



WASHINGTON COUNTY
OREGON

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YEAR ENDED JUNE 30, 2018

Financial Statements & Supplementary Data

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

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

Governing Body Under ORS 456.095

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

Board of Directors as of June 30, 2018

<u>Name</u>	<u>Term Expires</u>
Andy Duyck * Director	December 31, 2021
Greg Malinowski * Director	December 31, 2019
Nichole Weaver Director	December 31, 2019
Roy Rogers * Director	December 31, 2018
Dick Schouten * Director	December 31, 2020
Bob Terry * Director	December 31, 2019

* Directors also serve on the Washington County Board of Commissioners

Housing Authority Administrative Staff

Komi Kalevor, Executive Director

Washington County Administrative Staff

Robert Davis, County Administrator

Mary Gruss, Chief Finance Officer (as of June 30, 2018)

Jack Liang, Chief Finance Officer (current)

Komi Kalevor, Director, Department of Housing Services

YaLing Huang-Dressel, Housing Services Controller

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**THE HOUSING AUTHORITY OF
WASHINGTON COUNTY**

(A Component Unit of Washington County, Oregon)

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December 14, 2018

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

The Housing Authority of Washington County (the Authority) is pleased to present audited financial statements for the fiscal year that ended June 30, 2018. This report consists of management's representations concerning the finances of the Authority. Consequently, responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures rests with management. Generally accepted accounting principles (GAAP) require that Management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's report on the basic financial statements.

Housing Authority Programs

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

- The Section 8 Housing Choice Voucher program is the largest program administered by the Authority. The US Department of Housing and Urban Development (HUD) provides funding to provide up to 2,706 families with rental assistance, in the form of direct payments to landlords for all or part of their rent, depending on income. Clients obtain assistance through an application and screening process that gives preference to elderly and disabled individuals, and victims of domestic violence. The Authority also has 103 HUD-VA VASH (Veterans Affairs Supportive Housing) vouchers, which provide veterans with housing in conjunction with services received from US Department of Veterans Affairs. Another Section 8 program is Family Self-Sufficiency (FSS). An interest-bearing escrow account is established by the Authority for each participating FSS family. Any increases in the family's rent as a result of increased earned income during the family's participation in the program result in a credit to the family's escrow account. Once a family graduates from the program, they may access the escrow and use it for any purpose, such as purchasing a home, starting a business, or paying for education.
- The Low Rent Public Housing program provides housing directly to 244 families in Authority-owned, HUD-subsidized rental housing. These units, primarily single-family dwellings and duplexes, were acquired by the Authority between 1979 and 1996. Rent is based on income, and HUD provides an operating subsidy and capital improvement funds. During FY2017-18, the Authority invested \$388,588 to acquire a housing unit, \$343,532 was funded by HUD Replacement Housing Fund (RHF) which is restricted to acquire additional housing units and \$45,056 was funded by non-HUD resource to meet RHF matching requirement. Additional \$99,685 of the Public Housing Capital Fund program was invested in modernization.
- The Authority owns two Project-Based Section 8 rental properties for low-income seniors, Holly Tree Village in Beaverton and Tarkington Square in Hillsboro, totaling 188 units. Like the regular Section 8 program, the rent is based on income, and the Authority receives an operating subsidy to supplement rent receipts. Other subsidized properties include a 12-unit US Department of Agriculture-supported property,

Kaybern Terrace, and eight units of supportive and transitional housing which receive services from other county agencies and are funded through loan subsidies from the State of Oregon and Supportive Housing funds from HUD.

- The Authority serves as the sole member of the Aloha Park Apartments, LLC, which owns Aloha Park Apartments, an 80-unit multi-family apartment complex in Aloha, which includes eight units receiving Project-Based Section 8 rental subsidies and 72 non-subsidized but regulated affordable units.
- The Authority also owns 336 units of regulated affordable housing, in 12 locations, which do not receive direct rental subsidies. These units are priced for families earning under 60% of the area median income (AMI). The Authority also co-owns 711 units of affordable housing in Beaverton, wherein 40% of the units are priced for families earning under 60% area median income, and 60% of the units are priced for families earning under 80% area median income.

Department of Housing Services Programs

All of the Housing Authority programs are administered by the 36 employees of the Washington County Department of Housing Services (the Department), which in form is a separate entity from the Authority, but in substance is one and the same. The Department is a special revenue fund of Washington County (the County), and also administers the following homeless programs:

- **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 \$710,222 in FY2017-18 were budgeted for support of homeless programs. On June 19, 2018, the Board of County Commissioners approved the next phase of *A Road Home: Community Plan to Prevent and End Homelessness (2018-2025)*.
- **Homeless To Work Program.** The County contracts with Bridges to Change, a nonprofit agency providing housing and jobs mentoring, to operate the *Homeless to Work Program (HTW)*. Implemented in May 2009, HTW served 46 unaccompanied adults with transitional housing, supportive services, and job counseling during FY2017-18.
- **The Mary Mac House** is a short-term transitional housing program serving homeless households experiencing housing instability due to fleeing domestic violence. This program provides a continuity of services from shelter to housing, and is focused on the continued progress of the survivor to work toward self-sufficiency using leased housing as a platform for rapid transition back into the community. The Mary Mac House opened in July 2015 and provides stability for school-age children as they continue education in their school of origin and support for adults as they locate permanent housing. The program served 20 adults and children in FY2017-18.
- **Households at risk of homelessness who are severely rent burdened** – paying more than 50% of monthly income to housing costs – receive County Prevention Assistance (CPA) short-term rental assistance to bridge housing costs while working with a Housing Specialist to seek more affordable housing or increased income opportunities. In the second year of operation, the CPA program served 105 households.
- **Implemented in 2014**, the countywide homeless system aligns prevention and housing programs with a coordinated entry system - Community Connect. County funds provide for staffing at the system that served 1,767 households at risk or experiencing homelessness in FY2017-18.

- In partnership with Luke-Dorf, Inc., a nonprofit provider agency, the Department is overseeing the construction of Clover Court, a six-unit permanent supportive housing program targeted to open in June 2019. The housing will be affordable for 0-30% area median income who are chronically homeless.
- Continuum of Care. This program combines housing rent assistance administered by the Department with supportive services provided by non-profit organizations to reduce homelessness. Approximately 322 households served in HUD-funded CoC Programs. Competitive grant applications are submitted annually. The County received \$3.2 million for this program during FY2017-18, providing assistance to fourteen programs, with all programs administered by the Department.

Overall Financial Health of the Housing Authority

The major HUD-funded programs of the Authority (Section 8, Public Housing) have historically been self-sufficient, and the Authority has operated these programs within the amounts funded. For calendar year 2012 and 2013, however, reduced funding for Section 8 administration made it necessary to draw on Section 8 and other Authority reserves. The Section 8 administration funding has been increasing slightly since calendar year 2014, so the administration of Section 8 is currently self-sufficient.

The other major program is Affordable Housing. The Affordable Housing properties were acquired between 1993 and 2002, and the original cash flows for these properties contained optimistic revenue and expense projections and did not anticipate some of the major deferred maintenance expenditures that would be required for the properties. 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 the operating and maintenance costs of the HUD-subsidized Affordable Housing units.

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 now experiencing positive cash flow from non-HUD properties.

Continuing Initiatives

The Authority, along with the Department, continues to look toward funding opportunities that promote affordable housing, essential services and self-sufficiency in Washington County for low-income families. The Authority participates in a Department of Health and Human Services grant awarded to Worksystems, Inc. in September 2015 to fund a Health Careers Northwest program for \$12 million over five years. The Health Careers Northwest program will provide health care industry training and employment connections to 1,350 low-income job seekers in the Portland Metro area to enter and advance through seven health career ladders including nursing, mental health, allied health and medical laboratory.

The Authority addressed the County's Consolidated Plan's "highest needs" and the strategies of the Ten-Year Plan to End Homelessness by allocating 151 Section 8 project-based vouchers (PBVs) to nonprofit agencies to promote creation of permanent housing: 25 PBVs for households who are chronically homeless, 93 PBVs for low-income (30% MFI or below), 25 PBVs for people with special needs, and 8 PBVs for veterans. The Authority is strategically using these Section 8 project-based vouchers to promote new affordable housing development in Washington County. An additional 57 PBVs have been awarded to developments that are currently under development.

The Authority is working closely with the Department of Land Use and Transportation, and cities to facilitate awareness of affordable housing tools and strategies and participate on the three Metro Equitable Development Housing grant activities. To better promote affordable housing development, the Authority has been coordinating with Washington County cities and other taxing jurisdictions to implement a county-wide non-profit corporation low-income housing tax exemption policy.

The Authority is also responsible for development and portfolio management, either directly or through a wholly-owned affiliate, may work with developers, financial institutions and government agencies to build or acquire/rehabilitate thriving affordable housing communities in Washington County. The Authority housing development projects during FY2017-18 include:

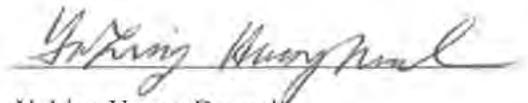
- 120-unit Willow Creek Crossing in Hillsboro
- 264-unit Fields Apartments in Tigard

On November 6, 2018 voters in Multnomah, Clackamas and Washington Counties approved a \$652.8 million Metro Bond Measure 26-199. The bond will provide funds for the tri-county Metro jurisdiction to build as many as 3,900 homes affordable to households that make 80% or less of the area median income for their family size. Oregon voters also voted to amend the state Constitution to give local governments more flexibility to use bond dollars for affordable housing developments. Metro's estimates show that the Authority will be responsible to manage approximately \$188 million of the Metro bond to build 1,315 affordable homes in Washington County within the next seven years.

Respectfully Submitted,



Komi Kalevor
Executive Director



YaLing Huang-Dressel
Housing Services Controller



ACHIEVE MORE

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INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Housing Authority of Washington County, Hillsboro, Oregon, (the Authority), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Quatama Housing, LP (Quatama), an equity investment of the Authority which represents two percent of total assets at June 30, 2018, and one percent of total revenues for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Quatama, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Quatama were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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INDEPENDENT AUDITOR'S REPORT (Continued)

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

OPINION

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Other Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is required by the U.S. Department of Housing and Urban Development who considers it to be an essential part of financial reporting. The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Letter of Transmittal has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

INDEPENDENT AUDITOR'S REPORT (Continued)

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

REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated December 14, 2018, on our consideration of the Authority's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

TALBOT, KORVOLA & WARWICK, LLP

By: 
Julie B. Fahey, Partner

Lake Oswego, Oregon
December 14, 2018

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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, 2018. We encourage readers to consider information presented here in conjunction with the financial statements, which begin on page 15. All amounts in this Management's Discussion and Analysis, unless otherwise indicated, are expressed in thousands of dollars. The Authority receives federal assistance whose funds are reported as part of the Federal Grants Report of Washington County, Oregon.

Financial Highlights

- The assets and deferred outflow of resources of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$8,625. Of this amount \$7,666 (unrestricted net position) may be used to meet the Authority's ongoing obligations to citizens and creditors.
- The Authority's total net position increased by \$2,252. The growth was due to the operating income of \$3,074, non-operating net expenses of \$1,265, and capital contributions of \$443.
- The Authority's debt decreased net by \$278.

Overview of the Financial Statements

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

Basic Financial Statements

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

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

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

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

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

The basic financial statements and related notes can be found on pages 15 through 25 of this report.

Authority Financial Analysis

Assets, Deferred Outflow of Resources, Liabilities and Net Position

The following provides a summary of the Authority's net position for 2018 compared to 2017.

	Dollars in thousands		
	2018	2017	Change
Assets:			
Assets, excluding capital assets	\$ 14,249	11,348	2,901
Capital assets	24,698	25,130	(432)
Total assets	38,947	36,478	2,469
Deferred outflow of resources	1,990	2,171	(181)
Liabilities:			
Other current and restricted liabilities	2,668	2,073	595
Long-term debt	29,644	30,203	(559)
Total liabilities	32,312	32,276	36
Net position:			
Net investment in capital assets	(2,047)	(1,712)	(335)
Restricted	3,006	3,089	(83)
Unrestricted	7,666	4,996	2,670
Total net position	\$ 8,625	6,373	2,252

As noted earlier, the net position may serve over time as a useful indicator of an entity's financial position. In the case of the Authority, assets and deferred outflow of resources exceeded liabilities by \$8,625 at the close of the most recent fiscal year.

Assets increased by \$2,469 during FY2017-18. Assets excluding capital assets increased \$2,901, contributing to this increase were additional funding in intergovernmental revenues, profit in equity of investment in partnership with Quatama Housing Limited Partnership, and cash flow distribution from Quatama Housing Limited Partnership. Capital assets decreased by \$432, due to depreciation expense in excess of acquisitions.

Deferred outflow of resources decreased \$181, due to amortization of bond refunding costs.

Liabilities increased by \$36. Current and restricted liabilities increased by \$595 and long-term debt decreased by \$559.

Net investment in capital has a deficit balance of \$2,047, which reflects investment in capital assets, primarily housing, less any related debt used to acquire those assets that is still outstanding. The deficit balance is partially due to depreciation on the related properties being greater than the debt payment amount and partially due to the unspent Aloha Park debt proceeds from the new debt being reported as an increase of unrestricted net position. The restricted net position totals \$3,006, consists of \$64 cash restricted by HUD for future housing assistance payments (HAP), \$1,729 cash restricted by a County loan agreement for debt service, and \$1,213 reserves for replacement of assets required by loan agreements.

The total net position of the Authority increased by \$2,252. The net investment in capital assets decreased by \$335. The restricted net position decreased by \$83, and the unrestricted net position increased by \$2,670.

Change in Net Position

The following provides a summary of the Authority's change in net position for 2018 compared to 2017:

	Dollars in thousands		
	2018	2017	Change
Revenues:			
Intergovernmental revenues	\$ 28,347	26,988	1,359
Rental income	6,158	5,993	165
Other revenue	4,459	3,004	1,455
Total revenues	38,964	35,985	2,979
Expenses:			
Housing assistance payments	26,220	24,028	2,192
Other operating expenses	9,669	9,148	521
Non-operating expenses, net	1,266	1,056	210
Total expenses	37,155	34,232	2,923
Net income before capital contributions	1,809	1,753	56
Capital contributions	443	319	124
Increase in net position	2,252	2,072	180
Net position, beginning of year	6,373	4,301	2,072
Net position, end of year	\$ 8,625	6,373	2,252

Total revenues increased by \$2,979, or 8.3% from the previous year. Intergovernmental revenues increased \$1,359 or 5.0% mainly due to the increase of the Housing Assistance Payment receipts. Rental income increased \$165 or 2.8% due to the increase of tenant's income which allows the Authority to contribute less of housing assistance subsidy. Other revenue increased by \$1,455 or 48.41% primarily due to the increase of Housing Choice Voucher housing assistance payment reimbursement income from other housing authorities.

Total expenses increased by \$2,923, or 8.5%. Housing assistance payments increased by \$2,192 or 9.1% mainly due to higher payments per unit. Other operating expenses increased \$521 or 5.7%. Non-operating expenses increased by \$210 or 19.9% mainly due to the decrease of change in the profit in equity of investment in partnership.

Capital contributions increase by \$124.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the Authority's capital assets were \$24,698 (net of accumulated depreciation). Capital assets include land, buildings, improvements, vehicles, and office equipment.

The Authority invested \$1,084 in capital improvements, which include \$99 of Low Rent Public Housing capital contributions, \$344 of Replacement Housing Fund funded by the Low Rent Public Housing Capital Fund program, \$269 from the Replacement Reserve account and \$372 from operating revenues. One of fully depreciated vehicles assigned to the Housing Choice Voucher program was disposed in FY2017-18.

Additional detail may be found on page 22 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 \$30,291. Of this amount, \$26,305 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, \$1,997 of the Aloha Park Apartments refinance closed in August 2014, and \$1,989 of notes to other lenders. Additional detail may be found on pages 23-24 in the Notes to Basic Financial Statements.

Budget Information

The Authority is not subject to Oregon Local Budget Law.

Contacting the Authority's Financial Management

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

BASIC FINANCIAL STATEMENTS

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

Statement of Net Position

June 30, 2018

Assets

Current assets:

Unrestricted cash and cash equivalents	\$	7,294,975
Restricted cash and cash equivalents		1,556,511
Accounts receivable, net		577,319
Current portion of contracts receivable		368,677
Other current assets		35,786
Total current assets		9,833,268

Noncurrent assets:

Restricted cash and cash equivalents		3,312,092
Contracts receivable		92,860
Investment in partnership		1,009,947
Capital assets, non-depreciable		9,039,289
Capital assets, depreciable, net		15,659,058
Total noncurrent assets		29,113,246

Total assets		38,946,514
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Deferred Outflow of Resources

Deferred refunding costs		1,990,130
		1,990,130

Liabilities

Current liabilities:

Accounts payable		599,312
Unearned revenue		17,391
Accrued interest payable		620,871
Current portion of notes and contracts payable		908,164
Current liabilities payable from restricted assets:		
Tenant and other deposits		521,977
Total current liabilities		2,667,715

Noncurrent liabilities:

Notes and contracts payable		29,382,612
Deposits payable from restricted assets		261,527
Total non-current liabilities		29,644,139
Total liabilities		32,311,854

Net Position

Net investment in capital assets		(2,047,350)
Restricted		3,006,081
Unrestricted		7,666,059
Total net position	\$	8,624,790

See accompanying notes to basic financial statements.

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

Statement of Revenues, Expenses and Changes in Net Position

For the year ended June 30, 2018

Operating revenues:	
Intergovernmental revenues	\$ 28,347,240
Rental income	6,158,319
Other	4,458,146
Total operating revenues	38,963,705
Operating expenses:	
Housing assistance payments	26,219,587
Repairs and maintenance	2,809,555
Administrative costs	4,186,183
Utilities	714,321
Depreciation	1,509,185
Other	450,749
Total operating expenses	35,889,580
Operating income	3,074,125
Non-operating revenues (expenses):	
Gain on sale of assets	3,420
Profit in equity of investment in partnership	210,721
Interest on investments	13,257
Interest and amortization	(1,492,975)
Total non-operating revenues (expenses)	(1,265,577)
Income before capital contributions	1,808,548
Capital contributions	443,217
Increase in net position	2,251,765
Net position, beginning of year	6,373,025
Net position, end of year	\$ 8,624,790

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, 2018

Cash flows from operating activities:	
Cash received for services provided	\$ 38,927,358
Cash payments for labor and benefits	(3,228,610)
Cash payments for goods and services	(30,853,405)
Net cash provided by operating activities	<u>4,845,343</u>
Cash flows from capital and related financing activities:	
Capital grants	443,217
Acquisition of capital assets, net	(1,077,550)
Increase in contracts receivable	(194,810)
Current maturities and principal payments of notes payable	(570,705)
Interest paid on notes payable	(1,312,569)
Proceeds from loan	292,880
Proceeds from disposal of capital assets	3,420
Net cash used for capital and related financing activities	<u>(2,416,117)</u>
Cash flows from investing activities:	
Interest on investments	13,257
Net increase in cash and cash equivalents	2,442,483
Cash and cash equivalents at beginning of year	<u>9,721,095</u>
Cash and cash equivalents at end of year (1)	<u>\$ 12,163,578</u>
Reconciliation of operating income to net cash provided from operating activities:	
Operating income	\$ 3,074,125
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,509,185
Changes in assets and liabilities:	
Increase in accounts receivable, net	(44,984)
Increase in other current assets	(7,294)
Increase in accounts payable	329,800
Decrease in deposits	(24,126)
Increase in unearned revenue	8,637
Net cash provided by operating activities	<u>\$ 4,845,343</u>
(1) Cash and cash equivalents are reflected on the Statement of Net Position as follows:	
Current assets - unrestricted	\$ 7,294,975
Current assets - restricted	1,556,511
Noncurrent assets - restricted	3,312,092
	<u>\$ 12,163,578</u>
Supplemental disclosure of non-cash transactions	
Change in investment in partnership	<u>\$ 210,721</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, 2018

(1) The Authority and Summary of Significant Accounting Policies

The Authority

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

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

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

Blended Component Unit

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

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

Notes to Basic Financial Statements

June 30, 2018

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, deferred outflow of resources and liabilities are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g. revenues) and decreases (e.g. expenses) affecting the net position of the Authority. Revenues are recorded at the time they are earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

Use of Estimates

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

Restricted vs. Unrestricted Net Position

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

Revenues and Expenses

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

Cash and Cash Equivalents

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

Other Current Assets

Other current assets consist of supplies inventory and prepaid expenses.

**THE HOUSING AUTHORITY OF
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Notes to Basic Financial Statements

June 30, 2018

Restricted Assets, Liabilities, and Net Position

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

Contracts Receivable

The Authority holds three second mortgages and two third mortgages for low-income home purchasers in the amount of \$60,288. The Authority is owed \$36,250 in developer's fees in connection with private activity bonds issued for the construction of housing projects, and is owed \$365,000 for pre-construction loan advances for Willow Creek project.

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

Investment in Partnership

Investment in partnership represents the Authority's equity interest in Quatama Housing Limited Partnership. This investment is accounted using the equity method. Under the equity method, the initial investment is recorded at cost and increased or decreased by the Authority's share of income or loss and is increased by contributions and decreased by distributions. Investment in Quatama Housing Limited Partnership of \$1,009,947 was recorded as of December 31, 2017, the latest available audited financial statements.

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 Net Position.

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

Buildings	30 years
Building and site improvements	15 years
Office equipment	7 years
Vehicles	5 years
Computer hardware	5 years
Computer software	3 years

**THE HOUSING AUTHORITY OF
WASHINGTON COUNTY**
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Notes to Basic Financial Statements

June 30, 2018

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

The Authority's personnel are exclusively contracted Washington County employees. Accordingly, the liability of vested compensated absences, sick pay, other post-employment obligation, and net pension liability are recorded by the County.

(2) Cash and Cash Equivalents

Deposits with Financial Institutions

The Authority's deposits with financial institutions are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The bank balance as of June 30, 2018 maintained by the Authority was \$36,113 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, 2018 for information with respect to credit risk.

Custodial Credit Risk

Washington County, Oregon maintains a common cash and investment pool for all County funds including those of the Authority. The types of investments in which the County may invest are restricted by State of Oregon Statutes and a Board adopted investment policy. Authorized investments include general obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bankers' acceptances, certain high-grade commercial paper, repurchase agreements, and the State of Oregon Local Government Investment Pool, among others.

At June 30, 2018, the Authority's cash and cash equivalents are comprised of the following:

Bank accounts	\$ 36,113
Reserves held by lenders	408,147
Accounts administered by subcontracted management companies	505,512
Deposits with Washington County Investment Pool	<u>11,213,806</u>
Total cash and cash equivalents	<u>\$ 12,163,578</u>

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

Notes to Basic Financial Statements

June 30, 2018

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

Unrestricted:		
Cash and cash equivalents	\$	7,294,975
Restricted for:		
Affordable housing county bond reserve		1,728,807
Replacement reserves		1,185,863
Retainage in escrow		26,999
Restricted for payment of current liabilities		1,556,511
Restricted for payment of noncurrent liabilities		<u>370,423</u>
Total restricted		<u>4,868,603</u>
Total cash and cash equivalents	\$	<u><u>12,163,578</u></u>

(3) Capital Assets

Capital asset activity is as follows:

	Balance June 30, 2017	Additions	Disposals	Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 8,579,634	198,790	—	153	8,778,577
Construction in progress	13,613	253,649	(6,397)	(153)	260,712
Total capital assets not being depreciated	<u>8,593,247</u>	<u>452,439</u>	<u>(6,397)</u>	<u>—</u>	<u>9,039,289</u>
Capital assets being depreciated:					
Buildings and improvements	48,464,365	631,508	—	—	49,095,873
Office equipment and other	107,640	—	—	—	107,640
Vehicles	305,635	—	(24,188)	—	281,447
Total capital assets being depreciated	<u>48,877,640</u>	<u>631,508</u>	<u>(24,188)</u>	<u>—</u>	<u>49,484,960</u>
Less accumulated depreciation for:					
Buildings and improvements	(32,005,354)	(1,490,738)	—	—	(33,496,092)
Office equipment and other	(107,640)	—	—	—	(107,640)
Vehicles	(227,911)	(18,447)	24,188	—	(222,170)
Total accumulated depreciation	<u>(32,340,905)</u>	<u>(1,509,185)</u>	<u>24,188</u>	<u>—</u>	<u>(33,825,902)</u>
Total capital assets being depreciated, net	<u>16,536,735</u>	<u>(877,677)</u>	<u>—</u>	<u>—</u>	<u>15,659,058</u>
Total capital assets, net	\$ <u><u>25,129,982</u></u>	<u><u>(425,238)</u></u>	<u><u>(6,397)</u></u>	<u><u>—</u></u>	<u><u>24,698,347</u></u>

**THE HOUSING AUTHORITY OF
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Notes to Basic Financial Statements

June 30, 2018

(4) Long-term Debt

Washington County Loan Agreement

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

Notes and Contracts Payable

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

Notes	Amount Issued	Interest Rates	Outstanding June 30, 2017	Increase	Decrease	Outstanding June 30, 2018
Farmer's Home Administration	\$ 361,000	9 to 9.5%	\$ 313,963	—	(5,192)	308,771
State of Oregon	181,238	0 to 8.97%	6,503	—	(6,503)	—
Office of Community Development	652,310	0%	648,573	—	—	648,573
HOME contracts	1,104,300	3.0%	722,429	—	(55,607)	666,822
Washington County IGA	1,300,000	4.6%	35,366	—	(35,366)	—
Washington County Loan Agreement	28,985,000	2.25% to 5.0%	26,740,000	—	(435,000)	26,305,000
Berkadia Bank Mortgage	2,107,100	4.18%	2,029,647	—	(33,037)	1,996,610
Community Housing Fund Willow Creek	365,000	2.0%	72,120	292,880	—	365,000
			<u>\$ 30,568,601</u>	<u>292,880</u>	<u>(570,705)</u>	<u>30,290,776</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
2019	\$ 908,164	\$ 1,313,195
2020	610,086	1,269,280
2021	687,123	1,246,431
2022	658,674	1,217,097
2023	690,962	1,183,309
2024-2028	3,944,415	5,440,816
2029-2033	4,822,654	4,556,502
2034-2038	6,043,050	3,318,082
2039-2043	7,414,502	1,792,262
2044-2048	3,732,185	243,662
2049-2050	130,388	3,432
Due on sale of property	648,573	—
	<u>\$ 30,290,776</u>	<u>\$ 21,584,068</u>

**THE HOUSING AUTHORITY OF
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Notes to Basic Financial Statements

June 30, 2018

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

Current maturities	\$	908,164
Non-current maturities		<u>29,382,612</u>
	\$	<u><u>30,290,776</u></u>

(5) Transactions with Related Parties

The Authority paid Washington County \$712,356 for administrative, vehicle maintenance, legal and allocated overhead expenses, and \$3,088,479 for salaries and benefits for contracted employees. The Authority received \$99,474 from Washington County to mitigate the contracted employees cost impact of the filled Assistant Director position, \$158,439 to support affordable housing development and \$41,000 to supplement the continuation of the Health Profession Opportunity Grant.

(6) Insured Risks

Potential liabilities for workers' compensation, liability/casualty and unemployment compensation claims are covered under the self-insurance plans maintained by Washington County, Oregon. Accordingly, insurance reserves are recorded by the County. Reference should be made to the Washington County, Oregon Comprehensive Annual Financial Report for the year ended June 30, 2018 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, 2018, there was two series of multi-family Housing Revenue Bonds outstanding, with an aggregate principal amount payable of \$32,701,636.

(8) Litigation

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

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

Notes to Basic Financial Statements

June 30, 2018

(9) Blended Component Unit

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

Condensed Statement of Net Position
June 30, 2018

Assets:	
Assets, excluding capital assets	\$ 445,667
Capital assets	<u>737,171</u>
Total assets	<u>1,182,838</u>
Liabilities:	
Other current and restricted liabilities	90,816
Long-term debt	<u>1,964,760</u>
Total liabilities	<u>2,055,576</u>
Net position:	
Net investment in capital assets	295,510
Restricted	360,349
Unrestricted (deficit)	<u>(1,528,597)</u>
Total net position (deficit)	<u>\$ (872,738)</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Year ended June 30, 2018

Revenues:	
Rental income	\$ 511,252
Other revenue	<u>27,535</u>
Total revenues	<u>538,787</u>
Expenses:	
Operating expenses	416,099
Non-operating expenses	<u>84,100</u>
Total expenses	<u>500,199</u>
Increase in net position	38,588
Net position (deficit), beginning of year	<u>(911,326)</u>
Net position (deficit), end of year	<u>\$ (872,738)</u>

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OTHER SUPPLEMENTARY INFORMATION

**THE HOUSING AUTHORITY OF
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Financial Data Schedule

June 30, 2018

FDS #	Assets	Housing Choice Vouchers	FSS Grant	Low Rent Public Housing	Aloha Park LLC	Business Activities	Total
	Current assets						
	Cash						
111	Unrestricted	\$ 553,824	—	1,277,142	10,886	5,453,123	7,294,975
112	Restricted - modernization and development	—	—	—	333,350	852,513	1,185,863
113	Other restricted	370,423	—	—	26,999	1,728,807	2,126,229
114	Tenant security deposits	—	—	84,987	38,385	319,251	442,623
115	Restricted for payment of current liabilities	79,354	—	—	—	1,034,534	1,113,888
100	Total cash	1,003,601	—	1,362,129	409,620	9,388,228	12,163,578
	Receivables						
121	Accounts receivable - PHA projects	35,167	—	—	—	—	35,167
122	Accounts receivable - HUD other projects	10,537	—	17,147	—	—	27,684
124	Accounts receivable - other governments	—	—	—	13,598	—	13,598
125	Accounts receivable - miscellaneous	—	—	—	15,373	235,114	250,487
126	Accounts receivable - tenants	—	—	246,248	7,076	199,534	452,858
126.1	Allowance for doubtful accounts - tenants	—	—	(243,211)	—	—	(243,211)
126.2	Allowance for doubtful accounts - other	—	—	—	—	(14,266)	(14,266)
127	Notes & mortgages receivable - current	—	—	—	—	368,677	368,677
128	Fraud recovery	129,460	—	79,210	—	—	208,670
128.1	Allowance for doubtful accounts - fraud	(82,252)	—	(71,416)	—	—	(153,668)
120	Total receivables net of allowances for doubtful accounts	92,912	—	27,978	36,047	789,059	945,996
142	Prepaid expenses and other assets	175	—	2,263	—	28,348	30,786
143	Inventories	—	—	10,000	—	—	10,000
143.1	Inventories - allowance for obsolete	—	—	(5,000)	—	—	(5,000)
150	Total current assets	1,096,688	—	1,397,370	445,667	10,205,635	13,145,360
	Non-current assets						
	Capital assets						
161	Land	—	—	3,824,630	41,617	4,912,330	8,778,577
162	Buildings	—	—	16,791,764	927,947	31,376,162	49,095,873
164	Furniture, equipment and machinery - administration	43,904	—	312,692	—	32,491	389,087
166	Accumulated depreciation	(28,162)	—	(14,709,133)	(232,393)	(18,856,214)	(33,825,902)
167	Construction in progress	—	—	—	—	260,712	260,712
160	Total capital assets, net	15,742	—	6,219,953	737,171	17,725,481	24,698,347
171	Notes, loans and mortgages receivable non-current	—	—	—	—	92,860	92,860
176	Investment in partnership	—	—	—	—	1,009,947	1,009,947
180	Total non-current assets	15,742	—	6,219,953	737,171	18,828,288	25,801,154
	Total assets	1,112,430	—	7,617,323	1,182,838	29,033,923	38,946,514
200	Deferred outflow of resources	—	—	—	—	1,990,130	1,990,130
290	Total assets and deferred outflows	\$ 1,112,430	—	7,617,323	1,182,838	31,024,053	40,936,644
	Liabilities and net position						
	Liabilities						
	Current liabilities						
312	Accounts payable	\$ 7,052	—	58,455	20,538	289,931	375,976
325	Accrued interest payable	—	—	—	—	620,871	620,871
331	Accounts payable - HUD PHA programs	70,012	—	—	—	—	70,012
332	Accounts payable - PHA projects (portability)	4,615	—	—	—	—	4,615
333	Accounts payable - other government	—	—	148,709	—	—	148,709
341	Tenant security deposits	—	—	84,987	38,385	319,251	442,623
342	Unearned revenue	—	—	8,770	43	8,578	17,391
343	Current portion of long-term debt, capital projects	—	—	—	31,850	876,314	908,164
345	Other current liabilities	79,354	—	—	—	—	79,354
310	Total current liabilities	161,033	—	300,921	90,816	2,114,945	2,667,715
	Non-current liabilities						
351	Long-term debt, capital projects	—	—	—	1,964,760	27,417,852	29,382,612
353	Other non-current liabilities	261,527	—	—	—	—	261,527
350	Total non-current liabilities	261,527	—	—	1,964,760	27,417,852	29,644,139
300	Total liabilities	422,560	—	300,921	2,055,576	29,532,797	32,311,854
	Net position						
508.4	Net investment in capital assets	15,742	—	6,219,953	295,510	(8,578,555)	(2,047,350)
511.4	Restricted net position	64,412	—	—	360,349	2,581,320	3,006,081
512.4	Unrestricted net position	609,716	—	1,096,449	(1,528,597)	7,488,491	7,666,059
513	Total net position	689,870	—	7,316,402	(872,738)	1,491,256	8,624,790
600	Total liabilities and net position	\$ 1,112,430	—	7,617,323	1,182,838	31,024,053	40,936,644

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

**THE HOUSING AUTHORITY OF
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Financial Data Schedule

June 30, 2018

FDS #	Revenues and expenses	Housing Choice Vouchers	FSS Grant	Operating Fund	Capital Fund	Aloha Park LLC	Business Activities	FDS Total
Revenues								
70300	Net tenant rental revenue	\$ —	—	889,932	—	511,252	4,757,135	6,158,319
70400	Tenant revenue - other	—	—	24,846	—	1,488	129,358	155,692
70600	HUD PHA operating grants	26,468,470	109,339	856,018	403,543	—	—	27,837,370
70610	Capital grants	—	—	—	443,217	—	—	443,217
70800	Other government grants	—	—	—	—	13,598	197,359	210,957
71100	Investment income - unrestricted	7,082	—	10,988	3,813	54	(9,343)	12,594
71400	Fraud recovery - unrestricted	92,983	—	15,426	—	—	—	108,409
71400	Fraud recovery - restricted	92,983	—	—	—	—	—	92,983
71500	Other revenue	1,633,691	—	24,300	—	10,732	2,643,060	4,311,783
71600	Gain on sale of assets	432	—	2,988	—	—	—	3,420
72000	Investment income - restricted	663	—	—	—	—	—	663
70000	Total revenues	28,296,304	109,339	1,824,498	850,573	537,124	7,717,569	39,335,407
Operating expenses								
91100	Administrative salaries	667,830	—	146,856	—	51,578	600,263	1,466,527
91200	Auditing fees	18,026	—	13,532	—	13,000	6,392	50,950
91300	Management fee	—	—	—	—	18,417	168,722	187,139
91400	Advertising and marketing	476	—	476	—	—	420	1,372
91500	Employee benefit contributions	408,032	—	89,213	—	5,917	151,444	654,606
91600	Office expenses	26,199	—	6,807	—	15,046	36,267	84,319
91700	Legal expenses	—	—	—	—	318	20,505	20,823
91800	Travel expenses	3,696	—	156	—	748	4,438	9,038
91810	Allocated overhead	530,785	—	481,705	—	—	303,141	1,315,631
91900	Other operating	30,741	—	5,949	—	—	174,204	210,894
92100	Tenant services - salaries	—	78,609	—	—	—	—	78,609
92200	Relocation Costs	—	—	1,414	—	—	—	1,414
92300	Tenant services - benefits	—	44,721	—	—	—	—	44,721
92400	Tenant services - other	60,140	—	—	—	—	—	60,140
93100	Water	—	—	37,119	—	20,642	147,423	205,184
93200	Electricity	—	—	7,151	—	8,913	77,845	93,909
93300	Gas	—	—	3,320	—	—	21,133	24,453
93600	Sewer	—	—	40,168	—	37,174	307,470	384,812
93800	Other utility expense	—	—	5,579	—	—	384	5,963
94100	Maintenance salaries	—	—	408,009	—	33,108	258,403	699,520
94200	Materials and other	187	—	192,037	—	15,851	188,448	396,523
94300	Contract costs	61	—	211,962	—	110,967	1,083,930	1,406,920
94500	Maintenance benefits	—	—	219,965	—	8,171	56,491	284,627
96110	Property insurance	—	—	34,308	—	5,442	103,408	143,158
96120	Liability insurance	3,083	—	4,368	—	1,504	9,916	18,871
96140	Other insurance	1,289	—	5,799	—	9,025	—	16,113
96200	Other general expenses	40,112	—	20,307	—	—	13,653	74,072
96300	Payments in lieu of taxes	—	—	79,659	—	—	—	79,659
96400	Bad debt - tenant rents	—	—	7,541	—	1,000	28,083	36,624
96600	Bad debt - other	82,252	—	—	—	—	—	82,252
96710	Interest on notes payable	—	—	—	—	84,154	1,408,821	1,492,975
96900	Total operating expenses	1,872,909	123,330	2,023,400	—	440,975	5,171,204	9,631,818
97000	Excess (deficiency) of operating revenue over operating expenses	26,423,395	(13,991)	(198,902)	850,573	96,149	2,546,365	29,703,589
Other expenses								
97110	Extraordinary maintenance	—	—	21,965	—	—	—	21,965
97300	Housing assistance payments	24,660,125	—	—	—	—	—	24,660,125
97350	HAP portability in	1,559,462	—	—	—	—	—	1,559,462
97400	Depreciation expense	3,936	—	369,839	—	59,278	1,076,132	1,509,185
90000	Total expenses	28,096,432	123,330	2,415,204	—	500,253	6,247,336	37,382,555
Other financing sources (uses)								
10010	Operating transfers in	—	—	850,573	—	—	—	850,573
10020	Operating transfers out	—	—	—	(850,573)	—	—	(850,573)
10030	Tfrs to /from primary government	47,248	—	35,470	—	—	216,195	298,913
10040	Tfrs to /from component unit	—	—	—	—	1,717	(1,717)	—
10093	Tfrs between program and project-in	—	—	175,522	—	—	—	175,522
10094	Tfrs between program and project-out	—	—	—	—	—	(175,522)	(175,522)
10100	Total other financing sources (uses)	47,248	—	1,061,565	(850,573)	1,717	38,956	298,913
10000	Excess (deficiency) of total revenue over (under) total expenses	\$ 247,120	(13,991)	470,859	—	38,588	1,509,189	2,251,765
Memo Account Information								
11020	Required annual debt principal payments	\$ —	—	—	—	33,037	537,668	570,705
11030	Beginning equity (deficit)	\$ 456,741	—	6,845,543	—	—	(1,583,982)	5,718,302
11040	Prior period adjustments, equity transfers and coi	(13,991)	13,991	—	—	(911,326)	1,566,049	654,723
11170	Administrative fee equity	\$ 625,458	—	—	—	—	—	625,458
11180	Housing assistance payments equity	\$ 64,412	—	—	—	—	—	64,412
11190	Unit months available	33,711	—	2,919	—	960	6,576	44,166
11210	Unit months leased	31,252	—	2,902	—	929	6,330	41,413
11610	Land and land improvements	\$ —	—	—	198,790	—	—	198,790
11620	Buildings and building improvements	\$ —	—	45,056	244,427	—	—	289,483
13901	Replacement housing factor funds	\$ —	—	—	359,282	—	—	359,282

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

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

&

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

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
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INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Housing Authority of Washington County, Hillsboro, Oregon (the Authority), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 14, 2018. Our report includes a reference to other auditors who audited the financial statements of Quatama Housing, LP (Quatama), an equity investment of the Authority, as described in our report on the Authority's financial statements. The financial statements of Quatama were not audited in accordance with *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Talbot, Kowala & Wawick, LLP

Lake Oswego, Oregon
December 14, 2018



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

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

We have audited the basic financial statements of the Housing Authority of Washington County, Hillsboro, Oregon (the Authority), a component unit of Washington County, Oregon, as of and for the year ended June 30, 2018 and have issued our report thereon dated December 14, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report includes a reference to other auditors. We did not audit the financial statements of Quatama Housing, LP, (Quatama), an equity investment of the Authority. The financial statements of Quatama were not audited in accordance with *Government Auditing Standards*. This report under Oregon State Regulations does not include Quatama.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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



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

COMPLIANCE (continued)

In connection with our testing, nothing came to our attention that caused us to believe the Authority was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 INTERNAL CONTROL

In planning and performing our audit, we considered the Authority's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

PURPOSE OF THIS REPORT

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

Talbot, Kervola & Dawick, LLP

Lake Oswego, Oregon
December 14, 2018

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