

Photo courtesy of Washington County Visitors Association



Year Ended
June 30, 2019

Financial Statements & Supplementary Data

The Housing Authority of Washington County

A Component Unit of Washington County, Oregon

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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, 2019

<u>Name</u>	<u>Term Expires</u>
Kathryn Harrington * Director	December 31, 2022
Dick Schouten * Director	December 31, 2022
Pam Treece * Director	December 31, 2022
Roy Rogers * Director	December 31, 2022
Jerry Willey * Director	December 31, 2022
Caroline Roper Director	December 31, 2022
Adolph Valfre Director	December 31, 2019

* Directors also serve on the Washington County Board of Commissioners

Housing Authority Administrative Staff

Komi Kalevor, Executive Director

Washington County Administrative Staff

Robert Davis, County Administrator

Jack Liang, Chief Finance Officer

Komi Kalevor, Director, Department of Housing Services

YaLing Huang-Dressel, Housing Services Controller

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**THE HOUSING AUTHORITY OF
WASHINGTON COUNTY**

(A Component Unit of Washington County, Oregon)

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December 13, 2019

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, 2019. 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 2,751 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, and victims of domestic violence. The Authority also has 167 HUD-VA VASH (Veterans Affairs Supportive Housing) vouchers, which provide veterans with housing in conjunction with services received from US Department of Veterans Affairs. Another Section 8 program is Family Self-Sufficiency (FSS). An interest-bearing escrow account is established by the Authority for each participating FSS family. Any increases in the family's rent as a result of increased earned income during the family's participation in the program result in a credit to the family's escrow account. Once a family graduates from the program, they may access the escrow and use it for any purpose, such as purchasing a home, starting a business, or paying for education.
- The Low Rent Public Housing program provides housing directly to 244 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 FY2018-19, the Authority had \$273,593 of the Public Housing Capital Fund program invested in 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. Other subsidized properties include a 12-unit US Department of Agriculture-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 serves as the sole member of the Aloha Park Apartments, LLC, which owns Aloha Park Apartments, an 80-unit multi-family apartment complex in Aloha, which includes eight units receiving Project-Based Section 8 rental subsidies and 72 non-subsidized but regulated affordable units.
- The Authority also owns 336 units of regulated 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 (AMI). The Authority also co-owns 711 units of affordable housing in Beaverton, wherein 40% of the units are priced for families earning under 60% area median income, and 60% of the units are priced for families earning under 80% area median income.

Department of Housing Services Programs

All of the Housing Authority programs are administered by the 40 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:

- On June 19, 2018, the Board of County Commissioners approved the next phase of A Road Home: Community Plan to Prevent and End Homelessness (2018-2025). This plan leverages the systemic and programmatic implementation of the first-ever strategic plan adopted on June 3, 2008, as outlined in A Road Home: 10-Year Plan to End Homelessness in Washington County.
- 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 served 47 unaccompanied adults with transitional housing, supportive services, and job counseling during FY2018-19.
- The Mary Mac House is a short-term transitional housing program serving survivors of domestic violence. This program provides a continuity of services from shelter to housing and is focused on the continued progress of the survivor to work toward self-sufficiency using leased housing as a platform for rapid transition back into the community. The Mary Mac House opened in July 2015 and provides stability for school-age children as they continue education in their school of origin and support for adults as they locate permanent housing. The program served 23 adults and children in FY2018-19.
- Households at risk of homelessness who are severely rent burdened – paying more than 50% of monthly income to housing costs – receive County Prevention Assistance (CPA) short-term rental assistance to bridge housing costs while working with a Housing Specialist to seek more affordable housing or increased income opportunities. In FY2018-19 year of operation, the CPA program served 85 households.
- Implemented in 2014, the countywide homeless system aligns prevention and housing programs with a coordinated entry system - Community Connect. County funds provide for staffing at the system that served 960 households experiencing homelessness in FY2018-19.
- In partnership with Luke-Dorf, Inc., a nonprofit provider agency, the Department is overseeing the construction of Clover Court, a six-unit permanent supportive housing program targeted to open in November 2019. The housing will be affordable for 0-30% area median income who are chronically homeless.
- Continuum of Care. This program combines housing rent assistance administered by the Department with supportive services provided by non-profit organizations to reduce homelessness. Approximately 322 households served in HUD-funded Continuum of Care Programs. Competitive grant applications are submitted annually. The County received \$3.9 million for this program during FY2018-19, providing assistance to nine programs, with all programs administered by the Department.

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. The Section 8 administration funding has been increasing slightly since calendar year 2014, so the administration of Section 8 is currently self-sufficient.

The other major program is Affordable Housing. The Affordable Housing properties were acquired between 1993 and 2002, 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. In 2007, 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 County's 2009 Full Faith & Credit Obligation was available for refunding in April 2019. Current market interest rate and impact scenarios of increasing or decreasing interest rates was presented to the County Board of Commissioners for consideration at the February 26, 2019 work session. Based on current market interest rate, the County and the Authority benefit from reduced debt service payments and improved cash flow by the County issuing new Full Faith and Credit Obligations to refund the 2009 Full Faith & Credit Obligation. The bond refunding was issued with net premium of \$2,170,000, closed on June 5, 2019. The reduced debt service payments over 25 years of the remaining bond life are estimated to result in \$5,170,000 in net present value savings for the Authority and the County.

Strategic Planning 2017-2027 Initiatives

The Authority 2017-2027 Strategic Plan sets forth the strategic direction of the Authority by describing the Authority's mission, its guiding values and a set of core strategies for each program and division of the Authority.

- The Authority, along with the Department, continues to look toward funding opportunities that promote affordable housing, essential services and self-sufficiency in Washington County for low-income families. The Authority participates in a Department of Health and Human Services grant awarded to Worksystems, Inc. in September 2015 to fund a Health Careers Northwest program for \$12 million over five years. The Health Careers Northwest program will provide health care industry training and employment connections to 1,350 low-income job seekers in the Portland Metro area to enter and advance through seven health career ladders including nursing, mental health, allied health and medical laboratory.
- The Authority addressed the County's Consolidated Plan's "highest needs" and the strategies of the Ten-Year Plan to End Homelessness by allocating 162 Section 8 project-based vouchers (PBVs) to nonprofit agencies to promote creation of permanent housing: 15 PBVs for households who are chronically homeless, 112 PBVs for low-income (30% MFI or below), 25 PBVs for people with special needs, and 10 PBVs for veterans. The Authority is strategically using these Section 8 project-based vouchers to promote new affordable housing development in Washington County. An additional 43 PBVs have been awarded to developments that are currently under development.
- The Authority is working closely with the Department of Land Use and Transportation, and cities to facilitate awareness of affordable housing tools and strategies and participate on the three Metro Equitable Development Housing grant activities. To better promote affordable housing development, the Authority has been coordinating with Washington County cities and other taxing jurisdictions to implement a county-wide non-profit corporation low-income housing tax exemption policy.

- The Authority is also responsible for development and portfolio management, either directly or through a wholly-owned affiliate may work with developers, financial institutions and government agencies to build or acquire/rehabilitate thriving affordable housing communities in Washington County. The Authority housing development projects during FY2018-19 include: 120-unit Willow Creek Crossing in Hillsboro, 264-unit Fields Apartments in Tigard, and 80-unit CDP Metro Bond Project in Tigard.
- On November 6, 2018, voters in Multnomah, Clackamas and Washington Counties approved a \$652.8 million Metro Bond Measure 26-199. The bond will provide funds for the tri-county Metro jurisdiction to build as many as 3,900 homes affordable to households that make 80% or less of the area median income for their family size. Oregon voters also voted to amend the state Constitution to give local governments more flexibility to use bond dollars for affordable housing developments. Metro's estimates show that the Authority will be responsible to manage approximately \$188 million of the Metro bond to build 1,315 affordable homes in Washington County within the next seven years.

Respectfully Submitted,



Komi Kalevor
Executive Director



YaLing Huang-Dressel
Housing Services Controller



ACHIEVE MORE

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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, 2019, 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 did not audit the financial statements of Quatama Housing, LP (Quatama), an equity investment of the Authority which represents approximately three percent of total assets at June 30, 2019, and one percent of total revenues for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Quatama, is based solely on the report of the other auditors. 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. The financial statements of Quatama were not audited in accordance with *Government Auditing Standards*.

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.



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INDEPENDENT AUDITOR'S REPORT (Continued)

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

OPINION

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2019, 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 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, the 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 13, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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 13, 2019, 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, Partner

Lake Oswego, Oregon
December 13, 2019

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

Management's Discussion and Analysis

June 30, 2019

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, 2019. 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

- The assets of the Authority exceeded its liabilities and deferred inflow of resources at the close of the most recent fiscal year by \$12,256. Of this amount \$11,446 (unrestricted net position) may be used to meet the Authority's ongoing obligations to citizens and creditors.
- The Authority's total net position increased by \$3,631. The growth was due to the operating income of \$3,954, non-operating net expenses of \$969, and capital contributions of \$646.
- The Authority's debt decreased by \$2,731.

Overview of the Financial Statements

This discussion and analysis are 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 other 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, liabilities, and deferred inflow of resources, 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 HOUSING AUTHORITY OF
WASHINGTON COUNTY
(A Component Unit of Washington County, Oregon)**

Management's Discussion and Analysis

June 30, 2019

The basic financial statements and related notes can be found on pages 15 through 26 of this report.

Authority Financial Analysis

Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position

The following provides a summary of the Authority's net position for 2019 compared to 2018.

	Dollars in thousands		
	2019	2018	Change
Assets:			
Assets, excluding capital assets	\$ 18,255	14,249	4,006
Capital assets	23,620	24,698	(1,078)
Total assets	41,875	38,947	2,928
Deferred outflow of resources	—	1,990	(1,990)
Liabilities:			
Other current and restricted liabilities	2,112	2,668	(556)
Long-term debt	27,146	29,644	(2,498)
Total liabilities	29,258	32,312	(3,054)
Deferred inflow of resources	361	—	361
Net position:			
Net investment in capital assets	(2,746)	(2,047)	(699)
Restricted	3,556	3,006	550
Unrestricted	11,446	7,666	3,780
Total net position	\$ 12,256	8,625	3,631

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 exceeded liabilities and deferred inflow of resources by \$12,256 at the close of the most recent fiscal year.

Assets increased by \$2,928 during FY2018-19. Assets excluding capital assets increased \$4,006, contributing to this increase were additional funding in intergovernmental revenues, profit in equity of investment in partnership with Quatama Housing Limited Partnership, and cash flow distribution from Quatama Housing Limited Partnership. Capital assets decreased by \$1,078, due to depreciation expense in excess of acquisitions.

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

Management's Discussion and Analysis

June 30, 2019

\$361 deferred inflow of resources was recognized as the result of refunding the County's 2009 Full Faith & Credit Obligation in June 2019.

Liabilities decreased by \$3,054. Current and restricted liabilities decreased by \$556 and long-term debt decreased by \$2,498 due to the County's 2009 Full Faith & Credit Obligation refunding.

Net investment in capital has a deficit balance of \$2,746, which reflects investment in capital assets, primarily housing, less any related debt used to acquire those assets that is still outstanding. The deficit balance is partially due to depreciation on the related properties being greater than the debt payment amount, and partially due to the unspent Aloha Park debt proceeds from the new debt being reported as an increase of unrestricted net position. The restricted net position totals \$3,556, consists of \$693 cash restricted by HUD for future housing assistance payments (HAP), \$1,483 cash restricted by a County loan agreement for debt service, \$24 insurance reserve and \$1,356 reserves for replacement of assets required by loan agreements.

The total net position of the Authority increased by \$3,631. The net investment in capital assets decreased by \$699. The restricted net position increased by \$550, and the unrestricted net position increased by \$3,780.

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

Management's Discussion and Analysis

June 30, 2019

Change in Net Position

The following provides a summary of the Authority's change in net position for 2019 compared to 2018:

	Dollars in thousands		
	2019	2018	Change
Operating revenues:			
Intergovernmental revenues	\$ 30,601	28,347	2,254
Rental income	6,295	6,158	137
Other revenue	4,221	4,459	(238)
Total operating revenues	<u>41,117</u>	<u>38,964</u>	<u>2,153</u>
Operating expenses:			
Housing assistance payments	26,905	26,220	685
Repairs and maintenance	2,917	2,809	108
Administrative costs	4,327	4,186	141
Utilities	725	714	11
Depreciation	1,537	1,509	28
Other	752	451	301
Total operating expenses	<u>37,163</u>	<u>35,889</u>	<u>1,274</u>
Operating income:	<u>3,954</u>	<u>3,075</u>	<u>879</u>
Non-operating revenues (expenses):			
Gain on sale of assets	—	3	(3)
Profit in equity of investment in partnership	193	211	(18)
Interest on investments	368	13	355
Interest and amortizations	(1,530)	(1,493)	(37)
Total non-operating revenues (expenses)	<u>(969)</u>	<u>(1,266)</u>	<u>297</u>
Net income before capital contributions	<u>2,985</u>	<u>1,809</u>	<u>1,176</u>
Capital contributions	646	443	203
Increase in net position	3,631	2,252	1,379
Net position, beginning of year	<u>8,625</u>	<u>6,373</u>	<u>2,252</u>
Net position, end of year	<u>\$ 12,256</u>	<u>8,625</u>	<u>3,631</u>

Total operating revenues increased by \$2,153, or 5.5% from the prior year. Intergovernmental revenues increased \$2,254 or 8.0% mainly due to the increase of the Housing Assistance Payment receipts. Other revenue decreased by \$238 or 5.3% primarily due to the decrease of Housing Choice Voucher housing assistance payment reimbursement income from other housing authorities.

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

Management's Discussion and Analysis

June 30, 2019

Total operating expenses increased by \$1,274, or 3.5%. This increase is primarily due to the \$685 increase in the Housing Assistance Payment, \$108 increase in repairs and maintenance, \$141 increase in administrative costs and \$301 increase in other operating expenses is mainly due to the debt issuance cost for the County's 2009 Full Faith & Credit Obligation refunding.

Capital contributions increase by \$203.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2019, the Authority's capital assets were \$23,620 (net of accumulated depreciation). Capital assets include land, buildings, improvements, vehicles, and office equipment.

The Authority invested \$719 in capital improvements, which include \$274 of Low Rent Public Housing capital contributions, \$373 of a single family property transferred from the County, and \$72 from operating revenues.

Additional detail may be found on page 23 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 \$27,560. Of this amount, \$24,030 consisted of a note payable to Washington County, \$1,967 of the Aloha Park Apartments refinance closed in August 2014, and \$1,563 of notes to other lenders. Additional detail may be found on pages 23-24 in the Notes to Basic Financial Statements.

Budget Information

The Authority is not subject to Oregon Local Budget Law.

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

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

Statement of Net Position

June 30, 2019

Assets

Current assets:

Unrestricted cash and cash equivalents	\$ 10,744,657
Restricted cash and cash equivalents	1,263,651
Accounts receivable, net	650,446
Current portion of contracts receivable	3,772
Other current assets	<u>35,536</u>
Total current assets	<u>12,698,062</u>

Noncurrent assets:

Restricted cash and cash equivalents	3,714,958
Contracts receivable	88,927
Investments in partnerships	1,752,632
Capital assets, non-depreciable	8,957,757
Capital assets, depreciable, net	<u>14,662,509</u>
Total noncurrent assets	<u>29,176,783</u>
Total assets	<u>41,874,845</u>

Liabilities

Current liabilities:

Accounts payable	728,183
Unearned revenue	46,762
Accrued interest payable	91,415
Current portion of notes and contracts payable	589,971
Current liabilities payable from restricted assets:	
Tenant and other deposits	<u>655,635</u>
Total current liabilities	<u>2,111,966</u>

Noncurrent liabilities:

Notes and contracts payable	26,970,346
Deposits payable from restricted assets	<u>175,401</u>
Total non-current liabilities	<u>27,145,747</u>
Total liabilities	<u>29,257,713</u>

Deferred Inflow of Resources

Deferred refunding gain	<u>360,799</u>
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Net Position

Net investment in capital assets	(2,745,901)
Restricted	3,555,663
Unrestricted	<u>11,446,571</u>
Total net position	<u>\$ 12,256,333</u>

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, 2019

Operating revenues:	
Intergovernmental revenues	\$ 30,600,661
Rental income	6,295,140
Other	4,221,369
	<hr/>
Total operating revenues	41,117,170
	<hr/>
Operating expenses:	
Housing assistance payments	26,905,424
Repairs and maintenance	2,917,215
Administrative costs	4,326,528
Utilities	725,162
Depreciation	1,536,626
Other	752,277
	<hr/>
Total operating expenses	37,163,232
	<hr/>
Operating income	3,953,938
	<hr/>
Non-operating revenues (expenses):	
Profit in equity of investment in partnership	192,685
Interest on investments	367,880
Interest and amortization	(1,529,683)
	<hr/>
Total non-operating revenues (expenses)	(969,118)
	<hr/>
Income before capital contributions	2,984,820
	<hr/>
Capital contributions	646,723
	<hr/>
Increase in net position	3,631,543
	<hr/>
Net position, beginning of year	8,624,790
	<hr/>
Net position, end of year	\$ <u>12,256,333</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, 2019

Cash flows from operating activities:	
Cash received for services provided	\$ 41,003,402
Cash payments for labor and benefits	(3,374,883)
Cash payments for goods and services	(32,005,058)
Net cash provided by operating activities	5,623,461
Cash flows from capital and related financing activities:	
Capital grants	646,723
Acquisition of capital assets, net	(458,545)
Decrease in contracts receivable	368,838
Current maturities and principal payments of notes payable	(26,760,459)
Interest paid on notes payable	(1,878,218)
Proceeds from loan including premium	26,200,008
Net cash used for capital and related financing activities	(1,881,653)
Cash flows from investing activities:	
Interest on investments	367,880
Increase in investment in partnership	(550,000)
Net cash used for investing activities	(182,120)
Net increase in cash and cash equivalents	3,559,688
Cash and cash equivalents at beginning of year	12,163,578
Cash and cash equivalents at end of year (1)	\$ 15,723,266
Reconciliation of operating income to net cash provided from operating activities:	
Operating income	\$ 3,953,938
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,536,626
Changes in assets and liabilities:	
Increase in accounts receivable, net	(73,127)
Decrease in other current assets	250
Increase in accounts payable	128,871
Increase in deposits payable	47,532
Increase in unearned revenue	29,371
Net cash provided by operating activities	\$ 5,623,461
(1) Cash and cash equivalents are reflected on the Statement of Net Position as follows:	
Current assets - unrestricted	\$ 10,744,657
Current assets - restricted	1,263,651
Noncurrent assets - restricted	3,714,958
	\$ 15,723,266
Supplemental disclosure of non-cash transactions	
Change in investment in partnership	\$ 192,685

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, 2019

(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.

The governmental reporting entity consists of the Authority, as the primary government, and its component unit. Component units are legally separate organizations for which the Board of Directors is financially accountable or other organizations whose nature and significant relationship with the Authority are such that the exclusion would cause the Authority's financial statements to be misleading or incomplete. The basic financial statements include a blended component unit. The blended component unit is considered part of the Authority's operations, and so financial information from this unit is combined with information of the Authority.

Blended Component Unit

Aloha Park Apartments, LLC, an Oregon single asset entity with the Authority serving as the sole member of the Aloha Park Apartments, LLC and its Executive Director serving as the sole manager, was formed to meet the refinance requirements of Aloha Park Apartments, a 80-unit multi-family apartment complex for which the Authority assumed ownership of on October 15, 2010 with a mortgage balance of \$250,637. All 80-units are affordable, consisting of 8 subsidized HUD Section 8 Project-based and 72 non-subsidized affordable units. The property's cash flow is positive and more than sufficient to fully cover debt service and operation expenses. However, the original mortgage regulatory agreement restricted the positive cash to be used for the property. On November 5, 2013, the Board of Directors authorized the Executive Director to proceed with refinancing the Aloha Park Apartments through a HUD FHA 223 (f) multi-family loan and transfer ownership of the property from the Authority to the Aloha Park Apartments, LLC. A portion of the proceeds was available to the Authority for use towards its entire affordable housing portfolio and its program operations. Additional 72 tenant-based Housing Choice Vouchers were also awarded to the Authority in September 2014 as the result of the refinancing. The financial statements for this blended component unit are included in Note 9.

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, liabilities and deferred inflow of resources 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

**THE HOUSING AUTHORITY OF
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Notes to Basic Financial Statements

June 30, 2019

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.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents consists of cash on hand, amounts deposited in checking accounts and 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, tenant rent, and tenant repayment agreements related to tenant unreported income. Management reviews the accounts receivable balance for likelihood of collection and records an allowance for doubtful accounts based on the type and age of the individual receivable.

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.

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Notes to Basic Financial Statements

June 30, 2019

Contracts Receivable

The Authority holds three second mortgages and two third mortgages for low-income home purchasers in the amount of \$56,449. The Authority is owed \$36,250 in developer's fees in connection with private activity bonds issued for the construction of housing projects.

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.

Investments in Partnerships

Investments in partnerships represent the Authority's equity interest in Quatama Housing Limited Partnership and Willow Creek Crossing Limited Partnership. These investments are accounted using the equity method. Under the equity method, the initial investment is recorded at cost and increased or decreased by the Authority's share of income or loss and is increased by contributions and decreased by distributions. Investment in Quatama Housing Limited Partnership of \$1,202,632 was recorded as of December 31, 2018, the latest available audited financial statements; investment in Willow Creek Crossing Limited Partnership of \$550,000 was recorded as of June 30, 2019, the initial cash contribution made in October 2018.

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 acquisition 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

Unearned Revenue

Unearned revenue represents primarily prepaid rent received from tenants.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to

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Notes to Basic Financial Statements

June 30, 2019

future periods and therefore will not be recognized as an inflow of resources (revenue) until that time. The Authority's deferred inflow amount is associated with the refunding of the 2009 Full Faith & Credit Obligation issued by the County (see Note 4). The deferred refunding gain on refunded debt is amortized using the straight-line method over the shortest remaining original life of the debt instruments refunded.

Vested Compensated Absences, Sick Pay, Other Post-Employment Obligation, and Net Pension Liability

The Authority's personnel are exclusively contracted Washington County employees. Accordingly, the liability of vested compensated absences, sick pay, other post-employment obligation, and net pension liability are 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). As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer. As a result, the Authority's remaining deposits in excess of FDIC insurance are considered to be fully collateralized.

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, 2019 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.

At June 30, 2019, the Authority's cash and cash equivalents are comprised of the following:

Bank accounts	\$	3,738,537
Reserves held by lenders		437,812
Debt service payment held by paying agent		562,167
Accounts administered by subcontracted management companies		764,812
Deposits with Washington County Investment Pool		10,219,938
Total cash and cash equivalents	\$	15,723,266

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

**THE HOUSING AUTHORITY OF
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Notes to Basic Financial Statements

June 30, 2019

Unrestricted:		
Cash and cash equivalents	\$	10,744,657
Restricted for:		
Affordable housing county bond reserve		1,483,200
Replacement reserves		1,355,704
Retainage in escrow		23,512
Restricted for payment of current liabilities		1,263,651
Restricted for payment of noncurrent liabilities		852,542
Total restricted		4,978,609
Total cash and cash equivalents	\$	15,723,266

(3) Capital Assets

Capital asset activity is as follows:

	Balance June 30, 2018	Additions	Disposals	Transfers	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 8,778,577	179,180	—	—	8,957,757
Construction in progress	260,712	—	(260,712)	—	—
Total capital assets not being depreciated	9,039,289	179,180	(260,712)	—	8,957,757
Capital assets being depreciated:					
Buildings and improvements	49,095,873	540,077	—	—	49,635,950
Office equipment and other	107,640	—	—	—	107,640
Vehicles	281,447	—	—	—	281,447
Total capital assets being depreciated	49,484,960	540,077	—	—	50,025,037
Less accumulated depreciation for:					
Buildings and improvements	(33,496,092)	(1,518,180)	—	—	(35,014,272)
Office equipment and other	(107,640)	—	—	—	(107,640)
Vehicles	(222,170)	(18,446)	—	—	(240,616)
Total accumulated depreciation	(33,825,902)	(1,536,626)	—	—	(35,362,528)
Total capital assets being depreciated, net	15,659,058	(996,549)	—	—	14,662,509
Total capital assets, net	\$ 24,698,347	(817,369)	(260,712)	—	23,620,266

(4) Long-term Debt

Washington County Loan Agreement

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

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Notes to Basic Financial Statements

June 30, 2019

and Credit Refunding Obligations. The Authority also issued second trust deeds to the County to secure the debt.

The County's 2009 Full Faith & Credit Obligation was available for refunding in April 2019. Current market interest rate and impact scenarios of increasing or decreasing interest rates was presented to the County Board of Commissioners for consideration at the February 26, 2019 work session. Based on current market interest rate, the County and the Authority benefit from reduced debt service payments and improved cash flow by the County issuing new Full Faith and Credit Obligations to refund the 2009 Full Faith & Credit Obligation. The bond refunding was issued with net premium of \$2,170,000, closed on June 5, 2019. The reduced debt service payments over the life of the bond are estimated to result in \$5,170,000 in net present value savings for the Authority.

Notes and Contracts Payable

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

Notes	Amount Issued	Interest Rates	Outstanding June 30, 2018	Increase	Decrease	Outstanding June 30, 2019
Farmer's Home Administration Office of Community Development	\$ 361,000	9 to 9.5%	\$ 308,771	—	(5,707)	303,064
HOME contracts	652,310	0%	648,573	—	—	648,573
Washington County Loan Agreement	1,104,300	3.0%	666,822	—	(55,607)	611,215
Washington County Loan Agreement, amended	28,985,000	2.25 to 5.0%	26,305,000	—	(26,305,000)	—
Berkadia Bank Mortgage Community Housing Fund Willow Creek	24,030,000	3 to 5.0%	—	24,030,000	—	24,030,000
	2,107,100	4.18%	1,996,610	—	(29,145)	1,967,465
	365,000	2.0%	365,000	—	(365,000)	—
			<u>\$ 30,290,776</u>	<u>24,030,000</u>	<u>(26,760,459)</u>	<u>27,560,317</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
2020	\$ 589,971	\$ 644,880
2021	632,003	1,014,932
2022	608,548	985,279
2023	635,832	954,121
2024	663,255	921,573
2025-2029	3,873,271	4,069,241
2030-2034	4,936,780	3,004,857
2035-2039	6,067,152	1,880,786
2040-2044	6,925,079	871,685
2045-2049	1,951,376	83,737
2050	28,477	199
Due on sale of property	648,573	—
	<u>\$ 27,560,317</u>	<u>\$ 14,431,290</u>

**THE HOUSING AUTHORITY OF
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Notes to Basic Financial Statements

June 30, 2019

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

Current maturities	\$ 589,971
Non-current maturities	<u>26,970,346</u>
	<u>\$ 27,560,317</u>

(5) Transactions with Related Parties

The Authority paid Washington County \$725,443 for administrative, vehicle maintenance, legal and allocated overhead expenses, and \$3,082,202 for salaries and benefits for contracted employees. The Authority received \$257,963 from Washington County to mitigate the contracted employees cost impact of the filled Assistant Director and Housing Services Controller positions, \$162,035 to support affordable housing development and \$44,063 to supplement the continuation of the Health Profession Opportunity 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, 2019 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, 2019, there was two series of multi-family Housing Revenue Bonds outstanding, with an aggregate principal amount payable of \$35,156,648.

(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.

**THE HOUSING AUTHORITY OF
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Notes to Basic Financial Statements

June 30, 2019

(9) Blended Component Unit

The Authority's blended component unit, Aloha Park Apartments, LLC condensed financial information is as follows:

Condensed Statement of Net Position
June 30, 2019

Assets:	
Assets, excluding capital assets	\$ 499,501
Capital assets	676,872
Total assets	1,176,373
Liabilities:	
Other current and restricted liabilities	108,645
Long-term debt	1,934,373
Total liabilities	2,043,018
Net position:	
Net investment in capital assets	264,356
Restricted	390,014
Unrestricted (deficit)	(1,521,015)
Total net position (deficit)	\$ (866,645)

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Year ended June 30, 2019

Revenues:	
Rental income	\$ 535,058
Other revenue	13,634
Total revenues	548,692
Expenses:	
Operating expenses	459,746
Non-operating expenses	82,853
Total expenses	542,599
Increase in net position	6,093
Net position (deficit), beginning of year	(872,738)
Net position (deficit), end of year	\$ (866,645)

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OTHER SUPPLEMENTARY INFORMATION

**THE HOUSING AUTHORITY OF
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Financial Data Schedule

June 30, 2019

FDS # Assets	<u>Housing Choice Vouchers</u>	<u>Main Stream</u>	<u>FSS Grant</u>	<u>Low Rent Public Housing</u>	<u>Aloha Park LLC</u>	<u>Business Activities</u>	<u>Total</u>	
Current assets								
Cash								
111	Unrestricted	\$ 944,753	—	—	1,938,799	42,193	7,818,912	10,744,657
112	Restricted - modernization and development	—	—	—	366,502	989,201	1,355,703	
113	Other restricted	568,822	283,720	—	23,512	1,483,201	2,359,255	
114	Tenant security deposits	—	—	—	87,937	38,614	335,991	462,542
115	Restricted for payment of current liabilities	193,093	—	—	—	608,016	801,109	
100	Total cash	<u>1,706,668</u>	<u>283,720</u>	<u>—</u>	<u>2,026,736</u>	<u>470,821</u>	<u>11,235,321</u>	<u>15,723,266</u>
Receivables								
121	Accounts receivable - PHA projects	51,924	—	—	—	—	51,924	
122	Accounts receivable - HUD other projects	16,134	—	—	67,470	—	83,604	
125	Accounts receivable - miscellaneous	17,439	—	—	—	148,243	165,682	
126	Accounts receivable - tenants	2,492	—	—	261,565	25,855	208,338	498,250
126.1	Allowance for doubtful accounts - tenants	(2,380)	—	—	(250,226)	—	—	(252,606)
126.2	Allowance for doubtful accounts - other	—	—	—	—	(14,266)	(14,266)	
127	Notes & mortgages receivable - current	—	—	—	—	3,772	3,772	
128	Fraud recovery	209,454	—	—	92,857	—	—	302,311
128.1	Allowance for doubtful accounts - fraud	(94,157)	—	—	(90,296)	—	—	(184,453)
120	Total receivables net of allowances for doubtful accounts	<u>200,906</u>	<u>—</u>	<u>—</u>	<u>81,370</u>	<u>25,855</u>	<u>346,087</u>	<u>654,218</u>
142	Prepaid expenses and other assets	—	—	—	837	2,825	26,874	30,536
143	Inventories	—	—	—	10,000	—	—	10,000
143.1	Inventories - allowance for obsolete	—	—	—	(5,000)	—	—	(5,000)
150	Total current assets	<u>1,907,574</u>	<u>283,720</u>	<u>—</u>	<u>2,113,943</u>	<u>499,501</u>	<u>11,608,282</u>	<u>16,413,020</u>
Non-current assets								
Capital assets								
161	Land	—	—	—	3,824,630	41,617	5,091,510	8,957,757
162	Buildings	—	—	—	17,065,357	927,947	31,642,647	49,635,951
164	Furniture, equipment and machinery - administration	43,904	—	—	312,692	—	32,491	389,087
166	Accumulated depreciation	(32,097)	—	—	(15,091,288)	(292,692)	(19,946,452)	(35,362,529)
160	Total capital assets, net	<u>11,807</u>	<u>—</u>	<u>—</u>	<u>6,111,391</u>	<u>676,872</u>	<u>16,820,196</u>	<u>23,620,266</u>
171	Notes, loans and mortgages receivable non-current	—	—	—	—	—	88,927	88,927
176	Investment in partnership	—	—	—	—	1,752,632	1,752,632	
180	Total non-current assets	<u>11,807</u>	<u>—</u>	<u>—</u>	<u>6,111,391</u>	<u>676,872</u>	<u>18,661,755</u>	<u>25,461,825</u>
290	Total assets	<u>\$ 1,919,381</u>	<u>283,720</u>	<u>—</u>	<u>8,225,334</u>	<u>1,176,373</u>	<u>30,270,037</u>	<u>41,874,845</u>
Liabilities and net position								
Liabilities								
Current liabilities								
312	Accounts payable	\$ 143,208	1,528	—	213,252	29,866	250,379	638,233
325	Accrued interest payable	—	—	—	—	6,853	84,562	91,415
332	Accounts payable - PHA projects (portability)	12,685	—	—	—	—	—	12,685
333	Accounts payable - other government	—	—	—	77,265	—	—	77,265
341	Tenant security deposits	—	—	—	87,937	38,614	335,991	462,542
342	Unearned revenue	—	—	—	11,309	220	35,233	46,762
343	Current portion of long-term debt, capital projects	—	—	—	—	33,092	556,879	589,971
345	Other current liabilities	193,093	—	—	—	—	—	193,093
310	Total current liabilities	<u>348,986</u>	<u>1,528</u>	<u>—</u>	<u>389,763</u>	<u>108,645</u>	<u>1,263,044</u>	<u>2,111,966</u>
Non-current liabilities								
351	Long-term debt, capital projects	—	—	—	—	1,934,373	25,035,973	26,970,346
353	Other non-current liabilities	175,401	—	—	—	—	—	175,401
350	Total non-current liabilities	<u>175,401</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,934,373</u>	<u>25,035,973</u>	<u>27,145,747</u>
300	Total liabilities	<u>524,387</u>	<u>1,528</u>	<u>—</u>	<u>389,763</u>	<u>2,043,018</u>	<u>26,299,017</u>	<u>29,257,713</u>
400	Deferred inflow of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>360,799</u>	<u>360,799</u>	
	Total liabilities and deferred inflows	<u>\$ 524,387</u>	<u>1,528</u>	<u>—</u>	<u>389,763</u>	<u>2,043,018</u>	<u>26,659,816</u>	<u>29,618,512</u>
Net position								
508.4	Net investment in capital assets	11,807	—	—	6,111,391	264,356	(9,133,455)	(2,745,901)
511.4	Restricted net position	411,054	282,192	—	—	390,014	2,472,403	3,555,663
512.4	Unrestricted net position	972,133	—	—	1,724,180	(1,521,015)	10,271,273	11,446,571
513	Total net position	<u>1,394,994</u>	<u>282,192</u>	<u>—</u>	<u>7,835,571</u>	<u>(866,645)</u>	<u>3,610,221</u>	<u>12,256,333</u>
600	Total liabilities and net position	<u>\$ 1,919,381</u>	<u>283,720</u>	<u>—</u>	<u>8,225,334</u>	<u>1,176,373</u>	<u>30,270,037</u>	<u>41,874,845</u>

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

June 30, 2019

FDS #	Revenues and expenses	Housing Choice Vouchers	Main Stream	FSS Grant	Operating Fund	Capital Fund	Aloha Park LLC	Business Activities	FDS Total
Revenues									
70300	Net tenant rental revenue	\$ —	—	—	869,008	—	535,058	4,891,074	6,295,140
70400	Tenant revenue - other	—	—	—	13,798	—	1,294	419,396	434,488
70600	HUD PHA operating grants	27,930,994	283,720	95,583	882,051	434,993	—	—	29,627,341
70610	Capital grants	—	—	—	—	273,593	—	—	273,593
70800	Other government grants	—	—	—	—	—	—	509,259	509,259
71100	Investment income - unrestricted	7,241	—	—	6,083	—	—	353,447	366,771
71200	Mortgage interest income	—	—	—	—	—	—	304	304
71400	Fraud recovery - unrestricted	106,538	—	—	27,233	—	—	—	133,771
71400	Fraud recovery - restricted	26,544	—	—	—	—	—	—	26,544
71500	Other revenue	1,426,349	—	—	6,410	—	12,340	2,374,152	3,819,251
72000	Investment income - restricted	805	—	—	—	—	—	—	805
70000	Total revenues	29,498,471	283,720	95,583	1,804,583	708,586	548,692	8,547,632	41,487,267
Operating expenses									
91100	Administrative salaries	772,282	—	—	237,657	—	44,042	580,958	1,634,939
91200	Auditing fees	22,445	—	—	12,127	—	10,250	8,738	53,560
91300	Management fee	—	—	—	—	—	19,236	172,506	191,742
91400	Advertising and marketing	565	—	—	565	—	—	135	1,265
91500	Employee benefit contributions	451,256	—	—	126,267	—	5,893	136,995	720,411
91600	Office expenses	34,600	—	1,401	12,133	—	9,925	62,657	120,716
91700	Legal expenses	3,134	—	—	—	—	803	22,157	26,094
91800	Travel expenses	3,661	—	—	237	—	701	6,083	10,682
91810	Allocated overhead	614,097	—	—	380,348	—	—	340,983	1,335,428
91900	Other operating	34,037	—	—	6,205	—	6,093	71,850	118,185
92100	Tenant services - salaries	—	—	60,406	—	—	—	—	60,406
92300	Tenant services - benefits	—	—	33,776	—	—	—	—	33,776
92400	Tenant services - other	19,324	—	—	—	—	—	—	19,324
93100	Water	—	—	—	40,461	—	22,530	138,537	201,528
93200	Electricity	—	—	—	5,988	—	9,170	68,690	83,848
93300	Gas	—	—	—	2,642	—	—	19,359	22,001
93600	Sewer	—	—	—	42,745	—	38,132	331,278	412,155
93800	Other utility expense	—	—	—	5,194	—	—	436	5,630
94100	Maintenance salaries	—	—	—	207,670	—	54,350	432,431	694,451
94200	Materials and other	46	—	—	167,760	—	22,360	276,399	466,565
94300	Contract costs	—	—	—	179,453	—	122,168	1,223,678	1,525,299
94500	Maintenance benefits	—	—	—	102,261	—	8,949	119,690	230,900
96110	Property insurance	—	—	—	40,838	—	13,049	116,941	170,828
96120	Liability insurance	3,113	—	—	4,018	—	1,377	9,053	17,561
96140	Other insurance	1,074	—	—	4,296	—	8,883	—	14,253
96200	Other general expenses	50,443	—	—	11,533	—	—	330,531	392,507
96300	Payments in lieu of taxes	—	—	—	77,265	—	—	—	77,265
96400	Bad debt - tenant rents	2,380	—	—	10,866	—	1,536	44,841	59,623
96600	Bad debt - other (fraud)	11,905	—	—	8,335	—	—	—	20,240
96710	Interest on notes payable	—	—	—	—	—	82,853	1,446,830	1,529,683
96900	Total operating expenses	2,024,362	—	95,583	1,686,864	—	482,300	5,961,756	10,250,865
97000	Excess (deficiency) of operating revenue over operating expenses	27,474,109	283,720	—	117,719	708,586	66,392	2,585,876	31,236,402
Other expenses									
97300	Housing assistance payments	25,562,852	1,528	—	—	—	—	—	25,564,380
97350	HAP portability in	1,341,044	—	—	—	—	—	—	1,341,044
97400	Depreciation expense	3,936	—	—	382,155	—	60,299	1,090,236	1,536,626
90000	Total expenses	28,932,194	1,528	95,583	2,069,019	—	542,599	7,051,992	38,692,915
Other financing sources (uses)									
10010	Operating transfers in	—	—	—	708,586	—	—	—	708,586
10020	Operating transfers out	—	—	—	—	(708,586)	—	—	(708,586)
10030	Tfrs to /from primary government	138,847	—	—	75,019	—	—	623,325	837,191
10100	Total other financing sources (uses)	138,847	—	—	783,605	(708,586)	—	623,325	837,191
10000	Excess (deficiency) of total revenue over (under) total expenses	\$ 705,124	282,192	—	519,169	—	6,093	2,118,965	3,631,543
Memo Account Information									
11020	Required annual debt principal payments	\$ —	—	—	—	—	29,145	26,731,314	26,760,459
11030	Beginning equity (deficit)	\$ 689,870	—	—	7,316,402	—	(872,738)	1,491,256	8,624,790
11170	Administrative fee equity	\$ 983,940	—	—	—	—	—	—	983,940
11180	Housing assistance payments equity	\$ 411,054	282,192	—	—	—	—	—	693,246
11190	Unit months available	34,176	360	—	2,928	—	960	6,588	45,012
11210	Unit months leased	31,125	2	—	2,903	—	937	6,335	41,302
11620	Buildings and building improvements	\$ —	—	—	—	273,593	—	—	273,593
13901	Replacement housing factor funds	\$ —	—	—	—	117,807	—	—	117,807

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.

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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**

&

**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH OREGON STATE REGULATIONS**



**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

**Talbot, Korvola
& Warwick, LLP**

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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, 2019, 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 13, 2019. Our report includes a reference to other auditors who audited the financial statements of Quatama Housing, LP (Quatama), an equity investment of the Authority, as described in our report on the Authority's financial statements. The financial statements of Quatama were not audited in accordance with *Government Auditing Standards*.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described below and in the Washington County, Oregon's Federal Grant Programs reporting of the Schedule of Findings and Questioned Costs as **finding** number 2019-001, that we consider to be a significant deficiency.



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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 (Continued)**

INDEPENDENT AUDITOR'S REPORT (Continued)

INTERNAL CONTROL OVER FINANCIAL REPORTING (Continued)

The Authority outsources the property management function of its blended component unit, Aloha Park Apartments, LLC, to a third-party company. During our testing of expenses, it was noted that the third-party company was not able to provide support for certain transactions.

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*.

AUTHORITY'S RESPONSE TO FINDING

The Authority's response to the finding identified in our audit is described in Washington County, Oregon's Federal Grant Programs reporting of the Schedule of Findings and Questioned Costs as finding number 2019-001. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, Karvold & Warwick, LLP

Lake Oswego, Oregon
December 13, 2019



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
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, 2019 and have issued our report thereon dated December 13, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report includes a reference to other auditors. We did not audit the financial statements of Quatama Housing, LP, (Quatama), an equity investment of the Authority. The financial statements of Quatama were not audited in accordance with *Government Auditing Standards*. This report under Oregon State Regulations does not include Quatama.

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 the Oregon Administrative Rules 162-10-000 through 162-10-330 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).



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
OREGON STATE REGULATIONS (Continued)**

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 the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control that we consider to be a significant deficiency and have communicated the deficiency in a letter dated December 13, 2019.

PURPOSE OF THIS REPORT

This report is intended solely for the information and use of the Board of Directors, Board of County 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, Kovola & Warwick, LLP

Lake Oswego, Oregon
December 13, 2019

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