



**Financial Statements and Supplementary Information**  
**The Housing Authority**  
**of Washington County**  
(A COMPONENT UNIT OF WASHINGTON COUNTY, OREGON)



For the Fiscal Year ending June 30, 2010

**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, 2010

<u>Name</u>	<u>Term Expires</u>
Tom Brian * Director	December 31, 2010
Andy Duyck * Director	December 31, 2013
Carol Gakin Director	December 31, 2011
Roy Rogers * Director	December 31, 2014
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)**

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

The Housing Authority of Washington County is pleased to present the Audited Financial Statements for the fiscal year ending June 30, 2010.

***Housing Authority Programs***

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

- The Section 8 Housing Choice Voucher program is the largest program administered by the Authority. The US Department of Housing and Urban Development (HUD) provides funding to provide up to 2,610 families with rental assistance, in the form of direct payments to landlords for all or part of their rent, depending on income. Clients obtain assistance through an application and screening process that gives preference to elderly and disabled individuals. There are currently over 6,000 applicants on the wait list, and the program is near to 100% utilization of available vouchers, so new applicants have a three- to four-year wait for voucher availability. During FY10, the Authority was successful in applying for 25 Veterans Affairs Supportive Housing (VASH) vouchers, which will provide veterans with housing in conjunction with services received from Veterans Affairs. Another Section 8 program is Family Self-Sufficiency (FSS), under which individuals who voluntarily participate in a self-sufficiency program are eligible for additional funds, which are placed in escrow each month, and are available for education costs or to start a business when the participant successfully completes the program. The Authority currently has 60 participants in the FSS program.
- The Low Rent Public Housing program provides housing directly to 243 families in Authority-owned, HUD-subsidized rental housing. These units, primarily single-family dwellings and duplexes, were acquired by the Authority between 1979 and 1996. Rent is based on income, and HUD provides an operating subsidy and capital improvement funds. During FY10, the Authority invested \$700,000 in modernization, nearly all of which was provided by the 2009 American Recovery and Reinvestment Act (ARRA).
- The Authority owns two Project-Based Section 8 rental properties for low-income seniors, totaling 188 units. Like the regular Section 8 program, the rent is based on income, and the Authority receives an operating subsidy to supplement rent receipts. Other subsidized properties include a 12-unit USDA-supported property and five units of supportive and transitional housing which receive services from other county agencies, and are funded through loan subsidies from the State of Oregon and Supportive Housing funds from HUD.

- The Authority also owns 333 units of affordable housing, in ten locations, which do not receive direct rental subsidies. These units are priced for families earning under 60% of the area median income. The most recent acquisitions to this portfolio are two single-family homes acquired in FY10 through the federal Neighborhood Stabilization Fund (NSF). An additional unit has been acquired under this program in FY11. The Authority also acquired Aloha Park in FY11. This 80-unit property, with an assessed property tax market value of \$2.4 million, was acquired by the Authority for a price of \$1.00.

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

All of the Housing Authority programs are administered by the 39 employees of the Washington County Department of Housing Services, which, while in form is a separate entity from the Authority, in substance is one and the same. The Department is a special revenue fund of Washington County and, in addition to providing the operating and maintenance needs of the Authority, administers the following homeless programs:

- Ten-Year Plan. On June 3, 2008, the Board of County Commissioners adopted a first-ever strategic plan that moves homeless families and individuals to self-sufficiency. This plan provides the framework for the County's efforts to reduce homelessness. Details of the plan can be found in *A Road Home: 10-Year Plan to End Homelessness in Washington County*, which is available on the Department web site. General fund contributions of \$262,000 in FY10 and \$285,850 in FY11 were budgeted for support of homeless programs.
- Homeless to Work Program. Washington County contracts with Bridges To Change, a nonprofit agency providing housing and jobs mentoring, to operate the *Homeless To Work Program (HTW)*. Implemented in May 2009, HTW serves 12 unaccompanied adults with transitional housing, supportive services, and job counseling.
- Sequoia Mental Health Clinic. In August, 2010, Washington County received a grant from the US Department of Health and Human Services, in the amount of \$346,500 for the construction of a mental health clinic to be located in Aloha. Washington County will partner with Sequoia Mental Health Services, Inc., a nonprofit mental health provider and property owner to construct the mental health clinic.
- Shelter Plus Care. Combines housing vouchers similar to the Section 8 program with services provided by non-profit organizations. Approximately 175 families are currently served.
- Supportive Housing. The Supportive Housing Program (SHP) uses federal awards to promote the development of supportive housing and supportive services, to reduce homelessness. Competitive grant applications are submitted annually. The County received \$888,000 in awards in the 2010 funding cycle, providing assistance to nine programs, including two administered directly by the department.

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

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

The major HUD-funded programs of the Authority (Section 8, Public Housing) are self-sufficient. The Authority operates these programs within the amounts received for them. The other major program is Affordable Housing. The Affordable Housing properties were acquired between 1999 and 2001, and the budgeted cash flows for these properties contained optimistic revenue and expense projections and did not anticipate some of the major deferred maintenance expenditures that would be required for the properties. As a result, the non-HUD programs had cumulative losses in unrestricted net assets of \$2.6 million by June, 2007, and were losing about \$1 million per year.

The Authority had been looking for ways to bring the non-HUD programs back to solvency, and in 2007 embarked on a two-pronged approach. First, the Authority obtained approval to sell 40 units of Public Housing, which were in remote locations in the county. In return, the Authority was able to acquire 40 additional Housing Choice Vouchers to replace the lost units, and to use the proceeds to support some of the operating and capital costs of the non-HUD properties. This provided funds to bring the unrestricted fund balance back into positive territory, over time, but the funds remain restricted until used, and it is estimated that all the funds will not be applied to the non-HUD properties until 2017.

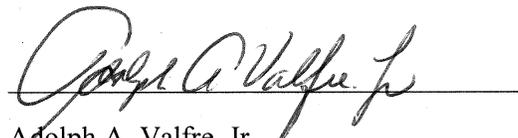
Second, the Authority worked with the County to refinance its debt. This process took more than two years, due to the changing financial situation nationally. In November, 2009, the County issued Full Faith and Credit Refunding Obligations to defease and refund the existing bonds, in return for a promissory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

### ***Future Initiatives***

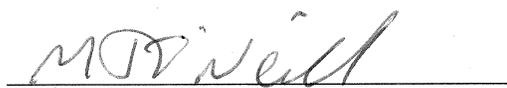
An opportunity to expound on other funds/opportunities we are pursuing.

The Authority continues to look toward funding opportunities that promote affordable housing, essential services and self-sufficiency in Washington County for low-income families. Such an opportunity occurred when the Authority joined as a member of a consortium of the four county governments, other housing authorities and regional community based organizations to seek HUD/DOT sustainable communities funding for planning efforts to promote livable communities. Similarly, the Authority collaborated with the County (LUT and OCD) in a HUD/DOT Community Challenge/Tiger II Planning grant that garnered a \$2.0M award to improve affordable housing, economic development and transit opportunities in the Aloha-Reedville Study area. The Authority has also submitted an application requesting funding through a Metro RTO grant for a mobility coordinator as part of an innovative pilot project with the region's four housing authorities and three Worksystem organizations. The Authority is planning to seek additional HUD-VA VASH vouchers in 2011.

Respectfully Submitted,

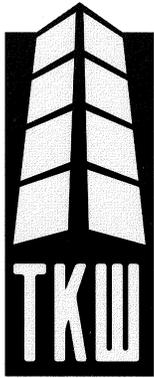


Adolph A. Valfre, Jr.  
Director



Michael O'Neill  
Administrative Services Manager

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## INDEPENDENT AUDITOR'S REPORT

December 17, 2010

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

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

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We have audited the accompanying 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, 2010, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2010, 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 December 17, 2010, 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.

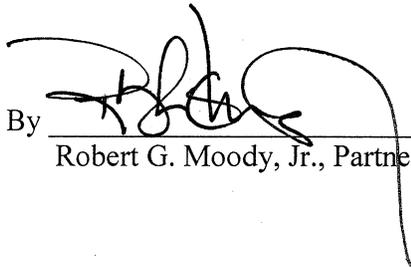
**INDEPENDENT AUDITOR'S REPORT (Continued)**

Housing Authority of Directors  
Washington County Board of Commissioners  
Housing Authority of Washington County  
December 17, 2010  
Page 2

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The Supplementary Information, as listed in the Table of Contents, is presented for purpose 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, 2010. We encourage readers to consider information presented here in conjunction with the financial statements, which begin on page 13. All amounts in this Management's Discussion and Analysis, unless otherwise indicated, are expressed in thousands of dollars.

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

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$11,155. Net assets invested in capital assets (net of depreciation and related debt) were \$5,416 and account for 49% of total net assets. Restricted net assets total \$8,014, so the Authority is in a deficit position with respect to its unrestricted net assets. This is due to a notice from the US Department of Housing and Urban Development (HUD) received in FY2009, requiring the reclassification of \$4,943 of proceeds from the sale of property from unrestricted to restricted cash. These proceeds, as well as other funds, reside in the same bank account cash pool as the overdraft, so the balance for the Authority as a whole is a positive amount. Proceeds of property sales are restricted by HUD for use on certain eligible costs. The expenditure of restricted funds for these costs allows the Authority to defer spending of unrestricted funds, which over time will allow for elimination of the book overdraft.
- The Authority's total net assets decreased by \$301.
- The Authority's total gross debt decreased by \$2,974 (7.5%) during the current fiscal year, due to refunding old debt with a note to Washington County. Bond reserves of the refunded debt were applied to the prior outstanding balance. The decrease in bonded debt is offset by the note to the county as described previously.

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

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

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

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

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

The *Statement of Revenues, Expenses and Changes in Fund Net Assets* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that

will only result in cash flows in future fiscal periods (e.g., depreciation).

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

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

The basic financial statements can be found on pages 13 through 24 of this report.

## Authority Financial Analysis

### *Assets, Liabilities and Net Assets*

The following provides a summary of the Authority's net assets for 2010 compared to 2009. The prior year is reclassified to reflect corrections to the accounting for net assets.

	<b>Dollars in thousands</b>		
	<b>2010</b>	<b>2009 Reclassified</b>	<b>Change</b>
<b>Assets:</b>			
Assets, excluding capital assets	\$ 12,329	15,859	(3,530)
Capital assets	33,466	34,093	(627)
Total assets	<u>45,795</u>	<u>49,952</u>	<u>(4,157)</u>
<b>Liabilities:</b>			
Other current and restricted liabilities	6,647	7,892	(1,245)
Long-term debt	27,993	30,604	(2,611)
Total liabilities	<u>34,640</u>	<u>38,496</u>	<u>(3,856)</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	5,416	3,346	2,070
Restricted	8,014	9,959	(1,945)
Unrestricted (deficit)	(2,275)	(1,849)	(426)
Total net assets	<u>\$ 11,155</u>	<u>11,456</u>	<u>(301)</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$11,155 at the close of the most recent fiscal year.

Assets decreased by \$4,157 during FY 2010. Assets excluding capital assets decreased \$3,530 due to the application of restricted cash reserves to the bond refunding referred to above. Capital assets decreased by \$627, due to disposals and depreciation expense in excess of acquisitions.

Liabilities decreased by \$3,856, of which long-term debt decreased \$2,611, due primarily to deferred refunding costs associated with the bond refunding. Other current and restricted liabilities decreased by \$1,245 due to debt payments.

Forty-nine percent of the Authority's net assets (\$5,416) reflects investment in capital assets, primarily housing, less any related debt used to acquire those assets that is still outstanding. Seventy-two percent of the Authority's net assets (\$8,014) consists of cash restricted by a County loan agreement for debt service, and cash restricted by HUD for future HAP payments and future

expenditure of proceeds from property sales. The deficit in unrestricted net assets of the Authority will decline as the proceeds from property sales are applied to eligible operating and capital expenditures.

The total net assets of the Authority decreased by \$301. Net assets invested in capital assets net of related debt increased by \$2,070, due to property acquisitions in excess of dispositions and depreciation in excess of acquisitions and debt service payments. Restricted net assets decreased \$1,945 due to the elimination of bond reserves as part of the bond refinancing. Unrestricted net assets decreased \$426.

***Changes in Net Assets***

The following provides a summary of the Authority's change in net assets for 2010 compared to 2009:

<b>Dollars in thousands</b>			
	<b>2010</b>	<b>2009</b>	<b>Change</b>
<b>Revenues:</b>			
Intergovernmental revenues	\$ 20,855	20,141	714
Rental income	4,615	4,388	227
Other revenue	1,165	711	454
Total revenues	<u>26,635</u>	<u>25,240</u>	<u>1,395</u>
<b>Expenses:</b>			
Housing assistance payments	17,842	17,009	833
Other operating expenses	8,660	8,502	158
Non-operating expenses, net	1,522	1,613	(91)
Total expenses	<u>28,024</u>	<u>27,124</u>	<u>900</u>
Net loss before capital contributions and sale of assets	(1,389)	(1,884)	495
Gain on sale of assets	386	955	(569)
Capital contributions	702	868	(166)
Increase in net assets	<u>(301)</u>	<u>(61)</u>	<u>(240)</u>
Net assets, beginning of year	<u>11,456</u>	<u>11,517</u>	<u>(61)</u>
Net assets, end of year	<u>\$ 11,155</u>	<u>11,456</u>	<u>(301)</u>

Total revenues increased by \$1,395, or 5.5% from the previous year. Intergovernmental revenues increased \$714, primarily due to increased Housing Choice Voucher and Low Rent Public Housing receipts. Rental income increased \$227 due to higher occupancy and higher rents from the Authority's non-subsidized rental housing. Other revenue increased \$454 due primarily to increased contributions to the Authority's homeless programs from the County.

Total expenses increased by \$900, or 3.3%. Housing assistance payments increased by \$833, due to increased lease-ups. Other operating expenses increased \$158, due to pay increases offset by increased operating efficiencies. Non-operating expenses decreased \$91 due to decreased interest revenue offset by decreased interest expense.

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

Capital contributions decreased \$166, due to decreased Capital Fund receipts for modernization of public housing stock.

## **Capital Assets and Debt Administration**

### ***Capital Assets***

As of June 30, 2010, the Authority's capital assets were \$33,466 (net of accumulated depreciation). Capital assets include land, buildings, improvements, vehicles, and office equipment.

The Authority invested \$1,355 in capital improvements, which included the following:

- \$659 of Public Housing modernization, funded by federal Capital Fund and American Recovery and Reinvestment Act (ARRA) funds;

- \$486 for two rental dwellings, from a zero-interest federal Neighborhood Stabilization Program (NSP) loan; and

- \$120 for upgrades to windows and appliances at Holly Tree Village, from funds provided by the Community Action Organization.

Additional detail may be found on page 21 in the Notes to Basic Financial Statements.

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

At the end of the current fiscal year, the Authority had total obligations outstanding of \$28,367. Of this amount, \$25,534 consisted of a new note payable to Washington County secured by the properties formerly financed by bonds refunded by Washington County Full Faith and Credit Refunding Obligations, \$2,047 of notes to other lenders, secured by the same properties, \$73 of notes secured by mortgages, and \$713 in unsecured obligations to Washington County. Additional detail may be found on pages 21-23 in the Notes to Basic Financial Statements.

## **Budget Information**

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

## **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 in the process of acquiring additional property. Additional detail may be found in Note 9 on page 24 of the Notes to Basic Financial Statements.

## **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, 2010

**Assets**

Current assets:

Unrestricted cash and cash equivalents	\$ 2,154,915
Restricted cash and cash equivalents	600,370
Accounts receivable (net of allowance for uncollectibles)	840,681
Current portion of contracts receivable	2,364
Other current assets	30,116
Total current assets	3,628,446

Non-current assets:

Restricted cash and cash equivalents	8,257,459
Contracts receivable	442,979
Capital assets, non-depreciable	8,647,009
Capital assets, depreciable, net	24,818,816
Total noncurrent assets	42,166,263
Total assets	45,794,709

**Liabilities**

Current liabilities:

Book overdraft	4,756,478
Accounts payable	218,181
Deferred revenue	8,808
Accrued interest payable	689,483
Current portion of notes and contracts payable	373,966
Total current liabilities	6,046,916
Total current liabilities	6,647,286

Current liabilities payable from restricted assets:

Tenant and other deposits	600,370
Total current liabilities payable from restricted assets	600,370

Non-current liabilities:

Notes and contracts payable	27,992,766
Total non-current liabilities	27,992,766
Total liabilities	34,640,052

**Net Assets**

Invested in capital assets, net of related debt	5,416,071
Restricted	8,013,627
Unrestricted (deficit)	(2,275,041)
Total net assets	\$ 11,154,657

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, 2010

Operating revenues:	
Intergovernmental revenues	\$ 20,855,401
Rental income	4,614,800
Other	1,164,479
Total operating revenues	<u>26,634,680</u>
Operating expenses:	
Housing assistance payments	17,841,973
Repairs and maintenance	2,407,082
Administrative costs	3,489,175
Utilities	447,415
Depreciation	1,794,002
Other	522,246
Total operating expenses	<u>26,501,893</u>
Operating income	<u>132,787</u>
Non-operating revenues (expenses):	
Gain on sale of assets	385,613
Interest on investments	109,550
Interest and amortization	(1,631,218)
Total non-operating revenues (expenses)	<u>(1,136,055)</u>
Loss before capital contributions	(1,003,268)
Capital contributions	701,887
Decrease in net assets	<u>(301,381)</u>
Net assets, beginning of year	<u>11,456,038</u>
Net assets, end of year	<u>\$ 11,154,657</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, 2010

Cash flows from operating activities:	
Cash received for services provided	\$ 26,671,763
Cash payments for labor and benefits	(3,454,670)
Cash payments for goods and services	(21,343,592)
Net cash provided by operating activities	<u>1,873,501</u>
Cash flows from capital and related financing activities:	
Capital contributions	701,887
Acquisition of capital assets	(868,762)
Proceeds from the sale of capital assets	573,945
Decrease in contracts receivable	2,294
Current maturities and principal payments of notes payable	(479,147)
Current maturities and principal payments of bonds payable	(285,000)
Amounts placed in escrow to refund debt	(27,591,949)
Proceeds of borrowings - County	25,428,898
Interest paid on bonds and notes payable	(1,721,698)
Net cash used for capital and related financing activities	<u>(4,239,532)</u>
Cash flows from investing activities:	
Interest on investments	<u>109,550</u>
Net decrease in cash and cash equivalents	(2,256,481)
Cash and cash equivalents at beginning of year	<u>8,512,747</u>
Cash and cash equivalents at end of year (1)	<u><u>\$ 6,256,266</u></u>
Reconciliation of operating income to net cash provided from operating activities:	
Operating income	\$ 132,787
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,794,002
Changes in assets and liabilities:	
Decrease in accounts receivable, net	47,173
Increase in other current assets	(4,569)
Decrease in accounts payable	(77,682)
Decrease in deposits	(8,120)
Decrease in deferred revenue	(10,090)
Net cash provided by operating activities	<u><u>\$ 1,873,501</u></u>
(1) Cash and cash equivalents are reflected on the Statement of Net Assets as follows:	
Current assets - unrestricted	\$ 2,154,915
Current liabilities - book overdraft	(4,756,478)
Current assets - restricted	600,370
Noncurrent assets - restricted	8,257,459
	<u><u>\$ 6,256,266</u></u>
Disclosure of non-cash transaction:	
New note for acquisition of property	485,903

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, 2010

**(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 Accounting Standards Codification (FASB ASC) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements. No FASB ASC guidance issued after November 30, 1989 have been applied as allowed by GASB Statement No. 20.

***Use of Estimates***

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

***Restricted vs. Unrestricted Net Assets***

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

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***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 of approximately \$13,000.

***Other Current Assets***

Other current assets consist of supplies inventory and prepaid expenses.

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

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

***Capital Assets***

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

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

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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 three second mortgages and two third mortgages for low-income home purchasers in the amount of \$92,374. The Authority is owed \$352,969 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.

***Deferred Refunding Costs***

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

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

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

**(2) Cash and Cash Equivalents**

***Deposits with Financial Institutions***

The Authority's deposits with financial institutions are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The bank balance as of June 30, 2010 maintained by the Authority was \$36,148, all of which was covered by FDIC.

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June 30, 2010

***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, 2010 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, 2010, the Authority's cash and cash equivalents are comprised of the following:

Deposits with financial institutions	\$ 36,148
Deposits with Washington County Investment Pool	<u>6,220,118</u>
Total cash and cash equivalents	<u><u>\$ 6,256,266</u></u>

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

Unrestricted:	
Unrestricted cash and cash equivalents	\$ 2,154,915
Book overdraft	(4,756,478)
Total unrestricted	<u>(2,601,563)</u>
Restricted for:	
Housing Choice Voucher unspent housing assistance payments	2,889,101
VASH (Veterans Affairs) unspent housing assistance payments	14,883
Proceeds and interest from Public Housing property sales	4,942,943
Affordable housing bond reserve	128,487
Affordable housing replacement reserves	243,832
Kaybern Terrace replacement reserve	36,148
Retainage in escrow	2,065
Restricted for payment of current liabilities	<u>600,370</u>
Total restricted	<u>8,857,829</u>
Total cash and cash equivalents	<u>\$ 6,256,266</u>

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

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Notes to Basic Financial Statements

June 30, 2010

**(3) Capital Assets**

Capital asset activity is as follows:

	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Balance June 30, 2010</b>
Capital assets not being depreciated:					
Land	\$ 7,887,398	103,552	(62,024)	—	7,928,926
Construction in progress	488,149	731,293	(79,283)	(422,076)	718,083
Total capital assets not being depreciated	<u>8,375,547</u>	<u>834,845</u>	<u>(141,307)</u>	<u>(422,076)</u>	<u>8,647,009</u>
Capital assets being depreciated:					
Buildings	44,147,926	519,820	(199,632)	422,076	44,890,190
Office equipment and other	113,645	—	—	—	113,645
Vehicles	319,158	—	—	—	319,158
Total capital assets being depreciated	<u>44,580,729</u>	<u>519,820</u>	<u>(199,632)</u>	<u>422,076</u>	<u>45,322,993</u>
Less accumulated depreciation for:					
Buildings	(18,603,958)	(1,733,391)	152,607	—	(20,184,742)
Office equipment and other	(55,805)	(32,790)	—	—	(88,595)
Vehicles	(203,019)	(27,821)	—	—	(230,840)
Total accumulated depreciation	<u>(18,862,782)</u>	<u>(1,794,002)</u>	<u>152,607</u>	<u>—</u>	<u>(20,504,177)</u>
Total capital assets being depreciated, net	<u>25,717,947</u>	<u>(1,274,182)</u>	<u>(47,025)</u>	<u>422,076</u>	<u>24,818,816</u>
Total capital assets, net	<u>\$ 34,093,494</u>	<u>(439,337)</u>	<u>(188,332)</u>	<u>—</u>	<u>33,465,825</u>

**(4) Long-term Debt**

***Bonds Payable***

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

The purpose of the refunding was to reduce the annual debt service incurred by the Authority, through lower interest rates and a longer maturity. The aggregate difference between the refunding debt and the refunded debt is \$10,938,499. The net present value benefit of the transaction is \$1,909,386, or 6.651% of the refunded principal.

Deferred refunding costs of \$3,556,102 are amortized using the straight-line method over twenty years, which is the shortest original remaining life of the debt instruments refunded.

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Changes in face value of bonds payable are as follows:

Issue Date	Original Amount	Interest Rates	Outstanding July 1, 2009	Issued	Matured And Redeemed	Outstanding June 30, 2010
June 30, 1999	\$ 15,960,000	4.4 – 6.125%	\$ 14,420,000	—	(14,420,000)	—
August 13, 2001	8,440,000	4.25 -6.0%	7,790,000	—	(7,790,000)	—
November 19, 2001	1,560,000	4.5 – 5.875%	1,385,000	—	(1,385,000)	—
June 26, 2002	5,950,000	2.25-6.125%	5,400,000	—	(5,400,000)	—
			28,995,000	—	(28,995,000)	—
Bond discount – current			(22,704)	—	22,704	—
Bond discount – long term			(457,147)	—	457,147	—
			\$ 28,515,149	—	(28,515,149)	—

***Notes and Contracts Payable***

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

Notes	Interest Rates	Outstanding July 1, 2009	Increase	Decrease	Outstanding June 30, 2010
Farmer's Home Administration	9 to 9.5%	\$ 341,756	—	(2,438)	339,318
State of Oregon notes	0 to 8.97%	505,288	—	(387,734)	117,554
Office of Community Development	0%	—	485,903	—	485,903
HOME contracts	3.0%	1,177,447	—	—	1,177,447
Washington County IGA	4.6%	801,635	—	(88,975)	712,660
Washington County Loan Agreement	2.25% to 5.0%	—	28,985,000	—	28,985,000
		2,826,126	29,470,903	(479,147)	31,817,882
Deferred refunding – current		—	(160,095)	—	(160,095)
Deferred refunding – long term		—	(3,396,007)	104,952	(3,291,055)
		\$ 2,826,126	25,914,801	(374,195)	28,366,732

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

<u>Fiscal year ending June 30,</u>	<u>Notes and Contracts Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 534,061	1,349,681
2012	473,498	1,302,147
2013	480,458	1,291,806
2014	492,508	1,281,204
2015	504,658	1,269,787
2016-2020	2,710,004	6,107,914
2021-2025	3,272,007	5,534,160
2026-2030	4,032,371	4,778,947
2031-2035	4,993,050	3,810,179
2036-2040	6,199,364	2,522,030
2041-2045	7,640,000	942,334
Due on sale of property	485,903	—
	<u>\$ 31,817,882</u>	<u>30,190,189</u>

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

Current maturities – face value	\$ 534,061
Less deferred refunding	<u>(160,095)</u>
	<u>\$ 373,966</u>
Non-current maturities – face value	\$ 31,283,821
Less deferred refunding	<u>(3,291,055)</u>
	<u>\$ 27,992,766</u>

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 \$800,000 for administrative and maintenance costs. In addition, the Authority paid Washington County approximately \$2,800,000 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, 2010 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.

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**(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, 2010, there were six series of multi-family Housing Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$30,329,000.

**(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**

On October 15, 2010, the Authority acquired Aloha Park Apartments, an 80-unit low-income HUD-subsidized housing property in Beaverton, with an assessed property tax market value of \$2.4 million, for \$1.00.

On November 17, 2010, the Authority acquired an additional housing unit under the Federal Neighborhood Stabilization Program (NSP). The award requires a non-interest-bearing note that does not require repayment as long as the unit remains affordable. The purchase price of the unit was \$161,500.

## **SUPPLEMENTARY INFORMATION**

**THE HOUSING AUTHORITY OF  
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Financial Data Schedule

June 30, 2010

Assets	<u>Disaster Vouchers</u>	<u>VASH Vouchers</u>	<u>Housing Choice Vouchers</u>	<u>Low Rent Public Housing</u>	<u>Business Activities</u>	<u>Total</u>	<u>Allocated Overhead</u>	<u>HAWC Total</u>
<b>Current assets</b>								
<b>Cash</b>								
Unrestricted	\$ —	—	51,208	2,103,707	—	2,154,915	—	2,154,915
Other restricted	—	14,883	2,889,102	4,942,943	410,531	8,257,459	—	8,257,459
Tenant security deposits	—	—	—	49,727	258,583	308,310	—	308,310
Restricted for payment of current liabilities	—	—	246,282	15,778	30,000	292,060	—	292,060
<b>Total cash</b>	<b>—</b>	<b>14,883</b>	<b>3,186,592</b>	<b>7,112,155</b>	<b>699,114</b>	<b>11,012,744</b>	<b>—</b>	<b>11,012,744</b>
<b>Receivables</b>								
Accounts receivable - HUD other projects	—	—	42,839	98,888	20,545	162,272	—	162,272
Accounts receivable - miscellaneous	—	—	27,841	672	523,386	551,899	327	552,226
Accounts receivable-tenants-dwelling rents	—	—	—	88,559	52,366	140,925	(1,285)	139,640
Allowance for doubtful accounts - dwelling rents	—	—	—	(12,835)	(622)	(13,457)	—	(13,457)
Notes, loans and mortgages receivable - current	—	—	—	—	2,364	2,364	—	2,364
<b>Total receivables net of allowances for doubtful accounts</b>	<b>—</b>	<b>—</b>	<b>70,680</b>	<b>175,284</b>	<b>598,039</b>	<b>844,003</b>	<b>(958)</b>	<b>843,045</b>
Prepaid expenses and other assets	—	—	—	639	23,617	24,256	860	25,116
Inventories	—	—	—	10,000	—	10,000	—	10,000
Inventories - reserve for obsolescence	—	—	—	(5,000)	—	(5,000)	—	(5,000)
<b>Total current assets</b>	<b>—</b>	<b>14,883</b>	<b>3,257,272</b>	<b>7,293,078</b>	<b>1,320,770</b>	<b>11,886,003</b>	<b>(98)</b>	<b>11,885,905</b>
<b>Non-current assets</b>								
<b>Capital assets</b>								
Land	—	—	—	3,625,840	4,303,086	7,928,926	—	7,928,926
Buildings	—	—	—	14,877,106	30,013,084	44,890,190	—	44,890,190
Furniture, equipment and machinery - administration	—	—	—	335,889	—	335,889	96,914	432,803
Accumulated depreciation	—	—	—	(10,572,588)	(9,854,056)	(20,426,644)	(77,533)	(20,504,177)
Construction in progress	—	—	—	688,677	29,406	718,083	—	718,083
<b>Total capital assets, net</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>8,954,924</b>	<b>24,491,520</b>	<b>33,446,444</b>	<b>19,381</b>	<b>33,465,825</b>
Notes, loans and mortgages receivable non-current	—	—	—	—	442,979	442,979	—	442,979
<b>Total non-current assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>8,954,924</b>	<b>24,934,499</b>	<b>33,889,423</b>	<b>19,381</b>	<b>33,908,804</b>
<b>Total assets</b>	<b>\$ —</b>	<b>14,883</b>	<b>3,257,272</b>	<b>16,248,002</b>	<b>26,255,269</b>	<b>45,775,426</b>	<b>19,283</b>	<b>45,794,709</b>
<b>Liabilities and net assets</b>								
<b>Liabilities</b>								
<b>Current liabilities</b>								
Bank overdraft	\$ —	—	—	—	4,744,969	4,744,969	11,509	4,756,478
Accounts payable	—	—	4,792	189,224	16,391	210,407	7,774	218,181
Accrued interest payable	—	—	—	—	689,483	689,483	—	689,483
Tenant security deposits	—	—	—	49,727	258,583	308,310	—	308,310
Deferred revenues	—	—	—	4,571	4,237	8,808	—	8,808
Current portion of long-term debt, capital project:	—	—	—	—	300,819	300,819	—	300,819
Loan liability, current	—	—	—	—	73,147	73,147	—	73,147
Other current liabilities	—	—	246,281	15,779	30,000	292,060	—	292,060
<b>Total current liabilities</b>	<b>—</b>	<b>—</b>	<b>251,073</b>	<b>259,301</b>	<b>6,117,629</b>	<b>6,628,003</b>	<b>19,283</b>	<b>6,647,286</b>
<b>Non-current liabilities</b>								
Long-term debt, capital projects	—	—	—	—	27,992,766	27,992,766	—	27,992,766
<b>Total non-current liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>27,992,766</b>	<b>27,992,766</b>	<b>—</b>	<b>27,992,766</b>
<b>Total liabilities</b>	<b>—</b>	<b>—</b>	<b>251,073</b>	<b>259,301</b>	<b>34,110,395</b>	<b>34,620,769</b>	<b>19,283</b>	<b>34,640,052</b>
<b>Net assets (deficit):</b>								
Invested in capital assets, net of related debt	—	—	—	8,954,924	(3,558,234)	5,396,690	19,381	5,416,071
Restricted	—	14,883	2,889,102	4,942,943	166,699	8,013,627	—	8,013,627
Unrestricted	—	—	117,097	2,090,834	(4,463,591)	(2,255,660)	(19,381)	(2,275,041)
<b>Total net assets (deficit)</b>	<b>—</b>	<b>14,883</b>	<b>3,006,199</b>	<b>15,988,701</b>	<b>(7,855,126)</b>	<b>11,154,657</b>	<b>—</b>	<b>11,154,657</b>
<b>Total liabilities and net assets</b>	<b>\$ —</b>	<b>14,883</b>	<b>3,257,272</b>	<b>16,248,002</b>	<b>26,255,269</b>	<b>45,775,426</b>	<b>19,283</b>	<b>45,794,709</b>

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

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Financial Data Schedule  
For the year ended June 30, 2010

	Disaster Vouchers	VASH Vouchers	Housing Choice Vouchers	Operating Fund	Capital Fund	Business Activities	FDS Total	Allocated Overhead	HAWC Total
<b>Revenues and expenses</b>									
<b>Revenues</b>									
Net tenant rental revenue	\$ —	—	—	548,103	—	4,066,697	4,614,800	—	4,614,800
Tenant revenue - other	—	—	—	55,062	—	88,805	143,867	—	143,867
HUD PHA operating grants	—	14,883	19,258,118	991,495	504,257	—	20,768,753	—	20,768,753
Capital grants	—	—	—	—	701,887	—	701,887	—	701,887
Other government grants	—	—	—	—	—	86,648	86,648	—	86,648
Investment income - unrestricted	—	—	2,197	33,248	—	(36,184)	(739)	—	(739)
Mortgage interest income	—	—	—	—	—	1,021	1,021	—	1,021
Fraud recovery - unrestricted	—	—	6,783	—	—	—	6,783	—	6,783
Fraud recovery - restricted	—	—	6,782	—	—	—	6,782	—	6,782
Other revenue	—	—	295,660	6,993	—	704,394	1,007,047	—	1,007,047
Gain on sale of assets	—	—	—	385,613	—	—	385,613	—	385,613
Investment income - restricted	—	—	40,175	69,093	—	—	109,268	—	109,268
<b>Total revenues</b>	<b>—</b>	<b>14,883</b>	<b>19,609,715</b>	<b>2,089,607</b>	<b>1,206,144</b>	<b>4,911,381</b>	<b>27,831,730</b>	<b>—</b>	<b>27,831,730</b>
<b>Operating expenses</b>									
Administrative salaries	—	—	548,043	88,425	44,159	406,180	1,086,807	621,690	1,708,497
Auditing fees	—	—	20,626	16,030	—	4,842	41,498	9,702	51,200
Management fee	—	—	—	—	—	142,586	142,586	—	142,586
Advertising and marketing	—	—	934	356	—	472	1,762	—	1,762
Employee benefit contributions	—	—	240,704	39,274	17,589	116,029	413,596	241,539	655,135
Office expenses	—	—	9,317	5,172	16	46,615	61,120	2,201	63,321
Legal expenses	—	—	3,255	6,822	—	13,393	23,470	78	23,548
Travel expenses	—	—	4,035	85	1,285	3,545	8,950	1,020	9,970
Allocated overhead	—	—	616,488	436,922	—	109,636	1,163,046	(1,163,046)	—
Other operating	36	—	226,758	208,126	11,441	82,440	528,801	304,355	833,156
Water	—	—	—	15,291	—	83,513	98,804	—	98,804
Electricity	—	—	—	8,090	—	68,966	77,056	—	77,056
Sewer	—	—	—	29,080	—	208,363	237,443	—	237,443
Gas	—	—	—	3,170	—	28,962	32,132	—	32,132
Other utility expense	—	—	—	1,843	—	137	1,980	—	1,980
Maintenance salaries	—	—	—	147,417	429,767	287,745	864,929	—	864,929
Materials and other	—	—	—	188,208	—	80,531	268,739	71	268,810
Contract costs	—	—	—	122,234	—	860,365	982,599	—	982,599
Maintenance benefits	—	—	—	234,352	—	56,392	290,744	—	290,744
Property insurance	—	—	—	25,051	—	81,918	106,969	—	106,969
Liability insurance	—	4,333	—	2,974	—	6,636	13,943	—	13,943
Other insurance	—	—	—	7,693	—	—	7,693	1,954	9,647
Other general expenses	—	—	46,937	—	—	192,710	239,647	—	239,647
Payments in lieu of taxes	—	—	—	49,063	—	—	49,063	—	49,063
Bad debt - tenant rents	—	—	—	37,476	—	65,501	102,977	—	102,977
Interest on bonds payable	—	—	—	—	—	596,646	596,646	—	596,646
Interest on notes payable	—	—	—	—	—	911,204	911,204	—	911,204
Bond amortization	—	—	—	—	—	123,368	123,368	—	123,368
<b>Total operating expenses</b>	<b>36</b>	<b>—</b>	<b>1,721,430</b>	<b>1,673,154</b>	<b>504,257</b>	<b>4,578,695</b>	<b>8,477,572</b>	<b>19,564</b>	<b>8,497,136</b>
<b>Excess (deficiency) of operating revenue over operating expenses</b>	<b>(36)</b>	<b>14,883</b>	<b>17,888,285</b>	<b>416,453</b>	<b>701,887</b>	<b>332,686</b>	<b>19,354,158</b>	<b>(19,564)</b>	<b>19,334,594</b>
<b>Other expenses</b>									
Housing assistance payments	—	—	17,596,177	—	—	—	17,596,177	—	17,596,177
HAP portability in	—	—	245,796	—	—	—	245,796	—	245,796
Depreciation expense	—	—	—	688,750	—	1,092,666	1,781,416	12,586	1,794,002
<b>Total expenses</b>	<b>36</b>	<b>—</b>	<b>19,563,403</b>	<b>2,361,904</b>	<b>504,257</b>	<b>5,671,361</b>	<b>28,100,961</b>	<b>32,150</b>	<b>28,133,111</b>
<b>Other financing sources (uses)</b>									
Tfrs between program and project-in	—	—	—	—	—	978,459	978,459	—	978,459
Tfrs between program and project-out	—	—	—	(978,459)	—	—	(978,459)	—	(978,459)
<b>Total other financing sources (uses)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(978,459)</b>	<b>—</b>	<b>978,459</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Excess (deficiency) of operating revenue over expenses</b>	<b>\$ (36)</b>	<b>14,883</b>	<b>46,312</b>	<b>(1,250,756)</b>	<b>701,887</b>	<b>218,479</b>	<b>(269,231)</b>	<b>(32,150)</b>	<b>(301,381)</b>
<b>Memo Account Information</b>									
Required annual debt principal payments	\$ —	—	—	—	—	764,147	764,147	—	764,147
Beginning equity (deficit)	\$ 36	—	2,959,887	16,537,570	—	(8,073,605)	11,423,888	32,150	11,456,038
Administrative fee equity	\$ —	—	117,097	—	—	—	117,097	—	117,097
Housing assistance payments equity	\$ —	—	2,889,102	—	—	—	2,889,102	—	2,889,102
Unit months available	—	25	31,320	2,916	—	6,492	40,753	—	40,753
Number of unit months leased	—	—	31,092	2,897	—	6,171	40,160	—	40,160
Land and land improvements	\$ —	—	—	65,981	—	—	—	—	—
Buildings and building improvements	\$ —	—	—	635,906	—	—	—	—	—

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 - Business Activity Detail  
June 30, 2010

Assets	Affordable Housing Fund						Total Business Activities	
	FmHA	Local Funds	Holly Tree	Tarkington	Other Properties	Not Discrete		Total
<b>Current assets</b>								
Cash								
Unrestricted (netted against overdraft)	\$ —	—	—	—	—	—	—	—
Other restricted	36,148	100	64,790	181,006	—	128,487	374,283	410,531
Tenant security deposits	1,080	—	40,879	15,292	201,332	—	257,503	258,583
Restricted for payment of current liabilities	—	30,000	—	—	—	—	—	30,000
<b>Total cash</b>	<b>37,228</b>	<b>30,100</b>	<b>105,669</b>	<b>196,298</b>	<b>201,332</b>	<b>128,487</b>	<b>631,786</b>	<b>699,114</b>
Receivables								
Accounts receivable - HUD other projects	—	11,379	—	—	9,166	—	9,166	20,545
Accounts receivable - miscellaneous	—	9,712	—	—	—	513,674	513,674	523,386
Accounts receivable - tenants - dwelling rents	559	326	16,704	3,360	31,417	—	51,481	52,366
Allowance for doubtful accounts - dwelling rents	(622)	—	—	—	—	—	—	(622)
Notes, loans and mortgages receivable - current	—	2,364	—	—	—	—	—	2,364
<b>Total receivables, net of allowances for doubtful accounts</b>	<b>(63)</b>	<b>23,781</b>	<b>16,704</b>	<b>3,360</b>	<b>40,583</b>	<b>513,674</b>	<b>574,321</b>	<b>598,039</b>
Prepaid expenses and other assets	—	3,200	3,358	4,989	12,070	—	20,417	23,617
<b>Total current assets</b>	<b>37,165</b>	<b>57,081</b>	<b>125,731</b>	<b>204,647</b>	<b>253,985</b>	<b>642,161</b>	<b>1,226,524</b>	<b>1,320,770</b>
<b>Non-current assets</b>								
Capital assets								
Land	50,000	157,956	1,120,306	408,000	2,566,824	—	4,095,130	4,303,086
Buildings	383,870	615,878	8,712,593	2,227,296	18,073,447	—	29,013,336	30,013,084
Accumulated depreciation	(297,682)	(126,784)	(3,132,962)	(667,190)	(5,629,438)	—	(9,429,590)	(9,854,056)
Construction in progress	—	6,668	22,738	—	—	—	22,738	29,406
<b>Total capital assets, net</b>	<b>136,188</b>	<b>653,718</b>	<b>6,722,675</b>	<b>1,968,106</b>	<b>15,010,833</b>	<b>—</b>	<b>23,701,614</b>	<b>24,491,520</b>
Notes, loans and mortgages receivable non-current	—	442,979	—	—	—	—	—	442,979
<b>Total non-current assets</b>	<b>136,188</b>	<b>1,096,697</b>	<b>6,722,675</b>	<b>1,968,106</b>	<b>15,010,833</b>	<b>—</b>	<b>23,701,614</b>	<b>24,934,499</b>
<b>Total assets</b>	<b>\$ 173,353</b>	<b>1,153,778</b>	<b>6,848,406</b>	<b>2,172,753</b>	<b>15,264,818</b>	<b>642,161</b>	<b>24,928,138</b>	<b>26,255,269</b>
<b>Liabilities and net assets</b>								
<b>Liabilities</b>								
Current liabilities:								
Bank overdraft	\$ (2,902)	(1,065,556)	—	—	—	5,813,427	5,813,427	4,744,969
Accounts payable	1,353	11,402	3,247	—	389	—	3,636	16,391
Accrued interest payable	2,682	4,220	—	143	64,072	618,366	682,581	689,483
Tenant security deposits	1,080	—	40,879	15,292	201,332	—	257,503	258,583
Deferred revenues	11	—	74	146	4,006	—	4,226	4,237
Current portion of long-term debt, capital projects	2,680	7,901	—	44,292	—	245,946	290,238	300,819
Loan liability, current	—	73,147	—	—	—	—	—	73,147
Other current liabilities:	—	30,000	—	—	—	—	—	30,000
<b>Total current liabilities</b>	<b>4,904</b>	<b>(938,886)</b>	<b>44,200</b>	<b>59,873</b>	<b>269,799</b>	<b>6,677,739</b>	<b>7,051,611</b>	<b>6,117,629</b>
Non-current liabilities:								
Long-term debt, capital projects	336,638	551,264	—	—	1,816,960	25,287,904	27,104,864	27,992,766
<b>Total non-current liabilities</b>	<b>336,638</b>	<b>551,264</b>	<b>—</b>	<b>—</b>	<b>1,816,960</b>	<b>25,287,904</b>	<b>27,104,864</b>	<b>27,992,766</b>
<b>Total liabilities</b>	<b>341,542</b>	<b>(387,622)</b>	<b>44,200</b>	<b>59,873</b>	<b>2,086,759</b>	<b>31,965,643</b>	<b>34,156,475</b>	<b>34,110,395</b>
<b>Net assets (deficit)</b>								
Invested in capital assets, net of related debt	(205,812)	94,552	—	—	—	—	(3,446,974)	(3,558,234)
Restricted	36,148	100	—	—	—	—	130,451	166,699
Unrestricted	1,475	1,446,748	—	—	—	—	(5,911,814)	(4,463,591)
<b>Total net assets (deficit)</b>	<b>(168,189)</b>	<b>1,541,400</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(9,228,337)</b>	<b>(7,855,126)</b>
<b>Total liabilities and net assets</b>	<b>\$ 173,353</b>	<b>1,153,778</b>	<b>6,848,406</b>	<b>2,172,753</b>	<b>15,264,818</b>	<b>642,161</b>	<b>24,928,138</b>	<b>26,255,269</b>

The Oregon Department of Housing and Community Services requires the submission of certain financial data for the Holly Tree and Tarkington property developments. This Financial Data Schedule is prepared for the sole purpose of compliance with this requirement, and is consistent with accounting principles generally accepted in the United States of America, using a format consistent with the preceding REAC financial data schedule.

Balance sheet accounts are maintained by fund. Only discrete balances are reported by property on this schedule. Balances of accounts attributable to the entire fund are reported in the column labeled "not discrete."

**THE HOUSING AUTHORITY OF  
WASHINGTON COUNTY**  
(A Component Unit of Washington County, Oregon)  
Financial Data Schedule - Business Activity Detail  
For the year ended June 30, 2010

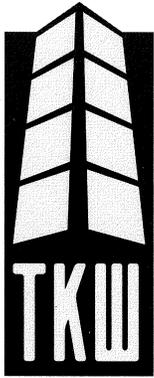
Revenues and Expenses	Affordable Housing Fund					Total	Total Business Activities
	FmHA	All Other	Holly Tree	Tarkington	Other or Not Discrete		
<b>Revenues</b>							
Net tenant rental revenue	\$ 58,857	18,135	1,181,032	419,621	2,389,052	3,989,705	4,066,697
Tenant revenue - other	1,519	9,925	2,088	91	75,182	77,361	88,805
Other government grants	23,756	48,395	—	—	14,497	14,497	86,648
Investment income - unrestricted	(2,447)	15,901	17,180	5,353	(72,171)	(49,638)	(36,184)
Mortgage interest income	—	1,021	—	—	—	—	1,021
Other revenue	864	347,301	131,302	6,081	218,846	356,229	704,394
<b>Total revenues</b>	<b>82,549</b>	<b>440,678</b>	<b>1,331,602</b>	<b>431,146</b>	<b>2,625,406</b>	<b>4,388,154</b>	<b>4,911,381</b>
<b>Operating expenses</b>							
Administrative salaries	6,215	100,453	66,480	35,046	197,986	299,512	406,180
Auditing fees	205	2,306	816	552	963	2,331	4,842
Management fee	—	—	41,856	14,828	85,902	142,586	142,586
Advertising and marketing	—	—	25	11	436	472	472
Employee benefit contributions	2,652	40,038	14,420	9,348	49,571	73,339	116,029
Office expenses	—	1,955	12,869	7,386	24,405	44,660	46,615
Legal expenses	215	1,630	877	283	10,388	11,548	13,393
Travel expenses	12	746	635	453	1,699	2,787	3,545
Allocated overhead	5,945	14,244	23,768	8,144	57,535	89,447	109,636
Other operating	2,202	27,726	15,283	7,901	29,328	52,512	82,440
Water	4,680	—	17,276	2,987	58,570	78,833	83,513
Electricity	924	33	22,512	10,931	34,566	68,009	68,966
Sewer	3,544	—	49,540	14,807	140,472	204,819	208,363
Gas	—	—	—	—	28,962	28,962	28,962
Other utility expense	—	65	—	—	72	72	137
Maintenance salaries	—	—	59,370	30,003	198,372	287,745	287,745
Materials and other	6,330	236	13,753	9,695	50,517	73,965	80,531
Contract costs	28,431	25,264	127,609	51,138	627,923	806,670	860,365
Maintenance benefits	—	—	12,287	7,706	36,399	56,392	56,392
Property insurance	434	422	19,570	6,514	54,978	81,062	81,918
Liability insurance	159	61	1,708	585	4,123	6,416	6,636
Other general expenses	—	192,710	—	—	—	—	192,710
Bad debt - tenant rents	2,027	(175)	13,655	603	49,391	63,649	65,501
Interest on bonds payable	—	—	—	—	596,646	596,646	596,646
Interest on notes payable	32,292	6,979	10,187	6,897	854,849	871,933	911,204
Amortization of bond issue costs	—	—	—	—	123,368	123,368	123,368
<b>Total operating expenses</b>	<b>96,267</b>	<b>414,693</b>	<b>524,496</b>	<b>225,818</b>	<b>3,317,421</b>	<b>4,067,735</b>	<b>4,578,695</b>
<b>Excess (deficiency) of operating revenue over operating expenses</b>	<b>(13,718)</b>	<b>25,985</b>	<b>807,106</b>	<b>205,328</b>	<b>(692,015)</b>	<b>320,419</b>	<b>332,686</b>
Other expenses							
Depreciation expense	13,478	10,882	301,263	78,758	688,285	1,068,306	1,092,666
Total expenses	109,745	425,575	825,759	304,576	4,005,706	5,136,041	5,671,361
Other financing sources (uses)							
Operating transfers in	190,000	(310,799)	—	—	120,799	120,799	—
Operating transfers out	—	—	—	—	—	—	—
Tfrs between program and project-in	6,707	—	523,258	218,302	230,192	971,752	978,459
Total other financing sources (uses)	196,707	(310,799)	523,258	218,302	350,991	1,092,551	978,459
<b>Excess (deficiency) of operating revenue over expenses</b>	<b>\$ 169,511</b>	<b>(295,696)</b>	<b>1,029,101</b>	<b>344,872</b>	<b>(1,029,309)</b>	<b>344,664</b>	<b>218,479</b>

The Oregon Department of Housing and Community Services requires the submission of certain financial data for the Holly Tree and Tarkington property developments. This Financial Data Schedule is prepared for the sole purpose of compliance with this requirement, and is consistent with accounting principles generally accepted in the United States of America, using a format consistent with the preceding REAC financial data schedule.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

December 17, 2010

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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, 2010, and have issued our report thereon dated December 17, 2010. 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 deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Continued)**

Page 2

**COMPLIANCE AND OTHER MATTERS**

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

\* \* \* \* \*

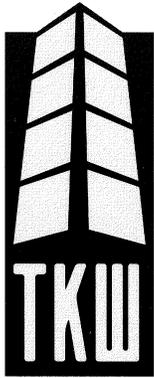
This report is intended solely for the information and use of the Board of Directors, Board of Commissioners, the Oregon Secretary of State Audits Division, management, and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Talbot, Kozvola & Warwick, LLP

Certified Public Accountants

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

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

December 17, 2010

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

4800 SW Macadam Ave, Suite 400  
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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, 2010, and have issued our report thereon dated December 17, 2010. 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, and the *Minimum Standards for Audits of Oregon Municipal Corporations*.

**COMPLIANCE**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing, nothing came to our attention that caused us to believe the Authority was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in

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

Page 2

**COMPLIANCE (Continued)**

Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

**INTERNAL CONTROL**

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

\* \* \* \* \*

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

*Talbot, Kovala & Warwick, LLP*

Certified Public Accountants



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