

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

**Financial Statements
and Supplementary Information**

Year ended June 30, 2008

**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, 2008

<u>Name</u>	<u>Term Expires</u>
Tom Brian * Director	December 31, 2010
Andy Duyck * Director	December 31, 2008
Carol Gakin Director	December 31, 2011
Roy Rogers * Director	December 31, 2009
Dick Schouten * Director	December 31, 2012
Sydney Sherwood Director	December 31, 2011
Desari Strader * Director	December 31, 2011

* Directors also serve on the Washington County Board of Commissioners

Housing Authority Administrative Staff

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

Washington County Administrative Staff

Robert Davis, County Administrator

Mary Gruss, Chief Finance Officer

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

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**THE HOUSING AUTHORITY OF
WASHINGTON COUNTY**

(A Component Unit of Washington County, Oregon)

Table of Contents

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets	9
Statement of Revenues, Expenses and Changes in Fund Net Assets	10
Statement of Cash Flows	11
Notes to Basic Financial Statements	12
Audit Comments and Disclosures Required by State Regulations	21

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INDEPENDENT AUDITOR'S REPORT

January 23, 2009

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

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, 2008, 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 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 financial position of the Authority, as of June 30, 2008, and the changes in financial position and its cash flows 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 January 23, 2009, 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 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.

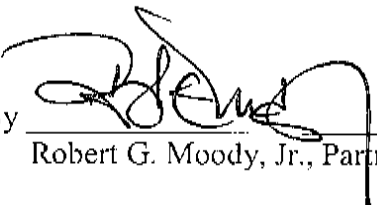
INDEPENDENT AUDITOR'S REPORT (continued)

Housing Authority Board of Directors
Washington County Board of Commissioners
January 23, 2009
Page 2

Management's Discussion and Analysis on pages 3 through 6 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.

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, 2008. We encourage readers to consider information presented here in conjunction with the financial statements, which begin on page 9. 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 \$11,517. Of this amount, \$2,832 (unrestricted net assets) may be used to meet the Authority's ongoing obligations to citizens and creditors.
- The Authority's total net assets increased by \$1,725.
- The Authority's total debt decreased by \$689 (2.1%) during the current fiscal year.

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 9 through 20 of this report.

Authority Financial Analysis

Assets, Liabilities and Net Assets

The following provides a summary of the Authority's net assets for 2008 compared to 2007. The 2007 balances are reclassified to reflect HUD's requirement to classify unspent housing assistance payments as restricted cash and assets.

	Dollars in thousands		
	2008	2007 Reclassified	Change
Assets:			
Assets, excluding capital assets	\$ 10,315	8,270	2,045
Capital assets	35,139	36,061	(922)
Total assets	45,454	44,331	1,123
Liabilities:			
Current and restricted liabilities	2,579	2,492	87
Long-term debt	31,358	32,047	(689)
Total liabilities	33,937	34,539	(602)
Net assets:			
Invested in capital assets, net of related debt	4,357	4,826	(469)
Restricted	4,328	3,848	480
Unrestricted	2,832	1,118	1,714
Total net assets	\$ 11,517	9,792	1,725

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 \$11,517 at the close of the most recent fiscal year.

Assets increased by \$1,123 during FY 2008. Assets excluding capital assets increased \$2,045, primarily due to increased cash from the disposal of eighteen Public Housing single-family dwellings. Capital assets decreased by \$922, due to disposals and depreciation expense in excess of acquisitions.

Liabilities decreased by \$602. Current and restricted liabilities increased by \$87, due to increased accounts payable, tenant and FSS deposits, and upcoming debt maturities. Long-term debt decreased by \$689 due to debt payments.

Thirty-eight percent of the Authority's net assets (\$4,357) reflects its investment in capital assets, primarily housing, less any related debt used to acquire those assets that is still outstanding. Thirty-eight percent of the Authority's net assets (\$4,328) consists of cash restricted by bond covenants for debt service and capital replacement, or restricted by HUD for future HAP payments. These cash reserves are producing interest revenue. The unrestricted net assets of the Authority are available for future use to provide program services and the remaining debt service.

The total net assets of the Authority increased by \$1,725. Net assets invested in capital assets net of related debt decreased by \$469, due to property dispositions and depreciation in excess of acquisitions

and debt service payments. The unrestricted net assets of the Authority increased by \$1,714, due to profit from the sale of real property.

Changes in Net Assets

The following provides a summary of the Authority's change in net assets for 2008 compared to 2007:

		Dollars in thousands		
		2008	2007	Change
Revenues:				
Intergovernmental	\$			
revenues		19,801	18,920	881
Rental income		4,335	4,295	40
Other revenue		877	1,003	(126)
Total revenues		25,013	24,218	795
Expenses:				
Housing assistance				
payments		16,640	16,078	562
Other operating expenses		8,503	7,928	575
Non-operating expenses,				
net		1,640	1,750	(110)
Total expenses		26,783	25,756	1,027
Net loss before capital				
contributions and sale of				
assets		(1,770)	(1,538)	(232)
Gain on sale of assets		2,724	2,347	377
Capital contributions		771	205	566
Increase in net assets		1,725	1,014	711
Net assets, beginning of year		9,792	8,778	1,014
Net assets, end of year	\$	11,517	9,792	1,725

Total revenues increased by \$795, or 3.3% from the previous year. Intergovernmental revenues increased \$881, primarily due to increased Housing Choice Voucher receipts of \$718. Rental income increased \$40 due to higher occupancy and higher rents from the Authority's non-subsidized rental housing. Other revenue decreased \$126 due primarily to lower CDBG grant receipts (\$264) offset by increased tenant charges and conduit bond management fees.

Total expenses increased by \$1,027, or 4.0%. Housing Assistance Payments increased by \$562, due to increased lease-ups. Other operating expenses increased \$575 due to increased administrative and maintenance costs. Non-operating expenses decreased \$110 due to increased interest revenue and decreased interest expense.

The gain on sale of assets resulted from the disposal on the open market of eighteen Public Housing single-family dwellings. Proceeds from the sales are used to fund operating and capital expenditures for other Authority properties.

Capital contributions increased \$566, due to increased Capital Fund receipts for modernization of public housing stock and purchases of computer equipment and vehicles.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2008, the Authority's capital assets were \$35,139 (net of accumulated depreciation). Capital assets include land, buildings, improvements, vehicles, and office equipment.

The Authority invested \$1,562 in capital improvements, primarily funded by the Capital Improvement Program, CDBG grants, and energy rebates. The Authority disposed of \$747 (net of accumulated depreciation) of capital assets. Additional detail may be found on page 16 in the Notes to Basic Financial Statements.

Debt

At the end of the current fiscal year, the Authority had total debt outstanding of \$32,043. Of this amount, \$28,777 consists of housing revenue bonds, \$2,315 of notes secured by properties purchased using the proceeds of the notes and bonds, \$73 of notes secured by mortgages, and \$878 in unsecured debt to Washington County. Additional detail may be found on pages 17-19 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 Authority's financial health has been negatively impacted in recent years by a flat local rental market. The Authority continues to carry out its responsibilities to the community by taking advantage of opportunities to provide the community with additional affordable housing choices, while taking steps to ensure its financial viability. The Authority is engaged in the sale of some of its public housing stock to provide funds for operation and capital improvement of its other housing stock, and is evaluating other methods for enhancing its current asset position.

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 97214-3082, (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, 2008

Assets

Current assets:

Unrestricted cash and cash equivalents	\$ 1,902,846
Restricted cash and cash equivalents	1,771,048
Accounts receivable, net	780,019
Current portion of contracts receivable	9,382
Other current assets	115,934
	4,579,229

Non-current assets:

Restricted cash and cash equivalents	4,566,029
Contracts receivable	482,349
Bond issuance costs, net	686,953
Capital assets, non-depreciable	8,425,840
Capital assets, depreciable, net	26,713,240
	40,874,411

Total assets	\$ <u>45,453,640</u>
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Liabilities

Current liabilities:

Accounts payable	\$ 327,287
Deferred revenue	19,458
Accrued interest payable - notes payable	38,286
Current portion of notes and contracts payable	422,709

Current liabilities payable from restricted assets:

Tenant and other deposits	635,708
Accrued interest payable - bonds payable	873,044
Current portion of bonds payable	262,296

Total current liabilities payable from restricted assets	1,771,048
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Total current liabilities	2,578,788
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Non-current liabilities:

Bonds payable	28,515,149
Contracts and notes payable	2,843,115

Total non-current liabilities	31,358,264
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Total liabilities	33,937,052
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Net Assets

Invested in capital assets, net of related debt	4,356,568
Restricted	4,327,667
Unrestricted	2,832,353

Total net assets	11,516,588
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Total liabilities and net assets	\$ <u>45,453,640</u>
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See accompanying notes to basic financial statements.

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

Statement of Revenues, Expenses and Changes in Fund Net Assets

For the year ended June 30, 2008

Operating revenue:	
Intergovernmental revenues	\$ 19,800,758
Rental income	4,335,144
Other	876,725
Total operating revenue	<u>25,012,627</u>
Operating expense:	
Housing assistance payments	16,639,737
Repairs and maintenance	2,278,768
Administrative costs	3,735,396
Utilities	434,028
Depreciation	1,736,787
Other	317,710
Total operating expense	<u>25,142,426</u>
Operating loss	<u>(129,799)</u>
Non-operating revenue (expense):	
Gain on sale of assets	2,724,133
Interest on investments	329,026
Interest and amortization	(1,969,147)
Total non-operating revenue	<u>1,084,012</u>
Income before capital contributions	954,213
Capital contributions	770,885
Increase in net assets	<u>1,725,098</u>
Net assets, beginning of year	<u>9,791,490</u>
Net assets, end of year	<u>\$ 11,516,588</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, 2008

Cash flows from operating activities:	
Cash received for services provided	\$ 25,218,357
Cash payments for labor and benefits	(3,473,747)
Cash payments for goods and services	<u>(19,887,824)</u>
Net cash flows from operating activities	<u>1,856,786</u>
Cash flows from capital and related financing activities:	
Capital contributions	770,885
Acquisition of capital assets	(1,561,961)
Sale of capital assets	3,470,938
Decrease in contracts receivable	221,703
Current maturities and principal payments of notes payable	(451,261)
Current maturities and principal payments of bonds payable	(260,000)
Interest paid on bonds and notes payable	<u>(1,923,188)</u>
Net cash flows from capital and related financing activities	<u>267,116</u>
Cash flows from investing activities:	
Interest on investments	<u>329,026</u>
Net increase in cash and cash equivalents	2,452,928
Cash and cash equivalents at beginning of year	<u>5,786,995</u>
Cash and cash equivalents at end of year (1)	<u>\$ 8,239,923</u>
Reconciliation of operating loss to net cash flows from operating activities:	
Operating loss	\$ (129,799)
Adjustments to reconcile operating loss to net cash flows from operating activities:	
Depreciation and amortization	1,736,787
Changes in assets and liabilities:	
Decrease in accounts receivable, net	221,098
Increase in other current assets	(64,990)
Increase in accounts payable	59,107
Increase in deposits	49,950
Decrease in deferred revenue	<u>(15,367)</u>
Net cash flows from operating activities	<u>\$ 1,856,786</u>
(1) Cash and cash equivalents are reflected on the Statement of Net Assets as follows:	
Current assets - unrestricted	\$ 1,902,846
Current assets - restricted	1,771,048
Noncurrent assets - restricted	<u>4,566,029</u>
	<u>\$ 8,239,923</u>

See accompanying notes to basic financial statements.

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

Notes to Basic Financial Statements

June 30, 2008

(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 (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements. No FASB Statements and Interpretations 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.

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

Notes to Basic Financial Statements

June 30, 2008

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 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.

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.

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

Notes to Basic Financial Statements

June 30, 2008

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

Contracts Receivable

The Authority holds four second mortgages and two third mortgages for low-income home purchasers in the amount of \$133,477. The Authority is owed \$358,254 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 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.

Deferred Revenue

Deferred revenue represents primarily prepaid rent received from tenants.

Bonds Payable

Discounts on revenue bonds are amortized using the straight-line method, which approximates the effective interest method, over the life of the respective debt instruments. Bonds payable are reported net of the applicable bond discount.

Original Issue Cost and Deferred Refunding Costs

Original issue and deferred refunding costs on revenue bonds are amortized using the straight-line method, which approximates the effective interest method, over the life of the respective debt instruments.

Vested Compensated Absences and Sick Pay

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

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

Notes to Basic Financial Statements

June 30, 2008

(2) Cash and Cash Equivalents

Deposits with Financial Institutions

The Authority's deposits with financial institutions are insured up to \$100,000 by the Federal Depository Insurance Corporation (FDIC). The bank balance as of June 30, 2008 maintained by the Authority was \$34,710, 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 Comprehensive Annual Report for June 30, 2008 for information with respect to credit risk.

Custodial Credit Risk

Washington County, Oregon maintains a common cash and investment pool for all County funds including those of the Authority. The types of investments in which the County may invest are restricted by State of Oregon Statutes and a Board adopted investment policy. Authorized investments include general obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bankers' acceptances, certain high-grade commercial paper, repurchase agreements, and the State of Oregon Local Government Investment Pool, among others. The Authority also maintains restricted cash in reserves with the Bank of New York as Trustee for future debt service on outstanding revenue bonds and capital replacement for the revenue bond properties.

At June 30, 2008, the Authority's cash and cash equivalents are comprised of the following:

Deposits with financial institutions	\$ 34,710
Deposits with Washington County Investment Pool	4,045,989
Deposits with trustees	<u>4,159,224</u>
Total cash and cash equivalents	<u>\$ 8,239,923</u>

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

Notes to Basic Financial Statements

June 30, 2008

Cash and cash equivalents are reflected on the statement of net assets as follows:

Unrestricted:	
Cash and cash equivalents	\$ <u>1,902,846</u>
Restricted for:	
Housing Choice Voucher unspent HAP	2,653,926
Affordable housing reserves	3,011,490
Kaybern Terrace reserve	34,710
Tenant and other deposits	635,708
Retainage in escrow	<u>1,243</u>
Total restricted	<u>6,337,077</u>
Total cash and cash equivalents	<u>\$ 8,239,923</u>

(3) Capital Assets

Capital asset activity is as follows:

	Balance July 1, 2007	Additions	Disposals	Transfers	Balance June 30, 2008
Capital assets not being depreciated:					
Land	\$ 8,407,748	—	(368,399)	—	8,039,349
Construction in progress	632,489	801,356	(59,786)	(987,568)	386,491
Total capital assets not being depreciated	<u>9,040,237</u>	<u>801,356</u>	<u>(428,185)</u>	<u>(987,568)</u>	<u>8,425,840</u>
Capital assets being depreciated:					
Buildings	43,387,995	760,605	(1,212,222)	810,242	43,746,620
Office equipment	151,401	—	—	75,150	226,551
Vehicles	211,046	—	—	102,176	313,222
Total capital assets being depreciated	<u>43,750,442</u>	<u>760,605</u>	<u>(1,212,222)</u>	<u>987,568</u>	<u>44,286,393</u>
Less accumulated depreciation for:					
Buildings	(16,401,091)	(1,723,759)	893,602	—	(17,231,248)
Office equipment	(128,180)	(7,740)	—	—	(135,920)
Vehicles	(200,697)	(5,288)	—	—	(205,985)
Total accumulated depreciation	<u>(16,729,968)</u>	<u>(1,736,787)</u>	<u>893,602</u>	<u>—</u>	<u>(17,573,153)</u>
Total capital assets being depreciated, net	<u>27,020,474</u>	<u>(976,182)</u>	<u>(318,620)</u>	<u>987,568</u>	<u>26,713,240</u>
Total capital assets, net	<u>\$ 36,060,711</u>	<u>(174,826)</u>	<u>(746,805)</u>	<u>—</u>	<u>35,139,080</u>

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

Notes to Basic Financial Statements

June 30, 2008

(4) Long-term Debt

Bonds Payable

The Authority has issued revenue bonds for the purpose of acquiring and rehabilitating low-income housing. These bonds are special limited obligations of the Authority payable solely from the Trust Estate and do not constitute a debt of the County, the State of Oregon, or any political subdivision thereof. The Trust Estate consists of net revenues, all rights of the Trustee under the Deeds of Trust, all cash and investments of the funds and accounts (except the Rebate Fund), all available revenues of the Authority that are paid to the Trustee, and all other rights or property specifically transferred to the Trustee by the Authority. The bonds are not general obligations of the Authority and are not secured by taxing power. Available revenues other than those paid to the Trustee are not part of the Trust Estate.

The bond indenture agreement requires the Authority to maintain a sinking fund to provide for the annual payment of debt service equal to the maximum annual debt service for any one year. Debt service covenants require the Authority to meet a Debt Coverage Ratio Requirement of 1.2 to 1 in each fiscal year, but corrective action is not required if the Debt Coverage Ratio is 1.1 to 1 or higher. The Authority's Debt Coverage Ratio was above 2.17 to 1 for the year ended June 30, 2008.

Changes in face value of bonds payable are as follows:

Issue Date	Original Amount	Interest Rates	Outstanding July 1, 2007	Matured And Redeemed	Outstanding June 30, 2008
June 30, 1999	\$ 15,960,000	4.4 - 6.125%	\$ 14,465,000	(20,000)	14,445,000
August 13, 2001	8,440,000	4.25 - 6.0%	8,035,000	(115,000)	7,920,000
November 19, 2001	1,560,000	4.5 - 5.875%	1,445,000	(30,000)	1,415,000
June 26, 2002	5,950,000	2.25 - 6.125%	5,595,000	(95,000)	5,500,000
			29,540,000	(260,000)	29,280,000
Bond discount – current portion			(22,704)	—	(22,704)
Bond discount – long term portion			(502,555)	22,704	(479,851)
			<u>\$ 29,014,741</u>	<u>(237,296)</u>	<u>28,777,445</u>

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

Notes to Basic Financial Statements

June 30, 2008

Future maturities of bond principal and interest are as follows:

<u>Fiscal year ending June 30,</u>	<u>Revenue bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 285,000	1,739,263
2010	285,000	1,725,444
2011	435,000	1,707,326
2012	765,000	1,675,620
2013	805,000	1,632,207
2014-2018	4,780,000	7,371,892
2019-2023	6,370,000	5,722,192
2024-2028	8,540,000	3,489,460
2029-2033	6,615,000	857,904
2034	400,000	12,250
	<u>29,280,000</u>	<u>25,933,558</u>
Bond discount	<u>(502,555)</u>	<u>—</u>
	<u>\$ 28,777,445</u>	<u>25,933,558</u>

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

Current maturities – face value	\$ 285,000
Less unamortized bond discount	<u>(22,704)</u>
	<u>\$ 262,296</u>
Non-current maturities – face value	\$ 28,995,000
Less unamortized bond discount	<u>(479,851)</u>
	<u>\$ 28,515,149</u>

Notes and Contracts Payable

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

<u>Notes</u>	<u>Interest Rates</u>	<u>Outstanding July 1, 2007</u>	<u>Decrease</u>	<u>Outstanding June 30, 2008</u>
Farmer's Home Administration	9 to 9.5%	\$ 345,994	(2,019)	343,975
State of Oregon notes	0 to 8.97%	1,201,919	(335,804)	866,115
HOME contracts	3.0%	1,233,841	(56,394)	1,177,447
Washington County	4.6%	935,331	(57,044)	878,287
		<u>\$ 3,717,085</u>	<u>(451,261)</u>	<u>3,265,824</u>

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

Notes to Basic Financial Statements

June 30, 2008

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

Fiscal year ending June 30,	Notes Payable	
	Principal	Interest
2009	\$ 422,709	143,215
2010	452,577	128,348
2011	120,143	107,313
2012	79,580	102,778
2013	83,517	98,841
2014-2018	1,083,422	396,205
2019-2023	249,881	225,279
2024-2028	55,772	192,977
2029-2033	589,446	99,302
2034-2038	128,777	44,973
	\$ 3,265,824	1,539,231

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 approximately \$657,000 for administrative and maintenance costs. In addition, the Authority paid Washington County approximately \$2,508,000 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, 2008 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 within the Washington County self-insurance plan. 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.

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

Notes to Basic Financial Statements

June 30, 2008

As of June 30, 2008, there were nine series of multi-family Housing Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$50,446,000.

(8) Litigation

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

(9) Subsequent events

The Authority is in the process of selling of forty public housing properties. These properties are single-family dwellings, and have HUD approval to be sold, with the proceeds to be used for other housing purposes. As of June 30, 2008, thirty properties had been sold. As of the date of this report, five additional properties had been sold.

The Authority also has HUD approval to sell up to forty public housing properties to Section 8 and Public Housing program participants, under a first-time homebuyer program. Two units were sold during the year.

On July 1, 2008, the Washington County Board of Commissioners approved a resolution agreeing to pledge the full faith and credit of Washington County to a bond issue to refinance the Authority's affordable housing portfolio at a more favorable interest rate. As of the date of this report, the refinancing has not yet been executed.

On September 2, 2008, the Washington County Board of Commissioners approved a resolution to extend an existing intergovernmental loan between the Authority and the County. The new note continues annual payments of \$100,000, but revises the repayment date from June 30, 2010 to June 30, 2020. The debt service schedules in this report reflect this change in terms.

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

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**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, and comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth in the following pages.

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**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

January 23, 2009

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, 2008, and have issued our report thereon dated January 23, 2009. 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

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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.

AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS (Continued)

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of basic 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 instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and are reported in the Washington County, Oregon, Federal Grant Programs Report for the year ended June 30, 2008.

ADEQUACY OF ACCOUNTING RECORDS

The Authority's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements.

ADEQUACY OF COLLATERAL SECURING DEPOSITORY BALANCES

Oregon Revised Statutes Chapter 295 requires that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of adequacy of collateral securing depository balances indicated that the collateral was sufficient for the year ended June 30, 2008.

INVESTMENTS

Our review of deposit and investment balances indicated that, during the year ended June 30, 2008, the Authority was in compliance with ORS 294 as it pertains to investment of public funds.

LEGAL REQUIREMENTS RELATING TO DEBT

We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the Authority's liabilities, and no breach of bond covenant agreements for the year ended June 30, 2008.

BUDGET COMPLIANCE

The Authority is not required to prepare annual budgets in accordance with Oregon Local Budget Law (ORS 294.305 to 294.520).

INSURANCE POLICIES AND FIDELITY BONDS

We have reviewed the Authority's insurance and fidelity bond coverage at June 30, 2008. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering the Authority-owned property at June 30, 2008.

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS (Continued)**

PUBLIC CONTRACTS

The Authority's procedures for awarding public contracts were reviewed and found to be in accordance with ORS Chapter 279.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

We reviewed and tested transactions and reports relative to federal and state grant awards received and expended by the Authority. Based on our testing, it appears the Authority was in compliance with the requirements of the federal and state grant awards received and expended.

FINANCIAL REPORTING REQUIREMENTS

We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

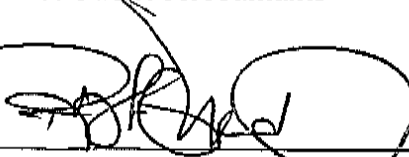
HIGHWAY FUNDS

The Authority does not receive revenue from taxes on motor vehicle fuel; therefore, compliance with the legal requirement pertaining to highway funds is not applicable to the Authority.

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

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By 
Robert G. Moody, Jr., Partner