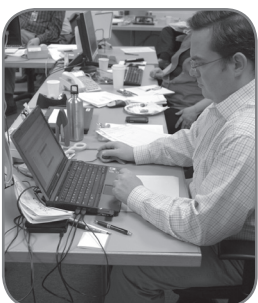
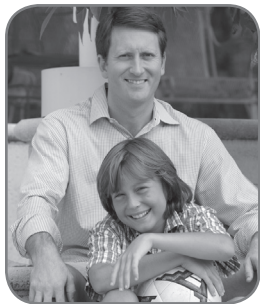
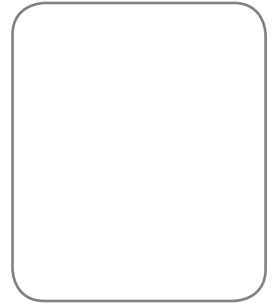
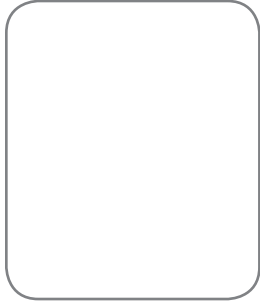
year ended
June 30, 2011

Financial Statements and Supplementary Data



The Housing
Authority of
Washington County

(A component unit of Washington County, Oregon)



Working today with our future in mind.

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THE HOUSING AUTHORITY OF WASHINGTON COUNTY
(A Component Unit of Washington County, Oregon)
111 NE Lincoln Street
Hillsboro, Oregon 97124-3082

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

For the fiscal year ended June 30, 2011

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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, 2011

<u>Name</u>	<u>Term Expires</u>
Andy Duyck * Director	December 31, 2013
Carol Gakin Director	December 31, 2011
Greg Malinowski * Director	December 31, 2015
Roy Rogers * Director	December 31, 2014
Dick Schouten * Director	December 31, 2012
Sydney Sherwood Director	December 31, 2011
Bob Terry * 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)

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

The Housing Authority of Washington County is pleased to present the Audited Financial Statements for the fiscal year ending June 30, 2011. 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 Housing 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 2,610 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. There are currently over 6,000 applicants on the wait list, and the program is at 100% utilization of available vouchers, so new applicants have a three- to four-year wait for voucher availability. The Authority has also leased 21 of its 25 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 78 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 FY11, the Authority invested \$189,000 in modernization, nearly all of which was provided by the Public Housing Capital Fund program.
- The Authority owns two Project-Based Section 8 rental properties for low-income seniors, 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. In November, 2010, the Authority acquired Aloha Park, an 80-unit low-income apartment complex with eight units receiving Project-Based Section 8 rental subsidies, and the remainder receiving Section 236 rental subsidies. Other subsidized properties include

a 12-unit USDA-supported property 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 336 units of affordable housing, in ten locations, which do not receive direct rental subsidies. These units are priced for families earning under 60% of the area median income. The most recent acquisitions to this portfolio are three single-family homes acquired in FY10 and FY11 through the federal Neighborhood Stabilization Fund (NSP).

Department of Housing Services Programs

All of the Housing Authority programs are administered by the 39 employees of the Washington County Department of Housing Services, 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 and, in addition to providing the operating and maintenance needs of the Authority, 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 \$285,850 in both FY11 and FY12 were budgeted for support of homeless programs.
- **Homeless to Work Program.** Washington 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 12 unaccompanied adults with transitional housing, supportive services, and job counseling.
- **Sequoia Mental Health Clinic.** In August, 2010, Washington County received a Special Congressional Initiative grant from the US Department of Health and Human Services, in the amount of \$346,500 for the construction of a mental health clinic to be located in Aloha. Washington County partnered with Sequoia Mental Health Services, Inc., a nonprofit mental health provider and property owner to construct the mental health clinic. The clinic, along with a new 14-unit housing complex, opened on July 29, 2011, and serves extremely low-income persons experiencing mental illness.
- **Shelter Plus Care.** Combines housing vouchers similar to the Section 8 program with services provided by non-profit organizations. Approximately 175 families are currently served.
- **Supportive Housing.** The Supportive Housing Program (SHP) uses federal awards to promote the development of supportive housing and supportive services, to reduce homelessness. Competitive grant applications are submitted annually. The County received \$920,559 in awards during FY11 providing assistance to nine programs, including two administered directly by the Department.

All of the Homeless Programs except for Supportive Housing and Shelter Plus Care were included in the Housing Authority's financial statements in FY10, but are now reported with the Department of Housing Services in Washington County's financial statements beginning with FY11.

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 2011, however, reduced funding for Section 8 administration has made it necessary to draw on Section 8 and other Authority reserves. If calendar year 2012 funding is similarly reduced, the Authority will have serious challenges and will need to assess how to minimize the impact of the reduced funding on the services provided.

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 not be applied to the non-HUD properties until 2017.

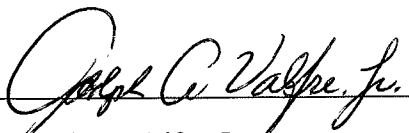
Second, the Authority worked with the County to refinance its debt. This process took more than two years, due to the changing financial situation nationally. In November, 2009, the County issued Full Faith and Credit Refunding Obligations to defease and refund the existing bonds, in return for a promissory 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.

Future Initiatives

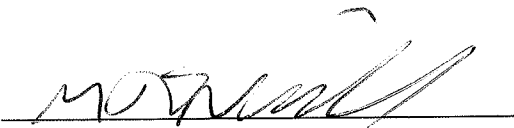
An opportunity to expound on other funds/opportunities we are pursuing.

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 its initiatives through the HUD/DOT Community Challenge/Tiger II Planning Grant to promote sustainable communities, accessible transit and economic development in the unincorporated Aloha-Reedville area. Similarly, 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 10-Year Plan to End Homelessness by offering Section 8 Project-based Vouchers to promote creation of 175 units of permanent housing for 102 chronically homeless singles, 25 special-needs singles and 48 extremely low-income households. The Department is strategically using these Section 8 Project-based Vouchers to promote new affordable housing development in Washington County. This promises to result in 30 project-based voucher units of new development and/or substantial rehab at Orenco Station, the City of Sherwood, and the City of Beaverton. Other project-based voucher opportunities for new development and/or substantial rehab to provide affordable housing for seniors and chronically homeless veterans are under discussion. The Department will be working closely with the Department of Land Use and Transportation on affordable housing initiatives and monitoring in the new North Bethany development area. The Department is also coordinating with Washington County cities and other taxing jurisdictions on the feasibility of implementing a county-wide non-profit low-income tax exemption policy. The Department is planning to seek additional HUD-VA VASH vouchers in 2012. .

Respectfully Submitted,



Adolph A. Valfre, Jr.
Director



Michael O'Neill
Administrative Services Manager

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INDEPENDENT AUDITOR'S REPORT

December 21, 2011

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

4800 SW Macadam Ave, Suite 400
Portland, Oregon 97239-3973

P 503.274.2849
F 503.274.2853

www.tkw.com

We have audited the accompanying basic financial statements of the Housing Authority of Washington County (the Authority), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2011, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and the cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011, on our consideration of the Authority's internal control over financial reporting and 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 the internal

INDEPENDENT AUDITOR'S REPORT (Continued)

Housing Authority Board of Directors
Washington County Board of Commissioners
December 21, 2011
Page 2

control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

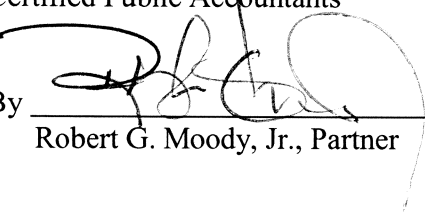
Management's Discussion and Analysis as listed in the Table of Contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Letter of Transmittal, 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. The information contained in the letter has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By _____


Robert G. Moody, Jr., Partner

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, 2011. We encourage readers to consider information presented here in conjunction with the financial statements, which begin on page 13. 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 of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$10,367. Net assets invested in capital assets (net of depreciation and related debt) were \$3,914 and account for 38% of total net assets. Restricted net assets total \$8,160, so the Authority is in a deficit position with respect to its unrestricted net assets. This is due to a notice from the US Department of Housing and Urban Development (HUD) received in FY2009, requiring the reclassification of \$4,943 of proceeds from the sale of property from unrestricted to restricted cash. These proceeds, as well as other funds, reside in the same 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 assets decreased by \$788. Excluding depreciation of capital assets, net assets increased by \$961.
- The Authority's total gross debt increased by \$37.

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 Assets* provides information about the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 Fund Net Assets* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets 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 13 through 23 of this report.

Authority Financial Analysis

Assets, Liabilities and Net Assets

The following provides a summary of the Authority's net assets for 2011 compared to 2010. The prior year has been reclassified to reflect \$542 of cash and \$42 of current liabilities held by property management agents, previously net and shown in receivables, and a reclassification of \$244 of replacement reserves from net assets invested in capital assets, net of related debt to restricted net assets.

	Dollars in thousands		
	2011	2010 Reclassified	Change
Assets:			
Assets, excluding capital assets	\$ 11,414	11,829	(415)
Capital assets	32,318	33,466	(1,148)
Total assets	<u>43,732</u>	<u>45,295</u>	<u>(1,563)</u>
Liabilities:			
Other current and restricted liabilities	5,315	6,147	(832)
Long-term debt	28,050	27,993	57
Total liabilities	<u>33,365</u>	<u>34,140</u>	<u>(775)</u>
Net assets:			
Invested in capital assets, net of related debt	3,914	5,172	(1,258)
Restricted	8,160	8,258	(98)
Unrestricted (deficit)	(1,707)	(2,275)	568
Total net assets	<u>\$ 10,367</u>	<u>11,155</u>	<u>(788)</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$10,367 at the close of the most recent fiscal year.

Assets decreased by \$1,563 during FY2011. Assets excluding capital assets decreased \$415 due to the application of restricted cash reserves to reduce the cash overdraft included in current liabilities. Capital assets decreased by \$1,148, due to disposals and depreciation expense in excess of acquisitions.

Liabilities decreased by \$775. The decrease in other current and restricted liabilities is due to the reduction in the cash overdraft. Long-term debt increased slightly due to new debt, offset by debt payments.

Thirty-eight percent of the Authority's net assets (\$3,914) reflects investment in capital assets, primarily housing, less any related debt used to acquire those assets that is still outstanding. Seventy-nine percent of the Authority's net assets (\$8,160) consists of cash restricted by a County loan

agreement for debt service, cash restricted by HUD for future HAP payments and future expenditure of proceeds from property sales, and reserves for replacement of assets required by loan agreements. The deficit in unrestricted net assets of the Authority will decline as the proceeds from property sales are applied to eligible operating and capital expenditures.

The total net assets of the Authority decreased \$788. Net assets invested in capital assets net of related debt decreased by \$1,258, due to depreciation and amortization in excess of acquisitions. Restricted net assets decreased \$98 and the unrestricted net asset deficit decreased \$568.

Changes in Net Assets

The following provides a summary of the Authority's change in net assets for 2011 compared to 2010:

Dollars in thousands			
	2011	2010	Change
Revenues:			
Intergovernmental revenues	\$ 21,574	20,855	719
Rental income	4,962	4,615	347
Other revenue	828	1,165	(337)
Total revenues	<u>27,364</u>	<u>26,635</u>	<u>729</u>
Expenses:			
Housing assistance payments	18,245	17,842	403
Other operating expenses	8,526	8,660	(134)
Non-operating expenses, net	1,570	1,522	48
Total expenses	<u>28,341</u>	<u>28,024</u>	<u>317</u>
Net loss before capital contributions and sale of assets	(977)	(1,389)	412
Gain on sale of assets	—	386	(386)
Capital contributions	189	702	(513)
Decrease in net assets	<u>(788)</u>	<u>(301)</u>	<u>(487)</u>
Net assets, beginning of year	<u>11,155</u>	<u>11,456</u>	<u>(301)</u>
Net assets, end of year	<u>\$ 10,367</u>	<u>11,155</u>	<u>(788)</u>

Total revenues increased by \$729, or 2.7% from the previous year. Intergovernmental revenues increased \$719, primarily due to increased Housing Choice Voucher receipts for housing assistance payments. Rental income increased \$347 due to higher occupancy and higher rents from the Authority's non-subsidized rental housing. Other revenue decreased \$337 due primarily to the transfer of the Authority's homeless programs to the county.

Total expenses increased by \$317, or 1.1%. Housing assistance payments increased by \$403, due to increased lease-ups and higher payments per unit. Other operating expenses decreased \$134, due to pay increases offset by the transfer of homeless programs to the county. Non-operating expenses increased \$48 due to contributions to the Washington County Department of Housing Services for Homeless Programs and the Neighborhood Stabilization program.

No assets were sold during the year. Capital contributions decreased \$513, due to decreased Capital Fund receipts for modernization of public housing stock

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2011, the Authority's capital assets were \$32,318 (net of accumulated depreciation). Capital assets include land, buildings, improvements, vehicles, and office equipment.

The Authority invested \$602 in capital improvements, which included the following:

\$189 of Public Housing modernization, funded by federal Capital Fund and American Recovery and Reinvestment Act (ARRA) funds;

\$123 for a rental dwelling, from a zero-interest federal Neighborhood Stabilization Program (NSP) loan; and

\$188 for purchase and improvements to Aloha Park. This property was purchased for one dollar and the assumption of existing assets and liabilities, and has a property tax market value of \$2,400.

Additional detail may be found on page 20 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 \$28,404. Of this amount, \$25,413 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 in FY2010, \$2,372 of notes to other lenders, secured by the same properties and \$619 in unsecured obligations to Washington County. Additional detail may be found on pages 20-22 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.

Future Events that will Financially Impact the Authority

The FFY2012 THUD (Transportation, Housing and Urban Development) Appropriation was signed into law by the President on November 18, 2011. The bill includes reductions in Low Rent Public Housing Operating and Capital Subsidies and Section 8 Administrative Fees. The full impact of these cuts will not be known for several months, but the Authority may have to respond with fiscal restraint to mitigate the effects of the reductions.

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 Assets

June 30, 2011

Assets

Current assets:

Unrestricted cash and cash equivalents	\$ 2,068,651
Restricted cash and cash equivalents	585,349
Accounts receivable (net of allowance for uncollectibles)	123,290
Current portion of contracts receivable	7,349
Other current assets	29,154
Total current assets	2,813,793

Non-current assets:

Restricted cash and cash equivalents	8,159,927
Contracts receivable	440,539
Capital assets, non-depreciable	8,159,862
Capital assets, depreciable, net	24,158,365
Total noncurrent assets	40,918,693
Total assets	43,732,486

Liabilities

Current liabilities:

Book overdraft	3,489,351
Accounts payable	194,697
Unearned revenue	27,180
Accrued interest payable	664,853
Current portion of notes and contracts payable	354,456

Current liabilities payable from restricted assets:

Tenant and other deposits	585,349
Total current liabilities payable from restricted assets	585,349
Total current liabilities	5,315,886

Non-current liabilities:

Notes and contracts payable	28,050,006
Total non-current liabilities	28,050,006
Total liabilities	33,365,892

Net Assets

Invested in capital assets, net of related debt	3,913,765
Restricted	8,160,217
Unrestricted (deficit)	(1,707,388)
Total net assets	\$ 10,366,594

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 Fund Net Assets

For the year ended June 30, 2011

Operating revenues:	
Intergovernmental revenues	\$ 21,574,320
Rental income	4,962,256
Other	827,910
Total operating revenues	<u>27,364,486</u>
Operating expenses:	
Housing assistance payments	18,245,138
Repairs and maintenance	2,347,198
Administrative costs	3,465,295
Utilities	513,381
Depreciation	1,749,282
Other	450,969
Total operating expenses	<u>26,771,263</u>
Operating income	<u>593,223</u>
Non-operating revenues (expenses):	
Interest on investments	57,586
Interest and amortization	(1,513,431)
Contribution to Washington County Department of Housing Services	(113,962)
Total non-operating revenues (expenses)	<u>(1,569,807)</u>
Loss before capital contributions	(976,584)
Capital contributions	188,521
Decrease in net assets	<u>(788,063)</u>
Net assets, beginning of year	<u>11,154,657</u>
Net assets, end of year	<u>\$ 10,366,594</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, 2011

Cash flows from operating activities:	
Cash received for services provided	\$ 27,600,447
Cash payments for labor and benefits	(3,385,494)
Cash payments for goods and services	<u>(21,716,955)</u>
Net cash provided by operating activities	<u>2,497,998</u>
Cash flows from noncapital financing activities	
Payment to Washington County Department of Housing Services	<u>(113,962)</u>
Net cash used for noncapital financing activities	<u>(113,962)</u>
Cash flows from capital and related financing activities:	
Capital contributions	188,521
Acquisition of capital assets	(184,640)
Decrease in contracts receivable	(2,545)
Current maturities and principal payments of notes payable	(573,888)
Interest paid on bonds and notes payable	<u>(1,343,487)</u>
Net cash used for capital and related financing activities	<u>(1,916,039)</u>
Cash flows from investing activities:	
Interest on investments	<u>57,586</u>
Net decrease in cash and cash equivalents	525,583
Cash and cash equivalents at beginning of year	<u>6,798,993</u>
Cash and cash equivalents at end of year (1)	<u>\$ 7,324,576</u>
Reconciliation of operating income to net cash provided from operating activities:	
Operating income	\$ 593,223
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,749,282
Changes in assets and liabilities:	
Decrease in accounts receivable, net	217,633
Decrease in other current assets	962
Decrease in accounts payable	(66,453)
Decrease in deposits	(15,021)
Increase in unearned revenue	<u>18,372</u>
Net cash provided by operating activities	<u>\$ 2,497,998</u>
(1) Cash and cash equivalents are reflected on the Statement of Net Assets as follows:	
Current assets - unrestricted	\$ 2,068,651
Current liabilities - book overdraft	(3,489,351)
Current assets - restricted	585,349
Noncurrent assets - restricted	<u>8,159,927</u>
	<u>\$ 7,324,576</u>
Disclosure of non-cash transaction:	
New note for acquisition of property	\$ 417,044

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, 2011

(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 Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets. 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.

The Authority has applied all Financial Accounting Standards Board guidance issued on or before November 30, 1989, unless that guidance conflicts with or contradicts Governmental Accounting Standards Board (GASB) pronouncements. No FASB ASC guidance issued after November 30, 1989 have been applied as allowed by GASB Statement No. 20.

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 Assets

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

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Notes to Basic Financial Statements

June 30, 2011

assistance and managing Authority-owned properties. Revenues and expenses generated from interest or other activities are treated as non-operating.

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, net of an allowance for doubtful accounts of approximately \$23,000.

Other Current Assets

Other current assets consist of supplies inventory and prepaid expenses.

Restricted Assets, Liabilities, and Net Assets

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 Assets.

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 Fund Net Assets.

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

Buildings	30 years
Site improvements	15 years
Office equipment	7 years
Vehicles	5 years
Computer hardware	5 years
Computer software	3 years

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Notes to Basic Financial Statements

June 30, 2011

Contracts Receivable

The Authority holds three second mortgages and two third mortgages for low-income home purchasers in the amount of \$90,006. The Authority is owed \$352,969 in developer's fees in connection with private activity bonds issued for the construction of housing projects, and is owed \$4,913 in current tenant repayment agreements.

The Authority also holds two second mortgages for low-income home purchasers in the amount of \$101,250 each, which are not reflected in the Statement of Net Assets, 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.

Reclassification

Certain June 30, 2010 amounts have been reclassified to conform to the current year presentation.

(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, 2011 maintained by the Authority was \$37,139, 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, 2011 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

**THE HOUSING AUTHORITY OF
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Notes to Basic Financial Statements

June 30, 2011

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.

At June 30, 2011, the Authority's cash and cash equivalents are comprised of the following:

Bank accounts	\$	37,139
Accounts administered by subcontracted management companies		566,541
Deposits with Washington County Investment Pool		<u>6,720,896</u>
Total cash and cash equivalents	\$	<u><u>7,324,576</u></u>

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

Unrestricted:		
Unrestricted cash and cash equivalents	\$	2,068,651
Book overdraft		<u>(3,489,351)</u>
Total unrestricted		<u>(1,420,700)</u>
Restricted for:		
Housing Choice Voucher unspent housing assistance payments		3,282,208
Proceeds and interest from Public Housing property sales		4,095,088
Affordable housing bond reserve		402,264
Affordable housing replacement reserves		329,051
Kaybern Terrace replacement reserve		36,139
Retainage in escrow		15,177
Restricted for payment of current liabilities		<u>585,349</u>
Total restricted		<u>8,745,276</u>
Total cash and cash equivalents	\$	<u><u>7,324,576</u></u>

The book overdraft for unrestricted cash 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 will be expended over the course of the next five to six 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
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Notes to Basic Financial Statements

June 30, 2011

(3) Capital Assets

Capital asset activity is as follows:

	Balance July 1, 2010	Additions	Disposals	Transfers	Balance June 30, 2011
Capital assets not being depreciated:					
Land	\$ 7,928,926	85,498	—	—	8,014,424
Construction in progress	718,083	188,521	—	(761,166)	145,438
Total capital assets not being depreciated	<u>8,647,009</u>	<u>274,019</u>	<u>—</u>	<u>(761,166)</u>	<u>8,159,862</u>
Capital assets being depreciated:					
Buildings	44,890,190	327,665	—	761,166	45,979,021
Office equipment and other	113,645	—	—	—	113,645
Vehicles	319,158	—	—	—	319,158
Total capital assets being depreciated	<u>45,322,993</u>	<u>327,665</u>	<u>—</u>	<u>761,166</u>	<u>46,411,824</u>
Less accumulated depreciation for:					
Buildings	(20,184,742)	(1,696,412)	—	—	(21,881,154)
Office equipment and other	(88,595)	(25,050)	—	—	(113,645)
Vehicles	(230,840)	(27,820)	—	—	(258,660)
Total accumulated depreciation	<u>(20,504,177)</u>	<u>(1,749,282)</u>	<u>—</u>	<u>—</u>	<u>(22,253,459)</u>
Total capital assets being depreciated, net	<u>24,818,816</u>	<u>(1,421,617)</u>	<u>—</u>	<u>761,166</u>	<u>24,158,365</u>
Total capital assets, net	<u>\$ 33,465,825</u>	<u>(1,147,598)</u>	<u>—</u>	<u>—</u>	<u>32,318,227</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.

Proceeds of the new note were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in these financial statements. At June 30, 2011, \$28,275,000 of bonds outstanding are considered defeased.

**THE HOUSING AUTHORITY OF
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Notes to Basic Financial Statements

June 30, 2011

Notes and Contracts Payable

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

Notes	Interest Rates	Outstanding July 1, 2010	Increase	Decrease	Outstanding June 30, 2011
Farmer's Home Administration	9 to 9.5%	\$ 339,318	—	(2,680)	336,638
State of Oregon	0 to 8.97%	117,554	—	(52,193)	65,361
Office of Community Development	0%	485,903	166,407	—	652,310
HOME contracts	3.0%	1,177,447	—	(73,147)	1,104,300
Washington County IGA	4.6%	712,660	—	(93,247)	619,413
Washington County Loan Agreement	2.25% to 5.0%	28,985,000	—	(315,000)	28,670,000
Berkadia Bank Mortgage	7%	—	250,637	(37,621)	213,016
		<u>31,817,882</u>	<u>417,044</u>	<u>(573,888)</u>	<u>31,661,038</u>
Deferred refunding – current		(160,095)	—	(20,826)	(180,921)
Deferred refunding – long term		(3,291,055)	—	215,400	(3,075,655)
		<u>\$ 28,366,732</u>	<u>417,044</u>	<u>(379,314)</u>	<u>28,404,462</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
2012	\$ 535,377	1,313,102
2013	546,378	1,298,720
2014	562,774	1,283,772
2015	526,126	1,268,860
2016	517,801	1,256,136
2017-2021	2,780,373	6,016,400
2022-2026	3,421,169	5,385,298
2027-2031	4,194,047	4,613,347
2032-2036	5,228,756	3,574,585
2037-2041	6,455,927	2,233,030
2042-2045	6,240,000	615,040
Due on sale of property	652,310	—
	<u>\$ 31,661,038</u>	<u>28,858,290</u>

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

Current maturities – face value	\$ 535,377
Less deferred refunding	(180,921)
	<u>\$ 354,456</u>
Non-current maturities – face value	\$ 31,125,661
Less deferred refunding	(3,075,655)
	<u>\$ 28,050,006</u>

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Notes to Basic Financial Statements

June 30, 2011

Under terms with the State of Oregon, a certain portion of the notes (\$36,754) is paid by the State as long as the Authority operates the facilities as low-income housing for persons with developmental disabilities. Amounts paid by the State of Oregon for this loan have been recorded as intergovernmental revenue.

(5) Transactions with Related Parties

The Authority paid Washington County \$579,068 for administrative, maintenance, legal and allocated overhead expenses. In addition, the Authority paid Washington County \$2,733,597 for salaries and benefits for contracted employees.

(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, 2011 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, 2011, there were six series of multi-family Housing Revenue Bonds outstanding, with an aggregate principal amount payable of \$29,882,040.

(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.

SUPPLEMENTARY INFORMATION

**THE HOUSING AUTHORITY OF
WASHINGTON COUNTY
(A Component Unit of Washington County, Oregon)**
Financial Data Schedule
June 30, 2011

Assets	VASH Vouchers	Housing Choice Vouchers	Low Rent Public Housing	Business Activities	Total	Allocated Overhead	HAWC Total
Current assets							
Cash							
Unrestricted	\$ —	76,218	1,992,433	—	2,068,651	—	2,068,651
Other restricted	—	3,282,208	4,095,089	782,630	8,159,927	—	8,159,927
Tenant security deposits	—	—	50,704	300,189	350,893	—	350,893
Restricted for payment of current liabilities	—	204,456	—	30,000	234,456	—	234,456
Total cash	—	3,562,882	6,138,226	1,112,819	10,813,927	—	10,813,927
Receivables							
Accounts receivable - HUD other projects	—	—	585	—	585	—	585
Accounts receivable - miscellaneous	—	10,486	224	14,444	25,154	2,713	27,867
Accounts receivable-tenants	—	—	20,452	52,136	72,588	(1,258)	71,330
Allowance for doubtful accounts - tenants	—	—	(13,165)	—	(13,165)	—	(13,165)
Notes & mortgages receivable - current	—	—	4,913	2,436	7,349	—	7,349
Fraud recovery	—	—	46,204	—	46,204	—	46,204
Allowance for doubtful accounts - fraud	—	—	(9,531)	—	(9,531)	—	(9,531)
Total receivables net of allowances for doubtful accounts	—	10,486	49,682	69,016	129,184	1,455	130,639
Prepaid expenses and other assets	—	—	656	23,498	24,154	—	24,154
Inventories	—	—	10,000	—	10,000	—	10,000
Inventories - reserve for obsolescence	—	—	(5,000)	—	(5,000)	—	(5,000)
Total current assets	—	3,573,368	6,193,564	1,205,333	10,972,265	1,455	10,973,720
Non-current assets							
Capital assets							
Land	—	—	3,625,840	4,388,584	8,014,424	—	8,014,424
Buildings	—	—	15,608,866	30,370,155	45,979,021	—	45,979,021
Furniture, equipment and machinery - administration	—	—	335,889	—	335,889	96,914	432,803
Accumulated depreciation	—	—	(11,202,450)	(10,968,631)	(22,171,081)	(82,378)	(22,253,459)
Construction in progress	—	—	145,438	—	145,438	—	145,438
Total capital assets, net	—	—	8,513,583	23,790,108	32,303,691	14,536	32,318,227
Notes, loans and mortgages receivable non-current	—	—	—	440,539	440,539	—	440,539
Total non-current assets	—	—	8,513,583	24,230,647	32,744,230	14,536	32,758,766
Total assets	\$ —	3,573,368	14,707,147	25,435,980	43,716,495	15,991	43,732,486
Liabilities and net assets							
Liabilities							
Current liabilities							
Bank overdraft	\$ —	—	—	3,481,009	3,481,009	8,342	3,489,351
Accounts payable	—	4,152	33,141	102,463	139,756	7,649	147,405
Accrued interest payable	—	—	—	664,853	664,853	—	664,853
Accounts payable - other government	—	—	47,292	—	47,292	—	47,292
Tenant security deposits	—	—	50,704	300,189	350,893	—	350,893
Deferred revenues	—	16,875	6,828	3,477	27,180	—	27,180
Current portion of long-term debt, capital projects	—	—	—	354,456	354,456	—	354,456
Other current liabilities	—	204,456	—	30,000	234,456	—	234,456
Total current liabilities	—	225,483	137,965	4,936,447	5,299,895	15,991	5,315,886
Non-current liabilities							
Long-term debt, capital projects	—	—	—	28,050,006	28,050,006	—	28,050,006
Total non-current liabilities	—	—	—	28,050,006	28,050,006	—	28,050,006
Total liabilities	—	225,483	137,965	32,986,453	33,349,901	15,991	33,365,892
Net assets (deficit):							
Invested in capital assets, net of related debt	—	—	8,513,583	(4,614,354)	3,899,229	14,536	3,913,765
Restricted	—	3,282,498	4,095,089	782,630	8,160,217	—	8,160,217
Unrestricted	—	65,387	1,960,510	(3,718,749)	(1,692,852)	(14,536)	(1,707,388)
Total net assets (deficit)	—	3,347,885	14,569,182	(7,550,473)	10,366,594	—	10,366,594
Total liabilities and net assets	\$ —	3,573,368	14,707,147	25,435,980	43,716,495	15,991	43,732,486

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
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Financial Data Schedule
For the year ended June 30, 2011

Revenues and expenses	VASH Vouchers	Housing Choice Vouchers	Operating Fund	Capital Fund	Business Activities	Elimination	FDS Total	Allocated Overhead	HAWC Total
Revenues									
Net tenant rental revenue	\$ —	—	537,545	—	4,424,711	—	4,962,256	—	4,962,256
Tenant revenue - other	—	—	48,485	—	130,840	—	179,325	—	179,325
HUD PHA operating grants	163,713	19,927,752	909,547	498,093	—	—	21,499,105	—	21,499,105
Capital grants	—	—	—	188,521	—	—	188,521	—	188,521
Other government grants	—	—	—	—	75,215	—	75,215	—	75,215
Investment income - unrestricted	—	4,964	21,311	—	(40,966)	—	(14,691)	—	(14,691)
Mortgage interest income	—	—	—	—	951	—	951	—	951
Fraud recovery - unrestricted	—	7,966	67,003	—	—	—	74,969	—	74,969
Fraud recovery - restricted	—	7,966	—	—	—	—	7,966	—	7,966
Other revenue	—	271,167	5,003	—	289,480	—	565,650	—	565,650
Investment income - restricted	621	27,042	43,663	—	—	—	71,326	—	71,326
Total revenues	164,334	20,246,857	1,632,557	686,614	4,880,231	—	27,610,593	—	27,610,593
Operating expenses									
Administrative salaries	—	565,725	122,159	44,322	333,225	—	1,065,431	614,645	1,680,076
Auditing fees	—	15,997	15,903	—	6,277	—	38,177	—	38,177
Management fee	—	—	—	—	177,426	—	177,426	—	177,426
Advertising and marketing	—	—	1,999	—	(730)	—	1,269	—	1,269
Employee benefit contributions	—	263,500	60,840	18,995	81,819	—	425,154	254,422	679,576
Office expenses	—	9,541	5,081	—	39,680	—	54,302	1,267	55,569
Legal expenses	—	6,725	10,219	—	26,080	—	43,024	—	43,024
Travel expenses	—	1,763	510	—	2,600	—	4,873	2,433	7,306
Allocated overhead	—	654,881	392,304	—	108,946	—	1,156,131	(1,156,131)	—
Other operating	—	250,199	201,820	—	56,742	—	508,761	274,111	782,872
Water	—	—	18,898	—	118,337	—	137,235	—	137,235
Electricity	—	—	8,635	—	81,459	—	90,094	—	90,094
Gas	—	—	3,227	—	27,774	—	31,001	—	31,001
Sewer	—	—	29,848	—	221,004	—	250,852	—	250,852
Other utility expense	—	—	4,014	—	185	—	4,199	—	4,199
Maintenance salaries	—	—	535,854	—	267,243	—	803,097	—	803,097
Materials and other	—	—	173,055	—	91,115	—	264,170	2,455	266,625
Contract costs	—	—	182,087	—	817,168	—	999,255	—	999,255
Maintenance benefits	—	—	232,910	—	45,311	—	278,221	—	278,221
Property insurance	—	—	28,209	—	95,012	—	123,221	—	123,221
Liability insurance	—	4,332	2,965	—	6,668	—	13,965	—	13,965
Other insurance	—	—	7,812	—	310	—	8,122	1,953	10,075
Other general expenses	—	66,587	1,600	—	40,478	—	108,665	—	108,665
Payments in lieu of taxes	—	—	47,292	—	—	—	47,292	—	47,292
Bad debt - tenant rents	—	—	66,753	—	80,998	—	147,751	—	147,751
Interest on notes payable	—	—	—	—	1,513,431	—	1,513,431	—	1,513,431
Total operating expenses	—	1,839,250	2,153,994	63,317	4,238,558	—	8,295,119	(4,845)	8,290,274
Excess (deficiency) of operating revenue over operating expenses	164,334	18,407,607	(521,437)	623,297	641,673	—	19,315,474	4,845	19,320,319
Other expenses									
Housing assistance payments	76,454	17,976,529	—	—	—	—	18,052,983	—	18,052,983
HAP portability in	—	192,155	—	—	—	—	192,155	—	192,155
Depreciation expense	—	—	629,862	—	1,114,575	—	1,744,437	4,845	1,749,282
Total expenses	76,454	20,007,934	2,783,856	63,317	5,353,133	—	28,284,694	—	28,284,694
Other financing sources (uses)									
Operating transfers in	—	—	434,776	—	—	(434,776)	—	—	—
Operating transfers out	—	—	—	(434,776)	—	434,776	—	—	—
Tfrs to primary government	—	—	—	—	(113,962)	—	(113,962)	—	(113,962)
Tfrs between program and project-in	—	—	—	—	891,517	(891,517)	—	—	—
Tfrs between program and project-out	—	—	(891,517)	—	—	891,517	—	—	—
Total other financing sources (uses)	—	—	(456,741)	(434,776)	777,555	—	(113,962)	—	(113,962)
Excess (deficiency) of total revenue over (under) total expenses	\$ 87,880	238,923	(1,608,040)	188,521	304,653	—	(788,063)	—	(788,063)
Memo Account Information									
Required annual debt principal payments	\$ —	—	—	—	573,888	—	573,888	—	573,888
Beginning equity (deficit)	\$ 14,883	3,006,199	15,300,024	688,677	(7,855,126)	—	11,154,657	—	11,154,657
Equity transfers	\$ (102,763)	102,763	731,760	(731,760)	—	—	—	—	—
Administrative fee equity	\$ —	65,387	—	—	—	—	65,387	—	65,387
Housing assistance payments equity	\$ —	3,282,498	—	—	—	—	3,282,498	—	3,282,498
Unit months available	\$ 275	31,345	2,916	—	7,203	—	41,739	—	41,739
Number of unit months leased	\$ 149	31,135	2,899	—	6,863	—	41,046	—	41,046
Land and land improvements	\$ —	—	—	37,859	—	—	37,859	—	37,859
Buildings and building improvements	\$ —	—	—	150,662	—	—	150,662	—	150,662

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

OMB Approval No. 2577-0157 (exp. 12/31/2011)

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	Modernization Project Number: OR16PO2250105
---	---

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	\$ 663,962.00
B. Funds Disbursed	\$ 663,962.00
C. Funds Expended (Actual Modernization Cost)	\$ 663,962.00
D. Amount to be Recaptured (A-C)	\$ 0
E. Excess of Funds Disbursed (B-C)	\$ 0

- That all modernization work in connection with the Modernization Grant has been completed;
- That the entire Actual Modernization Cost or liabilities therefor incurred by the HA have been fully paid;
- 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
- 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 *George Valje, Jr.* 07/20/09

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator)

Date:

X

Joy McCray

12/8/09

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)

Date:

X

Approved: (Director, Office of Public Housing / ONAP Administrator)

Date:

X

**Actual Modernization
Cost Certificate**

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

OMB Approval No. 2577-0157 (exp. 12/31/2011)

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

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HA Name: Housing Authority of Washington County	Modernization Project Number: OR16PO2250106
---	---

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	\$ 640,956.00
B. Funds Disbursed	\$ 640,956.00
C. Funds Expended (Actual Modernization Cost)	\$ 640,956.00
D. Amount to be Recaptured (A-C)	\$ 0
E. Excess of Funds Disbursed (B-C)	\$ 0

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 *George Valle Jr* 7/20/09

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator) X <i>Boyd McCray</i>	Date: <i>12/8/09</i>
--	-------------------------

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:
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Actual Modernization Cost Certificate

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

OMB Approval No. 2577-0157 (exp. 12/31/2011)

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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.

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HA Name: Housing Authority of Washington County	Modernization Project Number: OR16PO2250107
---	---

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	\$ 656,086.00
B. Funds Disbursed	\$ 656,086.00
C. Funds Expended (Actual Modernization Cost)	\$ 656,086.00
D. Amount to be Recaptured (A-C)	\$ 0
E. Excess of Funds Disbursed (B-C)	\$ 0

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 *George A. Valdez Jr.* 6/24/2010

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator) X <i>Joy McCray</i>	Date: <i>11/18/2010</i>
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The audited costs agree with the costs shown above:

Verified: (Designated HUD Official) X	Date:
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Approved: (Director, Office of Public Housing / ONAP Administrator) X	Date:
--	-------

form HUD-53001 (10/96)
ref Handbooks 7485.1 & 3

Actual Modernization Cost Certificate

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

OMB Approval No 2577-0157 (exp. 12/31/2011)

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SEP 23 2010
JPM

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

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Do not send this form to the above address.

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HA Name: Housing Authority of Washington County	Modernization Project Number: OR16P02250108
--	--

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	\$	608,190.00
B. Funds Disbursed	\$	608,190.00
C. Funds Expended (Actual Modernization Cost)	\$	608,190.00
D. Amount to be Recaptured (A-C)	\$	
E. Excess of Funds Disbursed (B-C)	\$	

- 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 *Joseph A. Valle, Jr.* 9/22/2010

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator)

Joy McCray, Director
Office of Public Housing

Date:

11/15/2010

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)

Date:

X

Approved: (Director, Office of Public Housing / ONAP Administrator)

Date:

X

**Actual Modernization
Cost Certificate**

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

OMB Approval No. 2577-0157 (exp. 12/31/2011)

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JAN 27 2011

OPH Portland

OPH Portland

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:	Modernization Project Number:
Housing Authority of Washington County	OR 16S02250109

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	\$	813,066.00
B. Funds Disbursed	\$	813,066.00
C. Funds Expended (Actual Modernization Cost)	\$	813,066.00
D. Amount to be Recaptured (A-C)	\$	
E. Excess of Funds Disbursed (B-C)	\$	

- That all modernization work in connection with the Modernization Grant has been completed;
- That the entire Actual Modernization Cost or liabilities therefor incurred by the HA have been fully paid;
- 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
- 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 *George A. Valpre, Jr.* 1/25/2011

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator)	Date:
X <i>Joy McCray</i> Joy McCray, Director Office of Public Housing	2/9/2011

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)	Date:
X	
Approved: (Director, Office of Public Housing / ONAP Administrator)	Date:
X	

**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 *GOVERNMENT AUDITING STANDARDS***

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**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 GOVERNMENT AUDITING STANDARDS**

December 21, 2011

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 (the Authority), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 21, 2011. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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 GOVERNMENT AUDITING STANDARDS (Continued)**

Page 2

COMPLIANCE AND OTHER MATTERS

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 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*.

* * * * *

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



Certified Public Accountants

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

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

December 21, 2011

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

4800 SW Macadam Ave, Suite 400
Portland, Oregon 97239-3973

P 503.274.2849
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www.tkw.com

We have audited the financial statements of the Housing Authority of Washington County (the Authority), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 21, 2011. 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).

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

Page 2

COMPLIANCE (Continued)

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*.

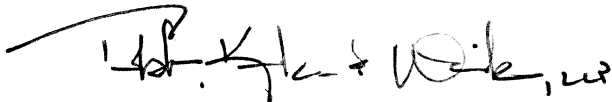
OAR 162-10-230 INTERNAL CONTROL

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 on pages 35 and 36 of the report.

* * * * *

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.



Certified Public Accountants

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**111 NE Lincoln Street
Hillsboro, OR 97124
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