

Financial Statements & Supplementary Data



The Housing Authority of Washington County

A Component Unit of Washington County, Oregon



YEAR ENDED
JUNE 30
2021



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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, 2021

<u>Name</u>	<u>Term Expires</u>
Kathryn Harrington * Director	December 31, 2022
Dick Schouten * Director	December 31, 2022
Pam Treece * Director	December 31, 2022
Roy Rogers * Director	December 31, 2022
Jerry Willey * Director	December 31, 2022
Caroline Roper Director	December 31, 2022
Michael Savara Director	December 31, 2023

* Directors also serve on the Washington County Board of Commissioners

Housing Authority Administrative Staff

Komi Kalevor, Executive Director

Washington County Administrative Staff

Steve Rhodes, Interim County Administrator

Jack Liang, Chief Finance Officer

Komi Kalevor, Director, Department of Housing Services

YaLing Huang-Dressel, Housing Services Controller

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**THE HOUSING AUTHORITY OF
WASHINGTON COUNTY**

(A Component Unit of Washington County, Oregon)

Table of Contents

	Page
Letter of Transmittal	1
Independent Auditor's Report	5
Management's Discussion and Analysis	9
Basic Financial Statements:	
Statement of Net Position	15
Statement of Revenues, Expenses and Changes in Net Position	16
Statement of Cash Flows	17
Notes to Basic Financial Statements	18
Other Supplementary Information:	
Financial Data Schedules	28
Actual Modernization Cost Certificates	30
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 <i>Government Auditing Standards</i>	32
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	34

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December 3, 2021

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, 2021. 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 decent, 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. It provides rental subsidies to low-income households. Under the program, the Authority provides a subsidy that is the difference between the "payment standard" established for a given unit size and up to 40 percent of the participant's income. The Authority is responsible to maintain a program waiting list, determine the applicant's eligibility, inform the applicant of program requirements, ensure that the rental unit selected by the participant meets housing quality standards, enter a housing assistance payment contract with the owner, respond to landlord/client issues, and recertifies each resident's income annually per the U.S. Department of Housing and Urban Development (HUD) guidelines to maintain housing eligibility. The Authority is authorized to serve up to 2,977 households with vouchers throughout the fiscal year 2020-21, subject to housing assistance payment funding availability.
- 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.
- 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, two houses of Specialty Housing for developmentally disabled persons, three rental units acquired with federal NSP (Neighborhood Stabilization Program) funds, and five units from County tax foreclosures.

- The Authority serves as the sole member of the Aloha Park Apartments, LLC, the HAWC Cornelius Village LLC and the HAWC Aloha Inn LLC.
 - Aloha Park Apartments, LLC 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.
 - HAWC Cornelius Village LLC owns Cornelius Village Apartments, a 14-unit multi-family apartment located in Cornelius.
 - HAWC Aloha Inn LLC acquired Aloha Inn in January 2021. This property will be converted to a regulated affordable housing project with 54 studio bedrooms located in Aloha.
- 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 42 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:

- 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 49 unaccompanied adults with transitional housing, supportive services, and job counseling during FY2020-21.
- The Mary Mac House is a short-term transitional housing program serving survivors of domestic violence. This program provides a continuity of services from shelter to housing and is focused on the continued progress of the survivor to work toward self-sufficiency using leased housing as a platform for rapid transition back into the community. The Mary Mac House opened in July 2015 and provides stability for school-age children as they continue education in their school of origin and support for adults as they locate permanent housing. The program served 7 adults and children in FY2020-21, a reduction due to households sheltering in-place as a result of the COVID pandemic.
- 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 FY2020-21 year of operation, the CPA program served 70 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 that served 1,729 households experiencing homelessness in FY2020-21.
- In partnership with New Narrative, a nonprofit provider agency, the Department completed the construction of six units permanent supportive housing at Clover Court that opened in January 2020. The housing is affordable for 0-30% area median income serving chronically homeless adults with disabling conditions.

In FY2020-21 year of operation, the Clover Court program served six (6) high-acuity chronicity homeless adults who have retained their housing for more than 12 months as a result of the holistic services and tenancy supports provided in the program.

- 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 353 households served in HUD-funded Continuum of Care Programs. The competitive grant application is submitted annually, with the County expending \$3.5 million during FY2020-21 providing assistance to nine programs, with all programs administered by the Department.

Overall Financial Health of the Housing Authority

The major HUD-funded programs of the Authority (Section 8, Public Housing) have historically been self-sufficient, and the Authority has operated these programs within the amounts funded.

The other major program is Affordable Housing. The Affordable Housing properties were acquired between 1993 and 2002, and the original cash flows for these properties contained optimistic revenue and expense projections and did not anticipate some of the major deferred maintenance expenditures that would be required for the properties. In 2007, the Authority worked with Washington County to refinance its debt. This process took more than two years, due to the changing financial situation nationally. In November 2009, the County issued Full Faith and Credit Refunding Obligations to defease and refund the existing bonds, in return for a promissory note from the Authority, which requires the Authority, in substance, to make the payments on the new bonds.

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

Strategic Planning 2017-2027 Initiatives

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

- The Authority was recently awarded Moving to Work (MTW) status by the Department of Housing and Urban Development (HUD). This is a HUD designation that allows the Authority new flexibilities to create innovative solutions to local issues around affordable housing and homelessness.
- The Authority continues to participate in the Family Self Sufficiency (FSS) program to assist our federal housing clients in increasing their earned income and finding meaningful employment.
- The Authority will allocate project-based vouchers strategically over the upcoming year to non-profit partners and other development entities to move forward strategic priorities around ending homelessness and increasing affordable housing stock throughout the County. The Authority will utilize MTW authority to increase the number of project-based vouchers issued in accordance with the MTW contract with HUD.
- 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 in 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 that may work with developers, financial institutions and government agencies to build or acquire/rehabilitate thriving affordable housing communities in Washington County. The Authority serves as a Special Limited Partner for the following projects in development:
 - 264-unit Fields Apartments in Tigard
 - 81-unit Viewfinder in Tigard
 - 36-unit Valfre at Avenida 26 in Forest Grove
 - 144-unit Terrace Glen in Tigard
- On November 6, 2018, voters approved Measure 26-199 and Oregon Measure 102. These measures provide \$652.8 million in resources to the Portland metropolitan region for affordable housing development and allow the funds to be leveraged with additional resources and partnerships. Washington County jurisdictions received \$192.2 million of the total bond funds, and they were divided up between Washington County (\$118.9 million), the City of Beaverton (\$31.8 million) and the City of Hillsboro (\$41.5 million). The Metro Bond will add 1,406 units of regulated affordable housing in Washington County over the next five to seven years, 2019-2026. Approved Metro Affordable Housing Bond projects:

Implementation Area	Project Name	Location	# of units
Washington County	Aloha Housing Project	Aloha	82
	Aloha Inn	Aloha	54
	Goldcrest Apartments	Beaverton	75
	Plambeck Gardens	Tualatin	116
	Plaza Los Amigos	Cornelius	113
	Saltzman Road Senior Housing	Cedar Mill	53
	Terrace Glen	Tigard	144
	Tigard Senior Housing	Tigard	58
	The Valfre at Avenida 26	Forest Grove	36
	Viewfinder	Tigard	81
Beaverton	The Mary Ann	Beaverton	54
	Blackbird & Main	Beaverton	309
	Elmonica Project	Beaverton	81
Hillsboro	Nueva Esperanza	Hillsboro	150

Respectfully Submitted,



Komi Kalevor
Executive Director



YaLing Huang-Dressel
Housing Services Controller



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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, 2021, 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) and Willow Creek Crossing LP (Willow Creek), equity investments of the Authority which represent approximately five and two percent, respectively, of total assets at June 30, 2021, eleven and four percent, respectively, of total net position, and two and one percent, respectively, 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 and Willow Creek, 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 and Willow Creek 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, 2021, 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 3, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated December 3, 2021, 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

Portland, Oregon
December 3, 2021

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

Management's Discussion and Analysis

June 30, 2021

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, 2021. We encourage readers to consider information presented here in conjunction with the financial statements, which begin on page 15. All amounts in this Management's Discussion and Analysis, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the Authority exceeded its liabilities and deferred inflow of resources at the close of the most recent fiscal year by \$24,905. Of this amount \$17,553 (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 \$9,809. The growth was due to the operating income of \$9,215, non-operating net revenue of \$335, and capital contributions of \$259.
- The Authority's debt decreased by \$672.

Overview of the Financial Statements

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

Basic Financial Statements

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

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

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

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

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

Management's Discussion and Analysis

June 30, 2021

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 26 of this report.

Authority Financial Analysis

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

The following provides a summary of the Authority's net position for 2021 compared to 2020.

	Dollars in thousands		
	2021	2020	Change
Assets:			
Assets, excluding capital assets	\$ 29,078	20,862	8,216
Capital assets	30,168	24,995	5,173
Total assets	59,246	45,857	13,389
Liabilities:			
Other current and restricted liabilities	7,228	2,954	4,274
Long-term debt	26,781	27,461	(680)
Total liabilities	34,009	30,415	3,594
Deferred inflow of resources	332	346	(14)
Net position:			
Net investment in capital assets	4,058	(1,802)	5,860
Restricted	3,294	3,151	143
Unrestricted	17,553	13,747	3,806
Total net position	\$ 24,905	15,096	9,809

As noted earlier, the net position may serve over time as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities and deferred inflow of resources by \$24,905 at the close of the most recent fiscal year.

Assets increased by \$13,389 during FY2020-21. Assets excluding capital assets increased \$8,216, contributing to this increase were additional funding in intergovernmental revenues, profit in equity of investment in partnership with Quatama Housing Limited Partnership and Willow Creek Crossing Limited Partnership, development fees and cash flow distribution from Quatama Housing Limited Partnership. Capital assets increased by \$5,173, to reflect \$1,539 depreciation expense, \$5,650 acquisition of Aloha Inn, and \$1,062 capital improvements for existing portfolio.

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

Management's Discussion and Analysis

June 30, 2021

Liabilities increased by \$3,594. Current and restricted liabilities increased by \$4,274 and long-term debt decreased by \$680.

Net investment in capital assets has a balance of \$4,058, the restricted net position totals \$3,294, consists of \$114 restricted by HUD for future housing assistance payments (HAP), \$1,483 cash restricted by a County loan agreement for debt service, \$31 insurance reserve and \$1,666 reserves for replacement of assets required by loan agreements.

The total net position of the Authority increased by \$9,809. The net investment in capital assets increased by \$5,860. The restricted net position increased by \$143, and the unrestricted net position increased by \$3,806.

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

Management's Discussion and Analysis

June 30, 2021

Change in Net Position

The following provides a summary of the Authority's change in net position for 2021 compared to 2020:

	Dollars in thousands		
	2021	2020	Change
Operating revenues:			
Intergovernmental revenues	\$ 45,710	32,776	12,934
Rental income	7,018	6,606	412
Other revenue	3,791	2,883	908
Total operating revenues	<u>56,519</u>	<u>42,265</u>	<u>14,254</u>
Operating expenses:			
Housing assistance payments	36,529	28,758	7,771
Repairs and maintenance	2,366	2,576	(210)
Administrative costs	5,365	4,842	523
Utilities	778	766	12
Depreciation	1,539	1,445	94
Other	727	834	(107)
Total operating expenses	<u>47,304</u>	<u>39,221</u>	<u>8,083</u>
Operating income:	<u>9,215</u>	<u>3,044</u>	<u>6,171</u>
Non-operating revenues (expenses):			
Gain on sale of assets	2	3	(1)
Profit in equity of investment in partnership	1,238	295	943
Interest on investments	167	227	(60)
Interest and amortization	(1,072)	(1,072)	—
Total non-operating revenues (expenses)	<u>335</u>	<u>(547)</u>	<u>882</u>
Net income before capital contributions	<u>9,550</u>	<u>2,497</u>	<u>7,053</u>
Capital contributions	259	343	(84)
Increase in net position	9,809	2,840	6,969
Net position, beginning of year	<u>15,096</u>	<u>12,256</u>	<u>2,840</u>
Net position, end of year	<u>\$ 24,905</u>	<u>15,096</u>	<u>9,809</u>

Total operating revenues increased by \$14,254, or 33.7% from the prior year. Intergovernmental revenues increased \$12,934 or 39.5% mainly due to the increase of the Housing Assistance Payment receipts and Landlord Compensation Fund from Oregon Housing Community Service (OHCS). Other revenue increased by \$908 or 31.5% primarily due to the increase of Housing Choice Voucher housing assistance payment reimbursement income from other housing authorities.

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

Management's Discussion and Analysis

June 30, 2021

Total operating expenses increased by \$8,083, or 20.6%. This increase is primarily due to the \$7,771 increase in the housing assistance payments, which includes \$1,416 from HUD and \$6,355 from OHCS, \$210 decrease in repairs and maintenance, \$523 increase in administrative costs, \$12 increase in utilities, \$94 increase in depreciation and \$107 decrease in other operating expenses.

Capital contributions decreased by \$84.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the Authority's capital assets were \$30,168 (net of accumulated depreciation). Capital assets include land, buildings, improvements, vehicles, and office equipment.

The Authority acquired Aloha Inn in January 2021 with purchased price of \$5,650 and invested \$1,062 in capital improvements, which include \$210 for Low Rent Public Housing and \$852 for Affordable Housing portfolio. A vehicle with zero book value for Low Rent Public Housing was disposed during FY2020-21.

Additional detail may be found on page 23 in the Notes to Basic Financial Statements.

Debt and Obligations

At the end of the current fiscal year, the Authority had total obligations outstanding of \$27,333. Of this amount, \$22,435 consisted of a note payable to Washington County, \$1,900 of the Aloha Park Apartments refinance closed in August 2014, \$1,560 of the Cornelius Village finance closed in November 2019 and \$1,438 of notes to other lenders. Additional detail may be found on pages 23-24 in the Notes to Basic Financial Statements.

Budget Information

The Authority is not subject to Oregon Local Budget Law.

Contacting the Authority's Financial Management

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

BASIC FINANCIAL STATEMENTS

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

Statement of Net Position

June 30, 2021

Assets

Current assets:

Unrestricted cash and cash equivalents	\$	18,427,113
Restricted cash and cash equivalents		2,454,820
Accounts receivable, net		1,050,812
Current portion of contracts receivable		4,611
Other current assets		30,569
Total current assets		21,967,925

Noncurrent assets:

Restricted cash and cash equivalents		3,282,425
Contracts receivable		42,224
Investments in partnerships		3,785,532
Capital assets, non-depreciable		11,101,554
Capital assets, depreciable, net		19,066,295
Total noncurrent assets		37,278,030
Total assets		59,245,955

Liabilities

Current liabilities:

Accounts payable		2,798,577
Unearned revenue		2,917,090
Accrued interest payable		30,850
Current portion of notes and contracts payable		654,706
Current liabilities payable from restricted assets:		
Tenant and other deposits		826,625
Total current liabilities		7,227,848

Noncurrent liabilities:

Notes and contracts payable		26,678,363
Deposits payable from restricted assets		102,522
Total non-current liabilities		26,780,885
Total liabilities		34,008,733

Deferred Inflow of Resources

Deferred refunding gain		331,935
		331,935

Net Position

Net investment in capital assets		4,057,794
Restricted		3,293,946
Unrestricted		17,553,547
Total net position	\$	24,905,287

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, 2021

Operating revenues:	
Intergovernmental revenues	\$ 45,709,563
Rental income	7,018,118
Other	<u>3,791,229</u>
Total operating revenues	<u>56,518,910</u>
Operating expenses:	
Housing assistance payments	36,529,273
Repairs and maintenance	2,366,118
Administrative costs	5,364,249
Utilities	777,688
Depreciation	1,539,139
Other	<u>727,261</u>
Total operating expenses	<u>47,303,728</u>
Operating income	<u>9,215,182</u>
Non-operating revenues (expenses):	
Other income	1,674
Profit in equity of investment in partnership	1,238,137
Interest on investments	166,850
Interest and amortization	<u>(1,071,792)</u>
Total non-operating revenues (expenses)	<u>334,869</u>
Income before capital contributions	9,550,051
Capital contributions	<u>259,218</u>
Increase in net position	<u>9,809,269</u>
Net position, beginning of year	<u>15,096,018</u>
Net position, end of year	<u>\$ 24,905,287</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, 2021

Cash flows from operating activities:	
Cash received for services provided	\$ 59,337,422
Cash payments for labor and benefits	(4,532,049)
Cash payments for goods and services	(39,240,080)
Net cash provided by operating activities	<u>15,565,293</u>
Cash flows from capital and related financing activities:	
Capital grants	259,218
Acquisition of capital assets, net	(6,711,846)
Decrease in contracts receivable	36,861
Current maturities and principal payments of notes payable	(672,277)
Interest paid on notes payable	(1,086,445)
Proceeds from disposal of capital assets	1,674
Net cash used for capital and related financing activities	<u>(8,172,815)</u>
Cash flows from investing activities:	
Interest on investments	166,850
Increase in investment in partnership	(500,000)
Net cash used for investing activities	<u>(333,150)</u>
Net increase in cash and cash equivalents	7,059,328
Cash and cash equivalents at beginning of year	<u>17,105,030</u>
Cash and cash equivalents at end of year (1)	<u><u>\$ 24,164,358</u></u>
Reconciliation of operating income to net cash provided from operating activities:	
Operating income	\$ 9,215,182
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,539,139
Changes in assets and liabilities:	
Decrease in accounts receivable, net	364,771
Decrease in other current assets	179,236
Increase in accounts payable	1,793,849
Increase in deposits payable	19,375
Increase in unearned revenue	2,453,741
Net cash provided by operating activities	<u>\$ 15,565,293</u>
(1) Cash and cash equivalents are reflected on the Statement of Net Position as follows:	
Current assets - unrestricted	\$ 18,427,113
Current assets - restricted	2,454,820
Noncurrent assets - restricted	3,282,425
	<u>\$ 24,164,358</u>
Supplemental disclosure of non-cash transactions	
Profit in equity of investment in partnership	<u>\$ 1,238,137</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, 2021

(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 (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 units. 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 three blended component units. The blended component units are considered part of the Authority's operations, and so financial information from this unit is combined with information of the Authority.

Blended Component Units

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.

HAWC Cornelius Village LLC, an Oregon limited liability company with the Authority serving as the sole member of the HAWC Cornelius Village LLC and its Executive Director serving as the sole manager, was formed to acquire Cornelius Village Apartments, a 14-unit multi-family apartment located at 122 N. 29th Avenue in Cornelius. This LLC is considered a blended component unit of the Authority.

HAWC Aloha Inn LLC, an Oregon limited liability company with the Authority serving as the sole member of the HAWC Aloha Inn LLC and its Executive Director serving as the sole manager, was formed to acquire Aloha Inn property located at 3333 SW 198th Avenue, Aloha. This property will be converted to a regulated

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

Notes to Basic Financial Statements

June 30, 2021

affordable housing project with 54 studio bedrooms. This LLC is considered a blended component unit of the Authority.

The financial statements for these blended component units are included in Note 9.

Measurement Focus and Basis of Accounting

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

Use of Estimates

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

Restricted vs. Unrestricted Net Position

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

Revenues and Expenses

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

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents consists of cash on hand, amounts deposited in checking accounts and pooled funds held and invested by Washington County, Oregon. This treatment is in conformity with GASB Statement No. 9, which states that deposits in cash management pools that have the general characteristics of demand deposit accounts are appropriately classified as cash equivalents.

Accounts Receivable

Accounts receivable consist primarily of receivables for federal grants, tenant rent, and tenant repayment agreements related to tenant unreported income. Management reviews the accounts receivable balance for likelihood of collection and records an allowance for doubtful accounts based on the type and age of the individual receivable.

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

Notes to Basic Financial Statements

June 30, 2021

Other Current Assets

Other current assets consist of supplies inventory and prepaid expenses.

Restricted Assets, Liabilities, and Net Position

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

Contracts Receivable

The Authority holds three second mortgages and two third mortgages for low-income home purchasers in the amount of \$46,835.

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

Investments in Partnerships

Investments in partnerships represent the Authority's equity interest in Quatama Housing Limited Partnership, Willow Creek Crossing Limited Partnership and Tigard Triangle Limited Partnership. These investments are accounted using the equity method. Under the equity method, the initial investment is recorded at cost and increased or decreased by the Authority's share of income or loss and is increased by contributions and decreased by distributions. Investment in Quatama Housing Limited Partnership of \$2,735,631 was recorded as of December 31, 2020, the latest available audited financial statements; investment in Willow Creek Crossing Limited Partnership of \$1,049,861 and investment in Tigard Triangle Limited Partnership of \$40 were recorded as of June 30, 2021.

Capital Assets

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

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

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

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

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

Notes to Basic Financial Statements

June 30, 2021

Unearned Revenue

Unearned revenue includes HUD CARES Act Supplemental HCV Administrative Fees grant and prepaid rent received from tenants.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and therefore will not be recognized as an inflow of resources (revenue) until that time. The Authority's deferred inflow amount is associated with the refunding of the 2009 Full Faith & Credit Obligation issued by the County (see Note 4). The deferred refunding gain on refunded debt is amortized using the straight-line method over the shortest remaining original life of the debt instruments refunded.

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

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

(2) Cash and Cash Equivalents

Deposits with Financial Institutions

The Authority's deposits with financial institutions are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer. As a result, the Authority's remaining deposits in excess of FDIC insurance are considered to be fully collateralized.

Credit Risk

Cash and cash equivalents include pooled cash and investments held by Washington County, Oregon on behalf of the Authority. Reference should be made to the Washington County, Oregon Comprehensive Annual Financial Report for June 30, 2021 for information with respect to credit risk.

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

Notes to Basic Financial Statements

June 30, 2021

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, 2021, the Authority's cash and cash equivalents are comprised of the following:

Bank accounts	\$	7,240,927
Reserves held by lenders		521,620
Accounts administered by subcontracted management companies		2,272,598
Deposits with Washington County Investment Pool		<u>14,129,213</u>
Total cash and cash equivalents	\$	<u><u>24,164,358</u></u>

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

Unrestricted:		
Cash and cash equivalents	\$	18,427,113
Restricted for:		
Affordable housing county bond reserve		1,483,200
Replacement reserves		1,665,959
Retainage in escrow		30,744
Restricted for payment of current liabilities		2,454,820
Restricted for payment of noncurrent liabilities		<u>102,522</u>
Total restricted		<u>5,737,245</u>
Total cash and cash equivalents	\$	<u><u>24,164,358</u></u>

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

Notes to Basic Financial Statements

June 30, 2021

(3) Capital Assets

Capital asset activity is as follows:

	Balance June 30, 2020	Additions	Disposals	Transfers	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$ 9,417,757	1,130,000	—	—	10,547,757
Construction in progress	20,000	553,797	—	(20,000)	553,797
Total capital assets not being depreciated	<u>9,437,757</u>	<u>1,683,797</u>	<u>—</u>	<u>—</u>	<u>11,101,554</u>
Capital assets being depreciated:					
Buildings and improvements	51,955,656	5,028,049	—	20,000	57,003,705
Office equipment and other	107,640	—	—	—	107,640
Vehicles	301,471	—	(20,875)	—	280,596
Total capital assets being depreciated	<u>52,364,767</u>	<u>5,028,049</u>	<u>(20,875)</u>	<u>—</u>	<u>57,391,941</u>
Less accumulated depreciation for:					
Buildings and improvements	(36,440,678)	(1,539,139)	—	—	(37,979,817)
Office equipment and other	(107,640)	—	—	—	(107,640)
Vehicles	(259,064)	—	20,875	—	(238,189)
Total accumulated depreciation	<u>(36,807,382)</u>	<u>(1,539,139)</u>	<u>20,875</u>	<u>—</u>	<u>(38,325,646)</u>
Total capital assets being depreciated, net	<u>15,557,385</u>	<u>3,508,910</u>	<u>—</u>	<u>—</u>	<u>19,066,295</u>
Total capital assets, net	<u>\$ 24,995,142</u>	<u>5,172,707</u>	<u>—</u>	<u>—</u>	<u>30,167,849</u>

(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.

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

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

Notes to Basic Financial Statements

June 30, 2021

Cornelius Village Apartments Acquisition Loan

The Authority acquired a 14-unit multi-family apartment in November 2019 with \$500,000 from Washington County, \$385,000 from the Authority and \$1,570,000 from a Berkadia Bank acquisition loan.

Notes and Contracts Payable

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

Notes	Amount Issued	Interest Rates	Outstanding June 30, 2020	Increase	Decrease	Outstanding June 30, 2021
Farmer's Home Administration Office of Community Development	\$ 361,000	9 to 9.5%	\$ 296,792	—	(6,893)	289,899
HOME contracts	652,310	0%	648,573	—	—	648,573
Washington County Loan Agreement	1,104,300	3.0%	555,608	—	(55,608)	500,000
Berkadia Bank Mortgage, Aloha Park Apartments	24,030,000	3 to 5.0%	23,000,000	—	(565,000)	22,435,000
Berkadia Bank Mortgage, Cornelius Village Apartments	2,107,100	4.18%	1,934,373	—	(34,502)	1,899,871
	1,570,000	5.34%	1,570,000	—	(10,274)	1,559,726
			<u>\$ 28,005,346</u>	<u>—</u>	<u>(672,277)</u>	<u>27,333,069</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
2022	\$ 654,706	\$ 1,055,085
2023	683,163	1,022,127
2024	721,600	987,940
2025	760,695	951,346
2026	799,809	912,982
2027-2031	4,609,866	3,965,335
2032-2036	5,848,321	2,742,881
2037-2041	7,672,126	1,588,080
2042-2046	4,586,206	372,958
2047-2050	348,004	24,778
Due on sale of property	648,573	—
	<u>\$ 27,333,069</u>	<u>\$ 13,623,512</u>

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

Current maturities	\$ 654,706
Non-current maturities	<u>26,678,363</u>
	<u>\$ 27,333,069</u>

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

Notes to Basic Financial Statements

June 30, 2021

(5) Transactions with Related Parties

The Authority paid Washington County \$850,956 for administrative, vehicle maintenance, legal and allocated overhead expenses, and \$3,400,376 for salaries and benefits for contracted employees. The Authority received \$275,002 from Washington County to mitigate the contracted employees cost impact of the filled Assistant Director and Housing Services Controller positions, \$137,806 to support affordable housing development and \$45,385 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 Annual Comprehensive Financial Report for the year ended June 30, 2021 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, 2021, there was two series of multi-family Housing Revenue Bonds outstanding, with an aggregate principal amount payable of \$33,660,379.

(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, 2021

(9) Blended Component Units

Condensed financial information for the blended component units is as follows:

	<u>Aloha Park Apartments, LLC</u>	<u>HAWC Cornelius Village LLC</u>	<u>HAWC Aloha Inn LLC</u>
Assets:			
Assets, excluding capital assets	\$ 564,975	44,150	—
Capital assets	<u>556,275</u>	<u>2,324,851</u>	<u>5,808,253</u>
Total assets	<u>1,121,250</u>	<u>2,369,001</u>	<u>5,808,253</u>
Liabilities:			
Other current & restricted liabilities	116,672	19,729	258,700
Long-term debt	<u>1,863,899</u>	<u>1,583,569</u>	<u>—</u>
Total liabilities	<u>1,980,571</u>	<u>1,603,298</u>	<u>258,700</u>
Net position:			
Net investment in capital assets	211,353	765,126	5,808,253
Restricted	466,875	6,947	—
Unrestricted (deficit)	<u>(1,537,549)</u>	<u>(6,370)</u>	<u>(258,700)</u>
Total net position (deficit)	<u>\$ (859,321)</u>	<u>765,703</u>	<u>5,549,553</u>
	<u>Aloha Park Apartments, LLC</u>	<u>HAWC Cornelius Village LLC</u>	<u>HAWC Aloha Inn LLC</u>
Revenues:			
Intergovernmental revenues	\$ —	114	5,650,000
Rental income	526,108	192,475	300
Other revenue	<u>17,899</u>	<u>5,721</u>	<u>—</u>
Total revenues	<u>544,007</u>	<u>198,310</u>	<u>5,650,300</u>
Expenses:			
Operating expenses	480,195	192,174	100,115
Non-operating expense	<u>79,967</u>	<u>84,789</u>	<u>632</u>
Total expenses	<u>560,162</u>	<u>276,963</u>	<u>100,747</u>
Change in net position	<u>(16,155)</u>	<u>(78,653)</u>	<u>5,549,553</u>
Net position, beginning of year	<u>(843,166)</u>	<u>844,356</u>	<u>—</u>
Net position, end of year	<u>\$ (859,321)</u>	<u>765,703</u>	<u>5,549,553</u>

OTHER SUPPLEMENTARY INFORMATION

**THE HOUSING AUTHORITY OF
WASHINGTON COUNTY
(A Component Unit of Washington County, Oregon)**
Financial Data Schedule
June 30, 2021

FDS # Assets	Housing Choice Vouchers	Main Stream	EHV	CARES HCV	CARES Mainstream	Low Rent Public Housing	Aloha Park LLC	Business Activities	Total	
Current assets										
Cash										
111	Unrestricted	\$ 1,773,199	—	191,350	—	—	2,930,211	—	13,532,353	18,427,113
112	Restricted - modernization and development	—	—	—	—	—	—	438,768	1,227,191	1,665,959
113	Other restricted	216,565	—	—	752,163	9,623	—	28,107	1,485,837	2,492,295
114	Tenant security deposits	—	—	—	—	—	88,157	40,715	341,040	469,912
115-020	Restricted for payment of current liabilities, FSS	354,198	—	—	—	—	—	—	—	354,198
115-030	Restricted for payment of current liabilities	—	—	—	—	—	—	—	754,881	754,881
100	Total cash	2,343,962	—	191,350	752,163	9,623	3,018,368	507,590	17,341,302	24,164,358
Receivables										
121	Accounts receivable - PHA projects	86,678	—	—	—	—	—	—	—	86,678
122	Accounts receivable - HUD other projects	22,003	—	—	—	—	49,854	—	—	71,857
124	Accounts receivable - other governments	—	—	—	—	—	—	—	72,292	72,292
125	Accounts receivable - miscellaneous	18,617	—	—	—	—	—	—	183,506	202,123
126	Accounts receivable - tenants	—	—	—	—	—	64,611	57,385	470,579	592,575
126.1	Allowance for doubtful accounts - tenants	—	—	—	—	—	(24,499)	—	—	(24,499)
127	Notes & mortgages receivable - current	—	—	—	—	—	—	—	4,611	4,611
128	Fraud recovery	80,133	—	—	—	—	4,979	—	—	85,112
128.1	Allowance for doubtful accounts - fraud	(31,244)	—	—	—	—	(4,082)	—	—	(35,326)
120	Total receivables net of allowances for doubtful accounts	176,187	—	—	—	—	90,863	57,385	730,988	1,055,423
142	Prepaid expenses and other assets	—	—	—	—	—	631	—	24,938	25,569
143	Inventories	—	—	—	—	—	10,000	—	—	10,000
143.1	Inventories - allowance for obsolete	—	—	—	—	—	(5,000)	—	—	(5,000)
150	Total current assets	2,520,149	—	191,350	752,163	9,623	3,114,862	564,975	18,097,228	25,250,350
Non-current assets										
Capital assets										
161	Land	—	—	—	—	—	3,824,630	41,617	6,681,510	10,547,757
162	Buildings	—	—	—	—	—	17,617,615	927,947	38,458,143	57,003,705
164	Furniture, equipment and machinery - administration	39,702	—	—	—	—	291,816	—	56,717	388,235
166	Accumulated depreciation	(19,748)	—	—	—	—	(15,746,951)	(413,289)	(22,145,657)	(38,325,645)
167	Construction in progress	—	—	—	—	—	—	—	553,797	553,797
160	Total capital assets, net	19,954	—	—	—	—	5,987,110	556,275	23,604,510	30,167,849
171	Notes, loans and mortgages receivable non-current	—	—	—	—	—	—	—	42,224	42,224
176	Investment in partnership	—	—	—	—	—	—	—	3,785,532	3,785,532
180	Total non-current assets	19,954	—	—	—	—	5,987,110	556,275	27,432,266	33,995,605
290	Total assets	\$ 2,540,103	—	191,350	752,163	9,623	9,101,972	1,121,250	45,529,494	59,245,955
Liabilities and net position										
Liabilities										
Current liabilities										
312	Accounts payable	\$ 944,444	31,969	—	—	—	599,648	28,738	1,114,383	2,719,182
325	Accrued interest payable	—	—	—	—	—	—	6,618	24,232	30,850
332	Accounts payable - PHA projects (portability)	—	—	—	—	—	—	—	—	—
333	Accounts payable - other government	—	—	—	—	—	79,395	—	—	79,395
341	Tenant security deposits	—	—	—	—	—	88,157	40,715	343,555	472,427
342	Unearned revenue	28,492	—	191,350	752,163	9,623	16,751	4,629	1,914,082	2,917,090
343	Current portion of long-term debt, capital projects	—	—	—	—	—	—	35,972	618,734	654,706
345	Other current liabilities	354,198	—	—	—	—	—	—	—	354,198
310	Total current liabilities	1,327,134	31,969	191,350	752,163	9,623	783,951	116,672	4,014,986	7,227,848
Non-current liabilities										
351	Long-term debt, capital projects	—	—	—	—	—	—	1,863,899	24,814,464	26,678,363
353	Other non-current liabilities	102,522	—	—	—	—	—	—	—	102,522
350	Total non-current liabilities	102,522	—	—	—	—	—	1,863,899	24,814,464	26,780,885
300	Total liabilities	1,429,656	31,969	191,350	752,163	9,623	783,951	1,980,571	28,829,450	34,008,733
400	Deferred inflow of resources	—	—	—	—	—	—	—	331,935	331,935
	Total liabilities and deferred inflows	\$ 1,429,656	31,969	191,350	752,163	9,623	783,951	1,980,571	29,161,385	34,340,668
Net position										
508.4	Net investment in capital assets	19,954	—	—	—	—	5,987,110	211,353	(2,160,623)	4,057,794
511.4	Restricted net position	114,043	—	—	—	—	—	466,875	2,713,028	3,293,946
512.4	Unrestricted net position	976,450	(31,969)	—	—	—	2,330,911	(1,537,549)	15,815,704	17,553,547
513	Total net position	1,110,447	(31,969)	—	—	—	8,318,021	(859,321)	16,368,109	24,905,287
600	Total liabilities and net position	\$ 2,540,103	—	191,350	752,163	9,623	9,101,972	1,121,250	45,529,494	59,245,955

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

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

Financial Data Schedule

June 30, 2021

FDS #	Revenues and expenses	Housing Choice Vouchers	Main Stream	FSS Grant	CARES HCV	CARES Mainstream	CARES PH	Operating Fund	Capital Fund	Aloha Park LLC	Business Activities	HAWC Total
Revenues												
70300	Net tenant rental revenue	\$ —	—	—	—	—	—	888,188	—	526,108	5,603,822	7,018,118
70400	Tenant revenue - other	—	—	—	—	—	—	12,408	—	14,931	119,881	147,220
70600	HUD PHA operating grants	28,789,865	745,323	81,528	1,993,216	1,200	117,484	893,172	260,762	—	—	32,882,550
70610	Capital grants	—	—	—	—	—	—	—	259,218	—	—	259,218
70800	Other government grants	—	—	—	—	—	—	—	—	—	12,368,820	12,368,820
71100	Investment income - unrestricted	437	—	—	—	—	—	32	—	114	166,212	166,795
71200	Mortgage interest income	—	—	—	—	—	—	—	—	—	55	55
71400	Fraud recovery - unrestricted	87,475	—	—	—	—	—	450	—	—	—	87,925
71400	Fraud recovery - restricted	18,740	—	—	—	—	—	—	—	—	—	18,740
71500	Other revenue	1,103,572	—	—	—	—	—	3,245	—	—	3,668,664	4,775,481
71600	Gain on sale of assets	—	—	—	—	—	—	1,674	—	—	—	1,674
70000	Total revenues	30,000,089	745,323	81,528	1,993,216	1,200	117,484	1,799,169	519,980	541,153	21,927,454	57,726,596
Operating expenses												
91100	Administrative salaries	895,514	—	—	—	—	60,823	172,252	—	66,743	572,737	1,768,069
91200	Auditing fees	23,931	—	—	—	—	—	13,342	—	10,600	6,527	54,400
91300	Management fee	—	—	—	—	—	—	—	—	22,977	240,531	263,508
91400	Advertising and marketing	180	—	—	—	—	—	879	—	679	17,075	18,813
91500	Employee benefit contributions	544,079	—	—	—	—	37,896	107,323	—	13,487	159,763	862,548
91600	Office expenses	29,895	—	—	98,452	1,200	11,029	7,188	—	10,919	81,980	240,663
91700	Legal expenses	1,701	—	—	—	—	—	3,740	—	800	41,593	47,834
91800	Travel expenses	—	—	—	—	—	—	—	—	657	6,747	7,404
91810	Allocated overhead	701,308	—	—	—	—	—	439,736	—	—	317,759	1,458,803
91900	Other operating	96,038	—	—	64,139	—	—	30,718	49,533	10,620	275,550	531,726
92100	Tenant services - salaries	—	—	51,021	—	—	—	—	—	—	—	51,021
92200	Relocation Costs	—	—	—	—	—	—	2,276	—	—	8,750	11,026
92300	Tenant services - benefits	—	—	30,507	—	—	—	—	—	—	—	30,507
92400	Tenant services - other	17,437	—	—	—	—	—	—	—	223	267	17,927
93100	Water	—	—	—	—	—	—	39,692	—	24,990	168,420	233,102
93200	Electricity	—	—	—	—	—	—	9,066	—	9,993	69,856	88,915
93300	Gas	—	—	—	—	—	—	2,641	—	—	18,797	21,438
93600	Sewer	—	—	—	—	—	—	46,437	—	42,891	308,145	397,473
93800	Other utility expense	—	—	—	—	—	—	7,125	—	—	29,635	36,760
94100	Maintenance salaries	—	—	—	—	—	—	272,797	—	47,862	338,969	659,628
94200	Materials and other	11	—	—	16	—	—	126,460	—	27,207	247,799	404,101
94300	Contract costs	—	—	—	—	—	—	108,542	—	95,053	833,348	1,036,943
94500	Maintenance benefits	—	—	—	—	—	—	157,988	—	11,693	78,784	248,465
96110	Property insurance	—	—	—	—	—	—	58,912	—	10,617	155,315	224,844
96120	Liability insurance	4,167	—	—	—	—	—	4,255	—	1,459	11,050	20,931
96140	Other insurance	878	—	—	—	—	—	3,512	—	9,003	3,928	17,321
96200	Other general expenses	76,533	—	—	—	—	—	12,670	—	—	145,397	234,600
96300	Payments in lieu of taxes	—	—	—	—	—	—	79,395	—	—	—	79,395
96400	Bad debt - tenant rents	—	—	—	—	—	—	30,803	—	1,423	50,184	82,410
96600	Bad debt - other (fraud)	67,760	—	—	—	—	—	—	—	—	—	67,760
96710	Interest on notes payable	—	—	—	—	—	—	—	—	80,081	991,711	1,071,792
96900	Total operating expenses	2,459,432	—	81,528	162,607	1,200	117,484	1,737,749	49,533	499,977	5,180,617	10,290,127
97000	Excess (deficiency) of operating revenue over operating expenses	27,540,657	745,323	—	1,830,609	—	—	61,420	470,447	41,176	16,746,837	47,436,469
Other expenses												
97100	Extraordinary maintenance	—	—	—	—	—	—	—	—	—	16,981	16,981
97300	Housing assistance payments	26,498,405	794,027	—	1,830,609	—	—	—	—	—	6,354,693	35,477,734
97350	HAP portability in	1,051,539	—	—	—	—	—	—	—	—	—	1,051,539
97400	Depreciation expense	7,940	—	—	—	—	—	349,688	—	60,299	1,121,212	1,539,139
90000	Total expenses	30,017,316	794,027	81,528	1,993,216	1,200	117,484	2,087,437	49,533	560,276	12,673,503	48,375,520
Other financing sources (uses)												
10030	Tfrs to /from primary government	55,794	—	—	—	—	—	41,520	—	—	360,879	458,193
10040	Tfrs to /from component unit	—	—	—	—	—	—	—	—	2,968	(2,968)	—
10093	Tfrs between program and project-in	—	—	—	—	—	—	—	—	—	—	—
10094	Tfrs between program and project-out	—	—	—	—	—	—	—	—	—	—	—
10100	Total other financing sources (uses)	55,794	—	—	—	—	—	41,520	—	2,968	357,911	458,193
10000	Excess (deficiency) of total revenue over (under) total expenses	\$ 38,567	(48,704)	—	—	—	—	(246,748)	470,447	(16,155)	9,611,862	9,809,269
Memo Account Information												
11020	Required annual debt principal payments	\$ —	—	—	—	—	—	—	—	34,502	637,775	672,277
11030	Beginning equity (deficit)	\$ 1,071,880	16,735	—	—	—	—	8,094,322	—	(843,166)	6,756,247	15,096,018
11040	Prior period adjustments, equity transfers and cc	\$ —	—	—	—	—	—	—	—	—	—	—
11170	Administrative fee equity	\$ 996,404	(31,969)	—	—	—	—	—	—	—	31,969	996,404
11180	Housing assistance payments equity	\$ 114,043	—	—	—	—	—	—	—	—	—	114,043
11190	Unit months available	\$ 34,618	1,512	—	—	—	—	2,928	—	960	6,730	46,748
11210	Unit months leased	\$ 31,047	885	—	—	—	—	2,898	—	927	6,469	42,226
11610	Land and land improvements	\$ —	—	—	—	—	—	—	—	—	—	—
11620	Buildings and building improvements	\$ —	—	—	—	—	—	—	209,685	—	—	209,685
11630	Furniture and equipment - dwelling purchases	\$ —	—	—	—	—	—	—	—	—	—	—
11640	Furniture and equipment - admin purch	\$ —	—	—	—	—	—	—	—	—	—	—
13901	Replacement housing factor funds	\$ —	—	—	—	—	—	—	—	—	—	—

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. 03/31/2020)

Capital Fund Program (CFP)

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 Public Housing Authority (PHA) 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.

PHA Name: Housing Authority of Washington County	Modernization Project Number: OR16P022501-18
---	---

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

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

A. Funds Approved	\$ 714,993.00
B. Funds Disbursed	\$ 714,933.00
C. Funds Expended (Actual Modernization Cost)	\$ 714,993.00
D. Amount to be Recaptured (A-C)	\$
E. Excess of Funds Disbursed (B-C)	\$

- 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 PHA 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;
- That the time in which such liens could be filed has expired; and
- That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.
- Please mark one:
 - A. This grant will be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.
 - B. This grant will not be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

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)

Name & Title of Authorized Signatory (type or print clearly):
Komi P. Kalevor, Executive Director

Signature of Executive Director (or Authorized Designee): X <i>Komi P. Kalevor</i>	Date: <i>9/3/2020</i>
---	--------------------------

For HUD Use Only

The Cost Certificate is approved for audit (if box 7A is marked): Approved for Audit (Director, Office of Public Housing) X	 <p>Digitally signed by: LAURE RAWSON DN: CN = LAURE RAWSON C = US O = U.S. Government OU = Department of Housing and Urban Development, Office of Public and Indian Housing Date: 2020.09.11 15:10:25 -07'00'</p>	Date:
The costs shown above agree with HUD verified costs (if box 7A or 7B is marked): Approved: (Director, Office of Public Housing) X		Date:

**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**



Talbot, Korvola & Warwick, LLP 14945 SW Sequoia Parkway, Suite 150, Portland, Oregon 97224
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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**

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, 2021, 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 3, 2021. Our report includes a reference to other auditors who audited the financial statements of Quatama Housing, LP (Quatama) and Willow Creek Crossing LP (Willow Creek), equity investments of the Authority, as described in our report on the Authority's financial statements. The financial statements of Quatama and Willow Creek 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 financial statements. 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, Kowoloff Warwick, LLP

Portland, Oregon
December 3, 2021



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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, 2021 and have issued our report thereon dated December 3, 2021. 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) and Willow Creek Crossing LP (Willow Creek), equity investments of the Authority. The financial statements of Quatama and Willow Creek were not audited in accordance with *Government Auditing Standards*. This report under Oregon State Regulations does not include Quatama or Willow Creek.

COMPLIANCE

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

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

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



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

COMPLIANCE (Continued)

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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, Kowolot & Warwick, LLP

Portland, Oregon
December 3, 2021

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