

Financial Statements and  
Supplementary Data

# The Housing Authority of Washington County



(A Component Unit of Washington County, Oregon)



Year ended  
**June 30, 2012**

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

Governing Body Under ORS 456.095

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

Board of Directors as of June 30, 2012

<u>Name</u>	<u>Term Expires</u>
Andy Duyck * Director	December 31, 2013
Greg Malinowski * Director	December 31, 2015
Trisha Peterson Director	December 31, 2015
Roy Rogers * Director	December 31, 2014
Dick Schouten * Director	December 31, 2012
Bob Terry * Director	December 31, 2015
Ramsay Weit Director	December 31, 2015

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

Housing Authority Administrative Staff

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

Washington County Administrative Staff

Robert Davis, County Administrator

Mary Gruss, Chief Finance Officer

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

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**THE HOUSING AUTHORITY OF  
WASHINGTON COUNTY**

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

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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, 2012. This report consists of management's representations concerning the finances of the Authority. Consequently, responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures rests with management. Generally accepted accounting principles (GAAP) require that Management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's report on the basic financial statements.

### ***Housing Authority Programs***

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

- The Section 8 Housing Choice Voucher program is the largest program administered by the Authority. The US Department of Housing and Urban Development (HUD) provides funding to provide up to 2,610 families with rental assistance, in the form of direct payments to landlords for all or part of their rent, depending on income. Clients obtain assistance through an application and screening process that gives preference to elderly and disabled individuals. There are currently over 4,000 applicants on the wait list, and the program is near 100% utilization of available vouchers, so new applicants have a three-to four-year wait for voucher availability. The Authority also has 25 Veterans Affairs Supportive Housing (VASH) vouchers, which provide veterans with housing in conjunction with services received from Veterans Affairs. Another Section 8 program is Family Self-Sufficiency (FSS), under which individuals who voluntarily participate in a self-sufficiency program are eligible for additional funds, which are placed in escrow each month, and are available to pay for education, to start a business, or to purchase a home upon successful completion of the program. The Authority currently has 73 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 FY2011-12, the Authority invested \$165,000 of funds provided by the Public Housing Capital Fund program for modernization.
- The Authority owns two Project-Based Section 8 rental properties for low-income seniors, Holly Tree Village in Beaverton and Tarkington Square in Hillsboro, totaling 188 units. Like the regular Section 8 program, the rent is based on income, and the Authority receives an operating subsidy to supplement rent receipts. The Authority also owns Aloha Park, an 80-unit low-income apartment complex in Aloha, which includes eight units receiving Project-Based Section 8 rental subsidies, and the remainder

receiving Section 236 rental subsidies. Other subsidized properties include a 12-unit USDA-supported property, Kaybern Terrace, and eight units of supportive and transitional housing which receive services from other county agencies, and are funded through loan subsidies from the State of Oregon and Supportive Housing funds from HUD.

- The Authority also owns 336 units of affordable housing, in ten locations, which do not receive direct rental subsidies. These units are priced for families earning under 60% of the area median income. The most recent acquisitions to this portfolio are three single-family homes acquired in FY2009-10 and FY2010-11 through the federal Neighborhood Stabilization Fund (NSP).

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

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

- Ten-Year Plan. On June 3, 2008, the Board of County Commissioners adopted a first-ever strategic plan that moves homeless families and individuals to self-sufficiency. This plan provides the framework for the County's efforts to reduce homelessness. Details of the plan can be found in *A Road Home: 10-Year Plan to End Homelessness in Washington County*, which is available on the Department web site. General fund contributions of \$285,850 in FY2011-12 and \$315,850 in FY2012-13 were budgeted for support of homeless programs.
- Homeless to Work Program. Washington County contracts with Bridges To Change, a nonprofit agency providing housing and jobs mentoring, to operate the *Homeless To Work Program (HTW)*. Implemented in May 2009, HTW serves 12 unaccompanied adults with transitional housing, supportive services, and job counseling.
- Sequoia Mental Health Clinic. In August, 2010, Washington County received a Special Congressional Initiative grant from the US Department of Health and Human Services, in the amount of \$346,500 for the construction of a mental health clinic to be located in Aloha. Washington County partnered with Sequoia Mental Health Services, Inc., a nonprofit mental health provider and property owner to construct the mental health clinic. The clinic, along with a new 14-unit housing complex, opened on July 29, 2011, and serves extremely low-income persons experiencing mental illness.
- Shelter Plus Care. Combines housing vouchers similar to the Section 8 program with services provided by non-profit organizations. Approximately 175 families are currently served.
- Supportive Housing. The Supportive Housing Program (SHP) uses federal awards to promote the development of supportive housing and supportive services, to reduce homelessness. Competitive grant applications are submitted annually. Washington County received \$920,000 in awards during FY2011-12 providing assistance to nine programs, including two administered directly by the Department.

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

The major HUD-funded programs of the Authority (Section 8, Public Housing) have historically been self-sufficient, and the Authority has operated these programs within the amounts funded. For calendar year 2012 and 2013, however, reduced funding for Section 8 administration made it necessary to draw on Section 8 and other Authority reserves. If calendar year 2014 funding is similarly reduced, the Authority will have serious challenges and will need to assess how to minimize the impact of the reduced funding on the services provided.

The other major program is Affordable Housing. The Affordable Housing properties were acquired between 1999 and 2001, and the original cash flows for these properties contained optimistic revenue and expense projections and did not anticipate some of the major deferred maintenance expenditures that would be required for



the properties. As a result, the non-HUD programs had cumulative losses in unrestricted net assets of \$2.6 million by June, 2007, and were losing about \$1 million per year.

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

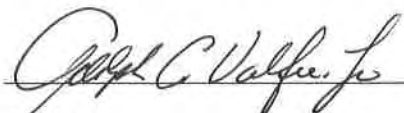
Second, the Authority worked with Washington County to refinance its debt. This process took more than two years, due to the changing financial situation nationally. In November, 2009, the County issued Full Faith and Credit Refunding Obligations to defease and refund the existing bonds, in return for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

### ***Future Initiatives***

The Department, along with the Authority, continues to look toward funding opportunities that promote affordable housing, essential services and self-sufficiency in Washington County for low-income families. The Department continues its initiatives through the HUD/DOT Community Challenge/Tiger II Planning Grant to promote sustainable communities, accessible transit and economic development in the unincorporated Aloha-Reedville area. The Department is participating in three federal grants awarded in 2012 – a Health and Human Services (HHS) Substance Abuse & Mental Health Services Administration (SAMHSA) project for \$1.5M over 3 years; a Department of Labor Workforce Innovation Fund project, called Housing Works for \$5.5M over 5 years; and a Department of Veterans Affairs Supportive Services for Veterans Families (SSVF) project for \$584,538 for 3 years. The SAMHSA project will be led by Luke-Dorf as part of a consortium of community health and services providers to service 90 chronically homeless families. The DOL Housing Works project involves three regional WorkSource agencies and the four regional housing authorities, and will support 50 Section 8 participants from Washington County in employer-supported job training and internships. The SSVF project is a 4-county collaborative of Community Action agencies plus the Housing Authority of Washington County, the Salvation Army Veterans Family Center, and the Washington County Disability, Aging & Veterans Services Department. Similarly, the Department is collaborating with the three other regional housing authorities with funding from a Metro RTO grant to promote better affordable housing choices closer to jobs and high opportunity centers by low-income families through mobility counseling. The Department addressed the county's Consolidated Plan's "highest needs" and the strategies of the 10-Year Plan to End Homelessness by offering Section 8 Project-based Vouchers to promote creation of 173 units of permanent housing for 102 chronically homeless singles, 25 special-needs singles and 46 extremely low-income households. The Department is strategically using these Section 8 Project-based Vouchers to promote new affordable housing development in Washington County. This promises to result in 39 project-based voucher units of new development at Orenco Station and the City of Beaverton. Other project-based voucher opportunities for new development and/or substantial rehab to provide affordable housing for seniors, extremely low-income households and chronically homeless veterans are under discussion. Similarly, the Department has been participating on the Homeless Cost Study Advisory Committee under the leadership of the Vision Action Network to assess the cost demand of chronic homelessness on public emergency services and health organizations. The Department has become more involved in community health issues through its participation in the Health Share of Oregon (formerly Tri-County Medicaid Collaborative) Supportive Housing workgroup which is exploring the connections between health and supportive housing, and the resultant cost savings. The Department is working closely with the Department of Land Use and Transportation on affordable housing initiatives and monitoring in the new North Bethany development area. The Department is also coordinating with Washington County cities and other taxing jurisdictions on the feasibility of implementing a county-wide non-profit low-income tax exemption policy. On the State level, the Department is supporting the Oregon Housing Alliance's agenda for the 2013 legislative

session through measures promoting dedicated funding for veterans' housing and services and extension of the Agricultural Workforce Housing Tax Credit. The Department is also planning to seek additional HUD-VA VASH vouchers in 2013.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Adolph A. Valfre, Jr.", written over a horizontal line.

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

A handwritten signature in blue ink, appearing to read "Michael O'Neill", written over a horizontal line.

Michael O'Neill  
**Administrative Services Manager**



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## INDEPENDENT AUDITOR'S REPORT

December 18, 2012

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, 2012, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2012, and the respective changes in financial position and the cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal

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

Housing Authority Board of Directors  
Washington County Board of Commissioners  
December 18, 2012  
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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.

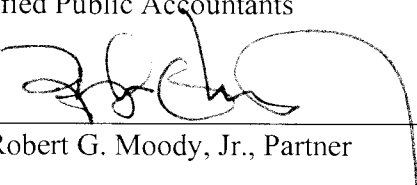
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required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

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The Letter of Transmittal, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements by us, and, accordingly, we do not express an opinion or provide any assurance on it.

**TALBOT, KORVOLA & WARWICK, LLP**  
Certified Public Accountants

By

  
\_\_\_\_\_  
Robert G. Moody, Jr., Partner

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

As management of the Housing Authority of Washington County (the Authority) a component unit of Washington County, Oregon, we offer readers of the Authority's financial statements this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2012. 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 \$7,955. Net assets invested in capital assets (net of depreciation and related debt) were \$2,757 and account for 35% of total net assets. Restricted net assets total \$6,156, so the Authority is in a deficit position with respect to its unrestricted net assets. This is due to compliance with a notice from the US Department of Housing and Urban Development (HUD) received in FY2008-09, requiring the reclassification of \$3,198 of proceeds from the sale of property from unrestricted to restricted cash. These proceeds, as well as other funds, reside in the same Washington County bank account cash pool as the overdraft, so the balance for the Authority as a whole is a positive amount. Proceeds of property sales are restricted by HUD for use on certain eligible costs. The expenditure of restricted funds for these costs allows the Authority to defer spending of unrestricted funds, which over time will allow for elimination of the book overdraft.
- The Authority's total net assets decreased by \$2,412. Excluding depreciation of capital assets, net assets decreased by \$717. The chief causes for the decline in net assets were the reduction in Federal Funds provided by the Section 8 and Public Housing programs.
- The Authority's total gross debt decreased by \$355.

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

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

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

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

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

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

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

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

The basic financial statements can be found on pages 13 through 23 of this report.

## Authority Financial Analysis

### *Assets, Liabilities and Net Assets*

The following provides a summary of the Authority's net assets for 2012 compared to 2011.

	<b>Dollars in thousands</b>		
	<b>2012</b>	<b>2011</b>	<b>Change</b>
<b>Assets:</b>			
Assets, excluding capital assets	\$ 8,819	11,414	(2,595)
Capital assets	30,806	32,318	(1,512)
Total assets	<u>39,625</u>	<u>43,732</u>	<u>(4,107)</u>
<b>Liabilities:</b>			
Other current and restricted liabilities	3,988	5,315	(1,327)
Long-term debt	27,682	28,050	(368)
Total liabilities	<u>31,670</u>	<u>33,365</u>	<u>(1,695)</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	2,757	3,914	(1,157)
Restricted	6,156	8,160	(2,004)
Unrestricted (deficit)	(958)	(1,707)	749
Total net assets	<u>\$ 7,955</u>	<u>10,367</u>	<u>(2,412)</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, net assets exceeded liabilities by \$7,955 at the close of the most recent fiscal year.

Assets decreased by \$4,107 during FY2011-12. Assets excluding capital assets decreased \$2,595. Of this, \$925 was for the application of restricted cash reserves to reduce the cash overdraft included in current liabilities, \$824 was for recapture of Section 8 HAP reserves by HUD, and \$333 was for recaptures of unrestricted Public Housing reserves by HUD. Capital assets decreased by \$1,512, due to depreciation expense in excess of acquisitions.

Liabilities decreased by \$1,695. The decrease in other current and restricted liabilities is due primarily to the reduction in the cash overdraft, of which \$925 is from application of restricted cash reserves, and the balance is from operations. Long-term debt decreased slightly due to debt payments.

Thirty-five percent of the Authority's net assets (\$2,757) reflects investment in capital assets, primarily housing, less any related debt used to acquire those assets that is still outstanding. Seventy-seven percent of the Authority's net assets (\$6,156) consists of cash restricted by a County loan agreement for debt service, cash restricted by HUD for future HAP payments and future expenditure of proceeds from property sales, and reserves for replacement of assets required by loan agreements.

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

The total net assets of the Authority decreased \$2,412. Net assets invested in capital assets net of related debt decreased by \$1,157, due to depreciation and amortization in excess of acquisitions. Restricted net assets decreased \$2,004, due to reductions in assets previously discussed, and the unrestricted net asset deficit decreased \$749.

***Changes in Net Assets***

The following provides a summary of the Authority's change in net assets for 2012 compared to 2011:

	<b>Dollars in thousands</b>		
	<b>2012</b>	<b>2011</b>	<b>Change</b>
Revenues:			
Intergovernmental revenues	\$ 19,885	21,574	(1,689)
Rental income	5,123	4,962	161
Other revenue	872	828	44
Total revenues	<u>25,880</u>	<u>27,364</u>	<u>(1,484)</u>
Expenses:			
Housing assistance payments	18,696	18,245	451
Other operating expenses	8,286	8,526	(240)
Non-operating expenses, net	1,475	1,570	(95)
Total expenses	<u>28,457</u>	<u>28,341</u>	<u>116</u>
Net loss before capital contributions	(2,577)	(977)	(1,600)
Capital contributions	165	189	(24)
Decrease in net assets	<u>(2,412)</u>	<u>(788)</u>	<u>(1,624)</u>
Net assets, beginning of year	<u>10,367</u>	<u>11,155</u>	<u>(788)</u>
Net assets, end of year	<u>\$ 7,955</u>	<u>10,367</u>	<u>(2,412)</u>

Total revenues decreased by \$1,484, or 5.4% from the previous year. Intergovernmental revenues decreased \$1,689, primarily due to HUD offsets to amounts funded. Rental income increased \$161 due to more units in the Authority's non-subsidized rental housing portfolio.

Total expenses increased by \$116, or 0.4%. Housing assistance payments increased by \$451, due to higher payments per unit. Other operating expenses decreased \$240, due primarily to a refund of prior-year excess retirement contributions of \$197. Non-operating expenses decreased \$95 primarily due to \$87 less in contributions to Department of Housing Services programs.

No assets were sold during the year. Capital contributions decreased \$24, due to decreased Capital Fund receipts for modernization of public housing stock.

## **Capital Assets and Debt Administration**

### ***Capital Assets***

As of June 30, 2012, the Authority's capital assets were \$30,806 (net of accumulated depreciation). Capital assets include land, buildings, improvements, vehicles, and office equipment.

The Authority invested \$184 in capital improvements, including \$165 of Public Housing modernization funded by the Public Housing Capital Fund program and \$19 of improvements to non-subsidized housing.

Additional detail may be found on page 20 in the Notes to Basic Financial Statements.

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

At the end of the current fiscal year, the Authority had total obligations outstanding of \$28,049. Of this amount, \$25,224 consisted of a note payable to Washington County secured by the properties formerly financed by bonds refunded by Washington County Full Faith and Credit Refunding Obligations during FY2009-10, \$2,301 of notes to other lenders, and \$524 in unsecured obligations to Washington County. Additional detail may be found on pages 20-22 in the Notes to Basic Financial Statements.

## **Budget Information**

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

## **Future Events That Will Financially Impact the Authority**

Calendar year 2013 funding for Federal programs has not yet been passed by Congress. The Section 8 and Public Housing programs are operating under a continuing resolution through February. If sequestration is not avoided by Congressional Action, HUD discretionary spending will be reduced by 8% across the board, but the impact on individual programs is not known at this time. If the reductions stand, the Authority may have to respond with fiscal restraint to mitigate the effects of the reductions.

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

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



## **BASIC FINANCIAL STATEMENTS**

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

Statement of Net Assets

June 30, 2012

**Assets**

Current assets:

Unrestricted cash and cash equivalents	\$ 1,379,889
Restricted cash and cash equivalents	578,689
Accounts receivable (net of allowance for uncollectibles)	238,143
Current portion of contracts receivable	4,730
Other current assets	26,496
	2,227,947

Non-current assets:

Restricted cash and cash equivalents	6,153,069
Contracts receivable	438,009
Capital assets, non-depreciable	8,174,716
Capital assets, depreciable, net	22,631,522
	37,397,316

Total assets

39,625,263

**Liabilities**

Current liabilities:

Book overdraft	2,200,508
Accounts payable	172,572
Unearned revenue	9,435
Accrued interest payable	660,296
Current portion of notes and contracts payable	366,549

Current liabilities payable from restricted assets:

Tenant and other deposits	578,689
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Total current liabilities payable from restricted assets

578,689

Total current liabilities

3,988,049

Non-current liabilities:

Notes and contracts payable	27,682,315
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Total non-current liabilities

27,682,315

Total liabilities

31,670,364

**Net Assets**

Invested in capital assets, net of related debt	2,757,374
Restricted	6,155,958
Unrestricted (deficit)	(958,433)

Total net assets

\$ 7,954,899

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, 2012

Operating revenues:	
Intergovernmental revenues	\$ 19,885,333
Rental income	5,123,246
Other	871,425
Total operating revenues	<u>25,880,004</u>
Operating expenses:	
Housing assistance payments	18,696,370
Repairs and maintenance	2,512,198
Administrative costs	3,189,077
Utilities	548,191
Depreciation	1,695,560
Other	339,831
Total operating expenses	<u>26,981,227</u>
Operating loss	<u>(1,101,223)</u>
Non-operating revenues (expenses):	
Interest on investments	40,533
Interest and amortization	(1,488,324)
Contribution to Washington County Department of Housing Services	(27,212)
Total non-operating revenues (expenses)	<u>(1,475,003)</u>
Loss before capital contributions	(2,576,226)
Capital contributions	<u>164,531</u>
Decrease in net assets	<u>(2,411,695)</u>
Net assets, beginning of year	<u>10,366,594</u>
Net assets, end of year	<u><u>\$ 7,954,899</u></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, 2012

Cash flows from operating activities:	
Cash received for services provided	\$ 25,747,406
Cash payments for labor and benefits	(3,415,216)
Cash payments for goods and services	<u>(21,896,578)</u>
Net cash provided by operating activities	<u>435,612</u>
Cash flows from noncapital financing activities	
Payment to Washington County Department of Housing Services	<u>(27,212)</u>
Net cash used for noncapital financing activities	<u>(27,212)</u>
Cash flows from capital and related financing activities:	
Capital contributions	164,531
Acquisition of capital assets	(183,571)
Decrease in contracts receivable	5,149
Current maturities and principal payments of notes payable	(536,519)
Interest paid on bonds and notes payable	<u>(1,311,960)</u>
Net cash used for capital and related financing activities	<u>(1,862,370)</u>
Cash flows from investing activities:	
Interest on investments	<u>40,533</u>
Net decrease in cash and cash equivalents	(1,413,437)
Cash and cash equivalents at beginning of year	<u>7,324,576</u>
Cash and cash equivalents at end of year (1)	<u><u>\$ 5,911,139</u></u>
Reconciliation of operating loss to net cash provided from operating activities:	
Operating loss	\$ (1,101,223)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	1,695,560
Changes in assets and liabilities:	
Increase in accounts receivable, net	(114,853)
Decrease in other current assets	2,658
Decrease in accounts payable	(22,125)
Decrease in deposits	(6,660)
Decrease in unearned revenue	<u>(17,745)</u>
Net cash provided by operating activities	<u><u>\$ 435,612</u></u>
(1) Cash and cash equivalents are reflected on the Statement of Net Assets as follows:	
Current assets - unrestricted	\$ 1,379,889
Current liabilities - book overdraft	(2,200,508)
Current assets - restricted	578,689
Noncurrent assets - restricted	<u>6,153,069</u>
	<u><u>\$ 5,911,139</u></u>

See accompanying notes to basic financial statements.

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

Notes to Basic Financial Statements

June 30, 2012

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

***The Authority***

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

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

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

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

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

***Use of Estimates***

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

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

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

***Revenues and Expenses***

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

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Notes to Basic Financial Statements

June 30, 2012

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. All doubtful accounts were written off at year end.

***Other Current Assets***

Other current assets consist of supplies inventory and prepaid expenses.

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

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

***Capital Assets***

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

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

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

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

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Notes to Basic Financial Statements

June 30, 2012

***Contracts Receivable***

The Authority holds three second mortgages and two third mortgages for low-income home purchasers in the amount of \$87,750. The Authority is owed \$352,969 in developer's fees in connection with private activity bonds issued for the construction of housing projects, and is owed \$2,013 in current tenant repayment agreements.

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

***Unearned Revenue***

Unearned revenue represents primarily prepaid rent received from tenants.

***Deferred Refunding Costs***

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

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

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

**(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, 2012 maintained by the Authority was \$36,115, all of which was covered by FDIC.

***Credit Risk***

Cash and cash equivalents include pooled cash and investments held by Washington County, Oregon on behalf of the Authority. Reference should be made to the Washington County, Oregon Comprehensive Annual Financial Report for June 30, 2012 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



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Notes to Basic Financial Statements

June 30, 2012

municipalities, bankers' acceptances, certain high-grade commercial paper, repurchase agreements, and the State of Oregon Local Government Investment Pool, among others.

At June 30, 2012, the Authority's cash and cash equivalents are comprised of the following:

Bank accounts	\$	36,115
Reserves held by lenders		144,187
Accounts administered by subcontracted management companies		472,205
Deposits with Washington County Investment Pool		<u>5,258,632</u>
Total cash and cash equivalents	\$	<u><u>5,911,139</u></u>

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

Unrestricted:		
Unrestricted cash and cash equivalents	\$	1,379,889
Book overdraft		<u>(2,200,508)</u>
Total unrestricted		<u>(820,619)</u>
Restricted for:		
Housing Choice Voucher unspent housing assistance payments		2,106,926
Proceeds and interest from Public Housing property sales		3,197,897
Affordable housing county bond reserve		402,264
Replacement reserves		410,607
Retainage in escrow		35,375
Restricted for payment of current liabilities		<u>578,689</u>
Total restricted		<u>6,731,758</u>
Total cash and cash equivalents	\$	<u><u>5,911,139</u></u>

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

**THE HOUSING AUTHORITY OF  
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Notes to Basic Financial Statements

June 30, 2012

**(3) Capital Assets**

Capital asset activity is as follows:

	<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Balance June 30, 2012</b>
Capital assets not being depreciated:					
Land	\$ 8,014,424	—	—	—	8,014,424
Construction in progress	145,438	164,531	—	(149,677)	160,292
Total capital assets not being depreciated	<u>8,159,862</u>	<u>164,531</u>	<u>—</u>	<u>(149,677)</u>	<u>8,174,716</u>
Capital assets being depreciated:					
Buildings	45,979,021	19,040	—	149,677	46,147,738
Office equipment and other	113,645	—	—	—	113,645
Vehicles	319,158	—	—	—	319,158
Total capital assets being depreciated	<u>46,411,824</u>	<u>19,040</u>	<u>—</u>	<u>149,677</u>	<u>46,580,541</u>
Less accumulated depreciation for:					
Buildings	(21,881,154)	(1,667,738)	—	—	(23,548,892)
Office equipment and other	(113,645)	—	—	—	(113,645)
Vehicles	(258,660)	(27,822)	—	—	(286,482)
Total accumulated depreciation	<u>(22,253,459)</u>	<u>(1,695,560)</u>	<u>—</u>	<u>—</u>	<u>(23,949,019)</u>
Total capital assets being depreciated, net	<u>24,158,365</u>	<u>(1,676,520)</u>	<u>—</u>	<u>149,677</u>	<u>22,631,522</u>
Total capital assets, net	<u>\$ 32,318,227</u>	<u>(1,511,989)</u>	<u>—</u>	<u>—</u>	<u>30,806,238</u>

**(4) Long-term Debt**

***Bonds Payable***

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

Proceeds of the new note were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in these financial statements. At June 30, 2012, \$5,070,000 of bonds outstanding were considered defeased. The final bond payment occurred July 1, 2012.

**THE HOUSING AUTHORITY OF  
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Notes to Basic Financial Statements

June 30, 2012

*Notes and Contracts Payable*

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

Notes	Amount Issued	Interest Rates	Outstanding July 1, 2011	Increase	Decrease	Outstanding June 30, 2012
Farmer's Home Administration	\$ 361,000	9 to 9.5%	\$ 336,638	—	(2,946)	333,692
State of Oregon	181,238	0 to 8.97%	65,361	—	(8,366)	56,995
Office of Community Development	652,310	0%	652,310	—	—	652,310
HOME contracts	1,104,300	3.0%	1,104,300	—	—	1,104,300
Washington County IGA	1,300,000	4.6%	619,413	—	(95,389)	524,024
Washington County Loan Agreement	28,985,000	2.25% to 5.0%	28,670,000	—	(370,000)	28,300,000
Berkadia Bank Mortgage	250,637	7%	213,016	—	(59,818)	153,198
			<u>31,661,038</u>	<u>—</u>	<u>(536,519)</u>	<u>31,124,519</u>
Deferred refunding – current			(180,921)	180,921	(180,921)	(180,921)
Deferred refunding – long term			<u>(3,075,655)</u>	<u>—</u>	<u>180,921</u>	<u>(2,894,734)</u>
			<u>\$ 28,404,462</u>	<u>180,921</u>	<u>(536,519)</u>	<u>28,048,864</u>

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

Fiscal year ending June 30,	Notes and Contracts Payable	
	Principal	Interest
2013	\$ 547,470	1,297,627
2014	563,678	1,282,868
2015	526,839	1,268,147
2016	518,318	1,255,619
2017	719,483	1,235,504
2018-2022	2,679,098	5,918,950
2023-2027	3,575,744	5,233,199
2028-2032	4,371,383	4,436,022
2033-2037	5,475,524	3,327,581
2038-2042	6,719,672	1,932,006
2043-2045	4,775,000	354,000
Due on sale of property	652,310	—
	<u>\$ 31,124,519</u>	<u>27,541,523</u>

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

Current maturities – face value	\$ 547,470
Less deferred refunding	(180,921)
	<u>\$ 366,549</u>
Non-current maturities – face value	\$ 30,577,049
Less deferred refunding	(2,894,734)
	<u>\$ 27,682,315</u>

**THE HOUSING AUTHORITY OF  
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Notes to Basic Financial Statements

June 30, 2012

**(5) Transactions with Related Parties**

The Authority paid the Washington County Department of Housing Services \$672,022 for administrative, maintenance, legal and allocated overhead expenses, \$2,661,896 for salaries and benefits for contracted employees, and \$27,212 for support of the County's Aloha-Reedville planning grant.

**(6) Insured Risks**

Potential liabilities for workers' compensation, liability/casualty and unemployment compensation claims are covered under the self-insurance plans maintained by Washington County, Oregon. Accordingly, insurance reserves are recorded by the County. Reference should be made to the Washington County, Oregon Comprehensive Annual Financial Report for the year ended June 30, 2012 for treatment of insurance risks. Potential liabilities for property and general liability are covered under the Housing Authorities Risk Retention Pool (HARRP.) Claims incurred by the Authority are submitted and paid by the Risk Retention Pool. During the past three fiscal years there were no settlements which exceeded insurance coverage.

**(7) Conduit Debt Obligations**

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

As of June 30, 2012, there were two series of multi-family Housing Revenue Bonds outstanding, with an aggregate principal amount payable of \$11,348,834.

**(8) Litigation**

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

## **SUPPLEMENTARY INFORMATION**

**THE HOUSING AUTHORITY OF  
WASHINGTON COUNTY**  
(A Component Unit of Washington County, Oregon)  
Financial Data Schedule  
June 30, 2012

Assets	Housing Choice Vouchers	Low Rent Public Housing	Business Activities	Total	Allocated Overhead	HAWC Total
<b>Current assets</b>						
Cash						
Unrestricted	\$ 73,061	1,306,828	—	1,379,889	—	1,379,889
Other restricted	2,106,926	3,197,897	848,246	6,153,069	—	6,153,069
Tenant security deposits	—	58,410	312,171	370,581	—	370,581
Restricted for payment of current liabilities	178,108	—	30,000	208,108	—	208,108
<b>Total cash</b>	<b>2,358,095</b>	<b>4,563,135</b>	<b>1,190,417</b>	<b>8,111,647</b>	<b>—</b>	<b>8,111,647</b>
Receivables						
Accounts receivable - PHA projects	9,739	—	—	9,739	—	9,739
Accounts receivable - HUD other projects	—	71,869	3,984	75,853	—	75,853
Accounts receivable - miscellaneous	19,523	—	14,763	34,286	—	34,286
Accounts receivable-tenants	—	6,114	80,183	86,297	—	86,297
Notes & mortgages receivable - current	—	2,013	2,717	4,730	—	4,730
Fraud recovery	—	31,968	—	31,968	—	31,968
<b>Total receivables net of allowances     for doubtful accounts</b>	<b>29,262</b>	<b>111,964</b>	<b>101,647</b>	<b>242,873</b>	<b>—</b>	<b>242,873</b>
Prepaid expenses and other assets	—	684	20,812	21,496	—	21,496
Inventories	—	10,000	—	10,000	—	10,000
Inventories - reserve for obsolescence	—	(5,000)	—	(5,000)	—	(5,000)
<b>Total current assets</b>	<b>2,387,357</b>	<b>4,680,783</b>	<b>1,312,876</b>	<b>8,381,016</b>	<b>—</b>	<b>8,381,016</b>
<b>Non-current assets</b>						
Capital assets						
Land	—	3,625,840	4,388,584	8,014,424	—	8,014,424
Buildings	—	15,758,542	30,389,196	46,147,738	—	46,147,738
Furniture, equipment and machinery - administration	—	335,889	—	335,889	96,914	432,803
Accumulated depreciation	—	(11,768,084)	(12,093,711)	(23,861,795)	(87,224)	(23,949,019)
Construction in progress	—	160,292	—	160,292	—	160,292
<b>Total capital assets, net</b>	<b>—</b>	<b>8,112,479</b>	<b>22,684,069</b>	<b>30,796,548</b>	<b>9,690</b>	<b>30,806,238</b>
Notes, loans and mortgages receivable non-current	—	—	438,009	438,009	—	438,009
<b>Total non-current assets</b>	<b>—</b>	<b>8,112,479</b>	<b>23,122,078</b>	<b>31,234,557</b>	<b>9,690</b>	<b>31,244,247</b>
<b>Total assets</b>	<b>\$ 2,387,357</b>	<b>12,793,262</b>	<b>24,434,954</b>	<b>39,615,573</b>	<b>9,690</b>	<b>39,625,263</b>
<b>Liabilities and net assets</b>						
<b>Liabilities</b>						
Current liabilities						
Bank overdraft	\$ —	—	2,199,287	2,199,287	1,221	2,200,508
Accounts payable	3,129	32,539	85,077	120,745	8,469	129,214
Accrued interest payable	—	—	660,296	660,296	—	660,296
Accounts payable - HUD PHA programs	2,420	—	—	2,420	—	2,420
Accounts payable - PHA projects (portability)	1,583	—	—	1,583	—	1,583
Accounts payable - other government	—	39,355	—	39,355	—	39,355
Tenant security deposits	—	58,410	312,171	370,581	—	370,581
Deferred revenues	—	6,769	2,666	9,435	—	9,435
Current portion of long-term debt, capital projects	—	—	366,549	366,549	—	366,549
Other current liabilities	178,108	—	30,000	208,108	—	208,108
<b>Total current liabilities</b>	<b>185,240</b>	<b>137,073</b>	<b>3,656,046</b>	<b>3,978,359</b>	<b>9,690</b>	<b>3,988,049</b>
Non-current liabilities						
Long-term debt, capital projects	—	—	27,682,315	27,682,315	—	27,682,315
<b>Total non-current liabilities</b>	<b>—</b>	<b>—</b>	<b>27,682,315</b>	<b>27,682,315</b>	<b>—</b>	<b>27,682,315</b>
<b>Total liabilities</b>	<b>185,240</b>	<b>137,073</b>	<b>31,338,361</b>	<b>31,660,674</b>	<b>9,690</b>	<b>31,670,364</b>
<b>Net assets (deficit):</b>						
Invested in capital assets, net of related debt	—	8,112,479	(5,364,795)	2,747,684	9,690	2,757,374
Restricted	2,109,815	3,197,897	848,246	6,155,958	—	6,155,958
Unrestricted	92,302	1,345,813	(2,386,858)	(948,743)	(9,690)	(958,433)
<b>Total net assets (deficit)</b>	<b>2,202,117</b>	<b>12,656,189</b>	<b>(6,903,407)</b>	<b>7,954,899</b>	<b>—</b>	<b>7,954,899</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,387,357</b>	<b>12,793,262</b>	<b>24,434,954</b>	<b>39,615,573</b>	<b>9,690</b>	<b>39,625,263</b>

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

**THE HOUSING AUTHORITY OF  
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For the year ended June 30, 2012

	Housing Choice Vouchers	Operating Fund	Capital Fund	Business Activities	Elimination	FDS Total	Allocated Overhead	HAWC Total
<b>Revenues and expenses</b>								
<b>Revenues</b>								
Net tenant rental revenue	\$ —	457,652	—	4,665,594	—	5,123,246	—	5,123,246
Tenant revenue - other	—	42,341	—	106,981	—	149,322	—	149,322
HUD PHA operating grants	18,849,471	603,936	348,847	—	—	19,802,254	—	19,802,254
Capital grants	—	—	164,531	—	—	164,531	—	164,531
Other government grants	—	—	—	83,079	—	83,079	—	83,079
Investment income - unrestricted	1,038	14,304	—	(21,684)	—	(6,342)	(81)	(6,423)
Mortgage interest income	—	—	—	808	—	808	—	808
Fraud recovery - unrestricted	16,342	26,170	—	—	—	42,512	—	42,512
Fraud recovery - restricted	16,342	—	—	—	—	16,342	—	16,342
Other revenue	370,177	5,697	—	287,375	—	663,249	—	663,249
Investment income - restricted	18,707	27,441	—	—	—	46,148	—	46,148
<b>Total revenues</b>	<b>19,272,077</b>	<b>1,177,541</b>	<b>513,378</b>	<b>5,122,153</b>	<b>—</b>	<b>26,085,149</b>	<b>(81)</b>	<b>26,085,068</b>
<b>Operating expenses</b>								
Administrative salaries	559,432	87,856	37,306	338,990	—	1,023,584	618,135	1,641,719
Auditing fees	18,514	17,569	—	997	—	37,080	—	37,080
Management fee	—	—	—	156,221	—	156,221	—	156,221
Advertising and marketing	2,963	114	—	75	—	3,152	—	3,152
Employee benefit contributions	211,874	27,031	11,318	4,783	—	255,006	294,529	549,535
Office expenses	7,427	4,882	—	41,851	—	54,160	1,076	55,236
Legal expenses	12,310	8,022	—	21,003	—	41,335	585	41,920
Travel expenses	1,540	8	113	2,295	—	3,956	—	3,956
Allocated overhead	642,839	402,474	—	105,289	—	1,150,602	(1,150,602)	—
Other operating	201,013	198,562	—	72,031	—	471,606	228,652	700,258
Water	—	18,760	—	106,826	—	125,586	—	125,586
Electricity	—	8,393	—	89,724	—	98,117	—	98,117
Gas	—	2,922	—	24,916	—	27,838	—	27,838
Sewer	—	30,230	—	262,409	—	292,639	—	292,639
Other utility expense	—	3,801	—	210	—	4,011	—	4,011
Maintenance salaries	—	597,111	—	275,975	—	873,086	—	873,086
Materials and other	—	123,226	—	133,771	—	256,997	550	257,547
Contract costs	—	140,286	—	890,403	—	1,030,689	—	1,030,689
Maintenance benefits	—	292,140	—	58,736	—	350,876	—	350,876
Property insurance	—	28,218	—	99,862	—	128,080	—	128,080
Liability insurance	4,374	2,977	—	6,674	—	14,025	—	14,025
Other insurance	—	8,594	—	1,470	—	10,064	2,149	12,213
Other general expenses	59,189	640	—	4,299	—	64,128	—	64,128
Payments in lieu of taxes	—	39,355	—	—	—	39,355	—	39,355
Bad debt - tenant rents	—	21,737	—	60,293	—	82,030	—	82,030
Interest on notes payable	—	—	—	1,488,324	—	1,488,324	—	1,488,324
<b>Total operating expenses</b>	<b>1,721,475</b>	<b>2,064,908</b>	<b>48,737</b>	<b>4,247,427</b>	<b>—</b>	<b>8,082,547</b>	<b>(4,926)</b>	<b>8,077,621</b>
<b>Excess (deficiency) of operating revenue over operating expenses</b>	<b>17,550,602</b>	<b>(887,367)</b>	<b>464,641</b>	<b>874,726</b>	<b>—</b>	<b>18,002,602</b>	<b>4,845</b>	<b>18,007,447</b>
Other expenses								
Housing assistance payments	18,394,195	—	—	—	—	18,394,195	—	18,394,195
HAP portability in	302,175	—	—	—	—	302,175	—	302,175
Depreciation expense	—	565,634	—	1,125,081	—	1,690,715	4,845	1,695,560
<b>Total expenses</b>	<b>20,417,845</b>	<b>2,630,542</b>	<b>48,737</b>	<b>5,372,508</b>	<b>—</b>	<b>28,469,632</b>	<b>(81)</b>	<b>28,469,551</b>
Other financing sources (uses)								
Operating transfers in	—	300,110	—	—	(300,110)	—	—	—
Operating transfers out	—	—	(300,110)	—	300,110	—	—	—
Tfrs to primary government	—	—	—	(27,212)	—	(27,212)	—	(27,212)
Tfrs between program and project-in	—	—	—	924,633	(924,633)	—	—	—
Tfrs between program and project-out	—	(924,633)	—	—	924,633	—	—	—
<b>Total other financing sources (uses)</b>	<b>—</b>	<b>(624,523)</b>	<b>(300,110)</b>	<b>897,421</b>	<b>—</b>	<b>(27,212)</b>	<b>—</b>	<b>(27,212)</b>
<b>Excess (deficiency) of total revenue over (under) total expenses</b>	<b>\$ (1,145,768)</b>	<b>(2,077,524)</b>	<b>164,531</b>	<b>647,066</b>	<b>—</b>	<b>(2,411,695)</b>	<b>—</b>	<b>(2,411,695)</b>
<b>Memo Account Information</b>								
Required annual debt principal payments	\$ —	—	—	536,519	—	536,519	—	536,519
Beginning equity (deficit)	\$ 3,347,885	14,423,744	145,438	(7,550,473)	—	10,366,594	—	10,366,594
Equity transfers	\$ —	77,807	(77,807)	—	—	—	—	—
Administrative fee equity	\$ 92,302	—	—	—	—	92,302	—	92,302
Housing assistance payments equity	\$ 2,109,815	—	—	—	—	2,109,815	—	2,109,815
Unit months available	31,620	2,916	—	7,488	—	42,024	—	42,024
Number of unit months leased	31,451	2,902	—	7,171	—	41,524	—	41,524
Land and land improvements	\$ —	—	40,249	—	—	40,249	—	40,249
Buildings and building improvements	\$ —	—	118,912	—	—	118,912	—	118,912
Furniture and equipment - dwelling purchases	\$ —	—	5,370	—	—	5,370	—	5,370

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

**Actual Modernization  
Cost Certificate**

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

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

**RECEIVED**

**AUG 17 2011**

**OPH Portland**

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

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

Do not send this form to the above address.

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

HA Name: <b>Housing Authority of Washington County</b>	Modernization Project Number: <b>OR16PO2250109</b>
---	---

The HA hereby certifies to the Department of Housing and Urban Development as follows:

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

A. Original Funds Approved	\$ 609,873.00
B. Funds Disbursed	\$ 609,873.00
C. Funds Expended (Actual Modernization Cost)	\$ 609,873.00
D. Amount to be Recaptured (A-C)	\$ 0
E. Excess of Funds Disbursed (B-C)	\$ 0
- That all modernization work in connection with the Modernization Grant has been completed;
- That the entire Actual Modernization Cost or liabilities therefor incurred by the HA have been fully paid;
- That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work; and
- That the time in which such liens could be filed has expired.

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

Signature of Executive Director & Date:  
X *Joseph A. Valle, Jr.* 8/15/2011

<b>For HUD Use Only</b>	
<b>The Cost Certificate is approved for audit:</b>	
Approved for Audit (Director, Office of Public Housing / ONAP Administrator) X <i>Jay McCray</i>	Date: 9/23/2011
<b>The audited costs agree with the costs shown above:</b>	
Verified: (Designated HUD Official) X	Date:
Approved: (Director, Office of Public Housing / ONAP Administrator) X	Date:



**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  
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BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

December 18, 2012

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, 2012, and have issued our report thereon dated December 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

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

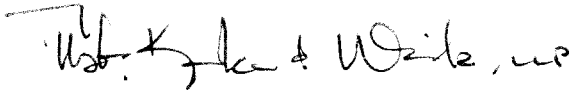
Page 2

**COMPLIANCE AND OTHER MATTERS**

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

\* \* \* \* \*

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



Certified Public Accountants

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

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

December 18, 2012

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

We have audited the financial statements of the Housing Authority of Washington County (the Authority), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### COMPLIANCE

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

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

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

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

Page 2

**COMPLIANCE (Continued)**

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

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

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

Our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements in accordance with *Government Auditing Standards* is presented on pages 29 and 30 of the report.

\* \* \* \* \*

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



Certified Public Accountants



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