# HOUSING AUTHORITY OF CLACKAMAS COUNTY

(A component unit of Clackamas County, Oregon)

Component Unit Financial Statements
and Supplementary Information

For the Fiscal Year Ended June 30, 2017

Prepared by:

Housing Authority of Clackamas County
Finance Department
Jason Kirkpatrick, Deputy Director – Finance

**HOUSING AUTHORITY OF CLACKAMAS COUNTY**
(A component unit of Clackamas County, Oregon)

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**HOUSING AUTHORITY OF CLACKAMAS COUNTY**
(A component unit of Clackamas County, Oregon)

**CLACKAMAS COUNTY, OREGON**
2051 Kaen Road
Oregon City, Oregon 97045

**COMMISSIONERS AS OF JUNE 30, 2017**

| Name | Term Expires |
|---|---|
| Jim Bernard, Chair<br>2051 Kaen Road<br>Oregon City, Oregon 97045 | December 31, 2021 |
| Paul Savas, Commissioner<br>2051 Kaen Road<br>Oregon City, Oregon 97045 | December 31, 2019 |
| Sonya Fischer, Commissioner<br>2051 Kaen Road<br>Oregon City, Oregon 97045 | December 31, 2019 |
| Ken Humberston, Commissioner<br>2051 Kaen Road<br>Oregon City, Oregon 97045 | December 31, 2021 |
| Martha Schrader, Commissioner<br>2051 Kaen Road<br>Oregon City, Oregon 97045 | December 31, 2021 |
| Paul Reynolds, Commissioner (Appointed)<br>2051 Kaen Road<br>Oregon City, Oregon 97045 | May 31, 2021 |

**ADMINISTRATIVE OFFICES**
Housing Authority of Clackamas County
13930 South Gain Street
Oregon City, Oregon 97045

**LEGAL COUNSEL**
Steven Madkour
Office of County Counsel
Clackamas County, Oregon
2051 Kaen Road
Oregon City, Oregon 97045

**REGISTERED AGENT**
Chuck Robbins
13930 South Gain Street
Oregon City, Oregon 97045

# REPORT OF INDEPENDENT AUDITORS

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# Report of Independent Auditors

Board of County Commissioners of
Clackamas County, Oregon, as Governing Body of
Housing Authority of Clackamas County
Oregon City, Oregon

## Report on the Financial Statements

We have audited the accompanying financial statements of Housing Authority of Clackamas County (the Authority), a component unit of Clackamas County, Oregon, and the discretely presented component unit, as of and for the year ended June 30, 2017, 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 Easton Ridge LLC, which represent 100 percent of the assets, net position, and revenues of the discretely presented component unit. 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 Easton Ridge LLC, are based solely on the report of 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 Easton Ridge LLC 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 opinions.

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### *Opinions*

In our opinion, based on our audit and report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of Clackamas County and its discretely presented component unit as of June 30, 2017, 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 on pages 4 through 7, and the schedules OPEB and Pension Information on page 35 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.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information on pages 36 through 49, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards on page 54 to are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and schedule of expenditures of federal awards 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*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 introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section 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.

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**Reports of 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 November 20, 2017 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 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 Authority's internal control over financial reporting and compliance.

***Other Reporting Required by Minimum Standards for Audits of Oregon Municipal Corporations***

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 20, 2017 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.

James C. Lagarotta

For Moss Adams LLP
Eugene, Oregon
November 20, 2017

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2017**

The Management of the Housing Authority of Clackamas County (the Authority) offers readers of our financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2017. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

**Financial Highlights**

- Our assets exceeded our liabilities (net position) at the close of the fiscal year by $27,822, a decrease of $881 over the prior fiscal year. Of this amount, $18,060 (unrestricted net position) may be used to meet our ongoing obligations to provide low cost housing.
- The Authority's total assets were $49,722, a decrease of $459 from the prior fiscal year, primarily due to a decrease in cash from development activity.
- Total liabilities were $23,976, an increase of $2,512 from the prior fiscal year primarily as a result of recording Oregon PERS pension liability.
- Change in Net Position was a loss of $(881). Primarily due to recording Oregon PERS expense.
- Total operating revenues were $19,793, an increase of $1,004, mainly from an increase in Voucher income. Total non-operating revenues were $1,083 in 2017 and $1,065 in 2016.
- Total operating expenses were $21,711, a decrease of $524 due primarily to the net impact of an increased Voucher housing payments, Oregon PERS and the prior year one-time grant of $1,300. Total non-operating expenses were $630 in 2017 and $638 in 2016.
- Capital contributions amounted to $579, primarily from HUD, which were used for the acquisition of capital assets, whereas in 2016 the amount was $593.

## Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements consist of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows along with the notes to the basic financial statements. We encourage readers to consider the information presented here in conjunction with these financial statements.

## Overview of the Financial Statements (Continued)

Complementing these statements and notes is the supplementary information, which provides additional detail about the Authority's operations.

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

The Statement of Revenues, Expenses and Changes in Net Position present information showing how the Authority's net position changed during the 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 the related cash flows.

The Statement of Cash Flows is an analysis of the change in the Authority's cash balance during the year. The cash position may differ materially from the Statement of Revenues, Expenses and Changes in Net Position.

The basic financial statements include discrete presentation of Easton Ridge Apartments LLC (the Apartments), a separate 264-unit apartment complex formerly owned by the Authority until sold to a tax credit partnership, located in Clackamas, Oregon and which receives no governmental assistance.

## Authority Financial Analysis

### *Net Position*

The following provides summary of the Authority's net position for 2017 and 2016:

| | 2017 | 2016 |
|---|---|---|
| Assets: | $(000's) | |
| Assets, excluding capital assets | $ 41,555 | $ 41,975 |
| Capital assets | 8,166 | 8,206 |
| Total assets | 49,722 | 50,181 |
| Deferred outflows of resources | 2,245 | 426 |
| Liabilities: | | |
| Current liabilities | 2,343 | 2,031 |
| Noncurrent liabilities | 21,633 | 19,433 |
| Total liabilities | 23,976 | 21,464 |
| Deferred inflows of resources | 169 | 440 |
| Net position: | | |
| Net investment in capital assets | 7,091 | 7,071 |
| Restricted | 2,670 | 2,489 |
| Unrestricted | 18,060 | 19,143 |
| Total net position | $ 27,822 | $ 28,703 |

## Authority Financial Analysis (Continued)

As noted earlier, net position may serve over time as a useful indicator of whether a government's financial condition is improving or declining. In the case of the Authority, assets exceeded liabilities by $27,822 at the close of the most recent fiscal year.

Twenty-five percent of the Authority's net position, $7,091, reflects its investment in capital assets, primarily housing, less any related debt used to acquire those assets that is still outstanding. Ten percent of the Authority's net position $2,670 consists of cash for capital replacement and cash restricted for future HAP payments. These cash reserves are producing interest revenue. The unrestricted net position of the Authority is available for future use to provide program services and the remaining debt service.

The total net position of the Authority decreased by $881 during the current fiscal year. Net investment in capital assets increased by $20, due primarily to capital additions exceeding depreciation. Restricted net position increased by $181, primarily due to the Section 8 voucher program. The unrestricted net position of the Authority decreased by $1,082 primarily due to recording the impact of Oregon PERS and spending on pre-development activities.

### *Changes in Net Position*

The following provides a summary of the Authority's change in net position for 2017 compared to 2016:

| | 2017 | 2016 |
|---|---|---|
| | $(000's) | |
| Revenues: | | |
| Intergovernmental revenues | $ 17,137 | $ 16,440 |
| Rental income | 2,140 | 1,985 |
| Other revenue | 516 | 364 |
| Total revenues | 19,793 | 18,789 |
| Expenses: | | |
| Housing assistance payments | 13,796 | 12,382 |
| Other operating expenses | 7,914 | 9,853 |
| Non-operating expenses (income), net | (457) | (427) |
| Total expenses | 21,253 | 21,808 |
| Net income (loss) before contributions | (1,460) | (3,019) |
| Capital contributions | 579 | 593 |
| Change in net position | (881) | (2,425) |
| Net position, beginning of year | 28,703 | 31,128 |
| Net position, end of year | $ 27,822 | $ 28,703 |

## Authority Financial Analysis (Continued)

Total revenues increased by $1,004 or 5.3% over the prior year. Increases over the prior year's revenues resulted primarily from an increase in Voucher rental income of $871, due to increased rents in the area. Total operating expenses decreased by $524 due primarily to a net of increased HAP payments, the absence of the one-time grant issued for $1,300 and a decrease in pension expense based on recording pension expense under GASB 68.

## Capital Asset and Debt Analysis

The Authority's total investment in gross capital assets of $40,058 increased approximately $738 from the prior fiscal year due to capital additions. Major capital additions were primarily funded by HUD grant payments for the upgrade and maintenance of affordable and public housing. Long-term debt decreased $200 from $17,203 to $17,503 as a result of a reduction in debt.

Additional information relating to capital assets and long-term debt may be found in Notes 5 and 6, respectively.

### Economic Factors

The Authority's programs are dependent on federal funding. The federal government has limited funding for the Authority's major programs. Under the Housing Choice voucher program (the "Program") for calendar year 2017, administrative fee funding for the Program was about 76% of fee eligibility. This reduction in administrative fees is amplified as it is calculated based on the number of vouchers served. At this time, the Program is authorized to serve 1,656 families but due to lack of funding the Authority can only serve 1,490 families (a loss of assistance to 166 families or approximately 10%). Due to HUD's underfunding of the Program, the Authority is subsidizing administrative costs with local projects proceeds. Rent assistance funding for the Program has only increased marginally by 3-4% for several years while rents have increased ~36% in the last three years. Therefore, with essentially flat funding for rent assistance and assistance per family going up ~36%, the Program serves fewer families per year. At this time the Authority is utilizing 100% of its rental assistance dollars and only serving 90% of its vouchers. The Authority's Public Housing subsidy for calendar year 2017 was about 90% of subsidy eligibility while the physical needs assessment is about three times the amount funded by HUD.

## Financial Contact

The financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have any questions about the report or need additional information, please contact the Housing Authority of Clackamas County at PO Box 1510, 13930 S. Gain St., Oregon City, OR 97045.

# BASIC FINANCIAL STATEMENTS

**HOUSING AUTHORITY OF CLACKAMAS COUNTY**
(A component unit of Clackamas County, Oregon)
**STATEMENT OF NET POSITION**

**YEAR ENDED JUNE 30, 2017**

| | Housing Authority of Clackamas County | Component Unit Easton Ridge LLC |
|---|---|---|
| **ASSETS:** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 2,397,815 | $ 693,775 |
| Investments | 2,825,681 | - |
| Accounts receivable, net of allowance for doubtful accounts of $88,000 | 4,080,898 | 61,294 |
| Notes receivable | 245,000 | |
| Inventory | 20,137 | - |
| Other assets | 78,699 | 74,397 |
| Total current assets | 9,648,230 | 829,466 |
| Restricted assets: | | |
| Cash | 3,374,175 | 130,031 |
| Investments with fiscal agent | 411,553 | 3,551,709 |
| Non-current assets: | | |
| Notes receivable | 28,118,341 | - |
| Capital assets not being depreciated | 2,938,492 | 3,229,376 |
| Capital assets being depreciated | 5,227,591 | 31,174,105 |
| **TOTAL ASSETS** | 49,718,382 | 38,914,687 |
| **DEFERRED OUTFLOW OF RESOURCES** | 2,248,535 | - |
| **TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES** | 51,966,917 | 38,914,687 |
| **LIABILITIES:** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 1,472,129 | 3,694,052 |
| Tenant deposits payable from restricted assets | 91,910 | 130,031 |
| Unearned revenue | 23,263 | 8,063 |
| Other current liabilities payable from restricted assets | 409,133 | - |
| Accrued compensated absences payable | 55,493 | - |
| Current portion of long-term debt | 290,875 | - |
| Total current liabilities | 2,342,803 | 3,832,146 |
| Non-current liabilities: | | |
| Other - notes payable | - | 28,896,659 |
| Long-term liabilities, net of current portion | 21,633,124 | - |
| **TOTAL LIABILITIES** | 23,975,927 | 32,728,805 |
| **DEFERRED INFLOW OF RESOURCES** | 169,250 | - |
| **NET POSITION:** | | |
| Net investment in capital assets | 7,091,044 | - |
| Restricted | 2,670,308 | - |
| Unrestricted | 18,060,388 | 6,185,882 |
| **TOTAL NET POSITION** | $ 27,821,740 | $ 6,185,882 |

See notes to basic financial statements

## HOUSING AUTHORITY OF CLACKAMAS COUNTY

(A component unit of Clackamas County, Oregon)

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

### YEAR ENDED JUNE 30, 2017

| | Housing Authority of Clackamas County | Component Unit Easton Ridge LLC |
|---|---|---|
| **OPERATING REVENUES:** | | |
| Rental income | $ 2,140,055 | $ 2,491,157 |
| HUD PHA operating grants | 2,433,706 | - |
| Voucher income | 14,698,965 | - |
| Other government grants | 4,347 | - |
| Other income | 516,062 | - |
| Total operating revenues | 19,793,135 | 2,491,157 |
| **OPERATING EXPENSES:** | | |
| Housing assistance payments | 13,796,255 | - |
| Administrative expenses | 3,939,169 | 329,615 |
| Tenant services | 273,543 | - |
| Utilities | 802,638 | 232,169 |
| Ordinary maintenance and operations | 1,787,080 | 353,324 |
| General expenses | 297,052 | 87,083 |
| Other expenses | 22,968 | - |
| Depreciation and amortization | 791,970 | 1,074,040 |
| Total operating expenses | 21,710,675 | 2,076,231 |
| **OPERATING INCOME (LOSS)** | (1,917,540) | 414,926 |
| **NON-OPERATING REVENUE (EXPENSE):** | | |
| Interest income | 1,082,567 | 2,708 |
| Interest expense | (630,230) | (1,064,158) |
| Gain on disposition of assets | 4,995 | - |
| Total non-operating revenue (expense) | 457,332 | (1,061,450) |
| **NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS** | (1,460,208) | (646,524) |
| Capital contributions | 579,083 | 1,752,412 |
| **CHANGE IN NET POSITION** | (881,125) | 1,105,888 |
| **NET POSITION**, June 30, 2016 | 28,702,865 | 5,079,994 |
| **NET POSITION**, June 30, 2017 | $ 27,821,740 | $ 6,185,882 |

**HOUSING AUTHORITY OF CLACKAMAS COUNTY**
(A component unit of Clackamas County, Oregon)
**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2017**

| | Housing Authority of Clackamas County | Component Unit Easton Ridge LLC |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Received from grants | $ 17,125,856 | $ - |
| Received from tenants | 1,673,928 | 2,463,298 |
| Payments to suppliers | (3,806,121) | (1,064,489) |
| Payments for housing subsidies | (13,796,255) | - |
| Payments to employees | (2,036,457) | - |
| Other | 516,062 | 4,743 |
| **NET CASH FROM OPERATING ACTIVITIES** | (322,987) | 1,403,552 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | |
| Principal paid on long-term debt | (288,014) | (240,000) |
| Interest paid on long-term debt | (630,230) | (620,500) |
| Capital grants received | 579,083 | 1,752,412 |
| Acquisition of capital assets | (752,484) | (399,450) |
| Principal received on note | 240,000 | - |
| Proceeds from sale of captial asset | 4,995 | - |
| **NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | (846,650) | 492,462 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Interest received | 1,082,567 | - |
| Net chagne in short term investments | (176,705) | (1,703,827) |
| **NET CASH FROM INVESTING ACTIVITIES** | 905,862 | (1,703,827) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (263,775) | 192,187 |
| **CASH AND CASH EQUIVALENTS,** June 30, 2016 | 6,035,765 | 631,619 |
| **CASH AND CASH EQUIVALENTS,** June 30, 2017 | $ 5,771,990 | $ 823,806 |
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:** | | |
| Operating income (loss) | $ (1,917,540) | $ 414,926 |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: | | |
| Depreciation and amortization | 791,970 | 1,074,040 |
| Principal payment forgiven on deferred payment loans | (11,162) | - |
| Pension expense | 356,839 | - |
| Change in assets and liabilities: | | |
| Increase in accounts receivable | (458,138) | (33,958) |
| Decrease in other assets | 38,299 | 44,321 |
| Increase in unearned revenue | (4,029) | 33 |
| Increase (decrease) in accounts payable and accrued expenses | 872,519 | (112,800) |
| Decrease in tenant deposits | (3,960) | 16,990 |
| Increase in accrued compensated absences payable | 12,215 | - |
| **NET CASH FROM OPERATING ACTIVITIES** | $ (322,987) | $ 1,403,552 |
| **NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:** | | |
| Forgiveness of long-term debt | 11,162 | - |

See notes to basic financial statements

**NOTES TO BASIC FINANCIAL STATEMENTS**

## 1. REPORTING ENTITY AND DESCRIPTION OF OPERATIONS

The Housing Authority of Clackamas County (the 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 Clackamas County Board of County Commissioners (the Board) is the governing body of the Authority. HUD provides the Authority with funding for the construction of low income housing through the purchase of notes and bonds issued by the Authority and guarantees payment of the notes and bonds through grants. In addition, HUD provides rental subsidies and administrative fees for the operation of most of the programs.

The Authority, under the criteria of the Government Accounting Standards Board (GASB), is considered a component unit of Clackamas County, Oregon (the County) because the Board of County Commissioners also governs the Authority. This relationship allows the County to impose its will on the Authority. The County reports the Authority as a blended component unit since the County's H3S Department management has operational responsibility for the Authority.

The Authority is a partner in a tax credit project named Easton Ridge Apartments, (the Project), a 264-unit apartment complex located in Clackamas, Oregon. The Project was financed with proceeds from bonds issued by the Authority and an equity contribution made by the Enterprise Development Corp on March 6, 2013. The Project is considered to be a component unit and included in the Authority because, under GASB 61 guidelines, in management's professional judgment the Project's exclusion would render the financial statements misleading due to its close financial relation to the Authority. Discrete presentation, as opposed to blended presentation, is appropriate since the Project is not fiscally dependent on the Authority. The Project's fiscal year-end is December 31, and its fiscal year ended December 31, 2016 is included in these basic financial statements. Complete financial statements may be obtained from the Authority at PO Box 1510, 13930 S. Gain St., Oregon City, OR 97045.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Measurement Focus and Basis of Accounting

The basic financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Authority receives value without giving equal value in exchange, include grants and entitlements. Revenue from grants and entitlements is recognized when earned.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. The principal operating revenues are rental charges and grant revenue. Operating expenses include housing assistance payments, tenant services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Cash, Cash Equivalents and Investments

The Authority's cash and cash equivalents consist of cash on hand, deposits and short-term investments with original maturities of three months or less. ORS 294.035 authorizes the Authority to invest in general obligations of the United States and its agencies, debt obligations of the state of Oregon, California, Idaho, and Washington and their political subdivisions, banker's acceptances, corporate indebtedness, commercial paper, repurchase agreements, time certificates of deposit, fixed or variable life insurance contracts, and the State's Treasurer's Local government Investment Pool (LGIP).

Restricted cash and investments include bond fund deposits, replacement reserves, and Public Housing disposition proceeds. Bond fund deposits are held in trust by the bond trustee and are restricted for the payment of interest and principal on the bonds. Replacement reserves are held by a trustee or the Authority and are restricted for the payment of capital expenditures deemed necessary by the Authority. Disposition proceeds are held in an escrow account and are restricted to replacement of Public Housing or project based Vouchers. These investments are stated at amortized cost, which approximates fair value.

### Accounts Receivable

Accounts receivable primarily represent amounts due from HUD and tenants. Based on historical information, the Authority estimates the amounts due from tenants which will be uncollectible. No allowance for doubtful accounts is considered necessary for HUD receivables.

### Inventory

Inventory is stated at cost (first-in, first-out method).

### Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The Authority defines capital assets as assets with an initial cost of more than $5,000 and an estimated life in excess of one year. Maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the estimated useful lives (ranging from five to thirty years) of the related assets.

### Accrued Compensated Absences and Sick Pay

Compensated absences are recorded as a liability on the Statement of Net Position. Sick pay is not accrued as it does not vest and is paid when leave is taken.

### Bond Premium, Discount and Issuance Costs

Bond premium and discounts are amortized on a method which approximates the effective interest method over the related bond repayment period. Unamortized bond premium is added to bonds payable. Bond issuance costs are expensed.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Long-Term Debt

Long-term debt consists of loans, notes and bonds issued to finance construction and acquisition of low-income housing.

### Deferred Inflows and Outflows of Resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that apply to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that apply to a future period and so will not be recognized as an inflow of resources (revenue) until then

### Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Other Post-Employment Benefits Obligations

The Authority implemented Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions* for fiscal year ended June 30, 2008. The Authority's annual other post-employment benefit cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The Authority's net OPEB Obligation is recognized as a long-term liability in the proprietary fund statements. The amount of which is actuarially determined.

### Net Position

*Net Investment in Capital Assets* – This represents the Authority's investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

*Restricted* – This represents resources for which the authority is legally or contractually obligated to spend resources in accordance with restrictions imposed by third parties.

*Unrestricted* – Resources used for the Authority's general operations, which aren't restricted by third parties. When an expense is incurred that can be paid using either restricted or unrestricted resources, the Authority's policy first applies expense toward restricted resources.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Budgets**

The Authority does not have an annual appropriated budget for the year ended June 30, 2017. Budgets are created for each HUD grant to meet financial management and control objectives. The Authority utilizes these budgets as operations tools but is not required to and does not adopt a legally appropriated budget as defined by GASB. Therefore, budgetary comparisons are not reported in these financial statements.

**Use of Estimates**

The preparation of basic 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 basic financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Statement of Cash Flows**

For purposes of the Statement of Cash Flows, the Authority considers cash and investments with remaining maturities of three months or less at the time of purchase to be cash or cash equivalents. The Authority does not consider LGIP or fiscal agent investments to be cash equivalents since the funds own investments with maturities of over three months.

## 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments are comprised of:

| | Unrestricted | Restricted | Total |
|---|---|---|---|
| Deposits | $ 2,397,815 | $ 3,374,175 | $ 5,771,990 |
| Investments with fiscal agent | - | 411,553 | 411,553 |
| Oregon Treasurer's Local Government Investment Pool | 2,825,681 | - | 2,825,681 |
| | $ 5,223,496 | $ 3,785,728 | $ 9,009,224 |

**Deposits with Financial Institutions**

Custodial credit risk on deposits is the risk that in the event of a bank or credit union failure, the Authority's deposits may not be returned. The Authority does not have a formal policy addressing custodial credit risk. In order to minimize the risk, state statutes require bank and credit unions holding public funds become members of the Oregon Public Funds Collateralization Program (PFCP), a multiple institution collateral pool created by the Office of the State Treasurer. To qualify, participating banks and credit unions must pledge collateral against any public fund deposits in excess of deposit insurance. The amount of collateral is set by the PFCP between 10% and 110% of each bank's public fund deposits based on their net worth and level of capitalization. Although the PFCP creates a shared liability structure for participating bank and credit union depositories, it does not guarantee that all funds are 100% protected. At June 30, 2017, the carrying amount of deposits was $5,221,192 and the bank balance was $5,230,320. Of the Authority's June 30, 2017 bank balance deposit, $650,504 was covered by the FDIC and $4,579,816 was collateralized by the PFCP.

## 3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

### Deposits with Financial Institutions (Continued)

At June 30, 2017, investments include the Oregon Treasurer's Local Government Investment Pool (LGIP). The investment in the LGIP is stated at fair value, which approximates cost and is the same as the value of its pool shares. Pool shares are not subject to leveling requirements.

The Oregon State Treasurer administers the LGIP. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local government in Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board, which is not registered with the U.S. Securities and Exchange Commission as an investment company. The purpose of the Board is to advise the Oregon State Treasurer in the management and investment of the LGIP. The LGIP is not currently rated by an independent rating agency. As a result the Authority has no exposure to custodial credit risk for deposits with financial institutions.

### Investments Measured at Fair Value

Per GASB Statement No. 72, Fair Value is described as an exit price. Fair Value measurements assume a transaction takes place in a government's principal market or a government's most advantageous market in the absence of a principal market. The fair value also should be measured assuming that general market participants would act in their economic best interest. Fair value does not take into consideration transaction costs.

Securities classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using a variety of pricing techniques, including but not limited to fundamental analytical data related to the securities, values of baskets of securities, market interest rates, matrix calculated prices, and purchase price. Level 3 fair value is determined using significant unobservable inputs.

| Investments Measured at Fair Value: | | Fair Value Measurements Using | | | Cost Measurement Using |
|---|---|---|---|---|---|
| | Totals as of 6/30/17 | Quoted Prices Active Markets in Identical Assets Level 1 | Significant Other Observable Inputs Level 2 | Significant Unobservable Inputs Level 3 | Not subject to Leveling Requirements |
| Time/Interest Bearing Deposits | $ 411,553 | $ - | $ - | $ - | $ 411,553 |
| Local Government Investment Pool | 2,825,681 | - | - | - | 2,825,681 |
| Total investments | $ 3,237,234 | $ - | $ - | $ - | $ 3,237,234 |

## 3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

### Interest Rate Risk

The Authority's investment policy limits investment maturities to three years as a means of managing its exposure to fair value losses arising from increasing interest rates.

| Investments | Fair Value | Less than 1,080 days |
|---|---|---|
| Investments with fiscal agen | $ 411,553 | $ 411,553 |
| | | $ 411,553 |
| Local government investment pool | 2,825,681 | |
| | $ 3,237,234 | |

### Interest Rate Risk (Continued)

The Authority's investment policy limits maturities to three years as a means of managing its exposure to fair value losses arising from increasing interest rates. For purposes of this schedule, 100% of the amounts in Oregon's local government investment pool are considered to be less than 3 years to maturity.

| Maturity | Minimum % | Actual % |
|---|---|---|
| Less than 1,080 days | 100% | 100% |

### Credit Risk

Oregon Revised Statutes limit the types of investments that the Authority may have. The Authority is in compliance with these statutes at June 30, 2017. The Authority is also in compliance with its investment policy. The Authority follows the County's credit risk policy which minimizes credit risk by; limiting exposure to poor credits and concentrating the investments in the safest types of securities; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the authority will do business; diversifying the investment portfolio so that potential losses on individual securities will be minimized; and actively monitoring the investment portfolio holdings for ratings changes, changing economic/market conditions, etc.

### Custodial Credit Risk

Custodial risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its investments that are in the possession of an outside party. At June 30, 2017, Authority investments in the amount of $0 are subject to custodial credit risk.

## 4. NOTES RECEIVABLE

The Notes Receivable balance at June 30, 2017 was $28,118,341. This balance resulted from the Easton Ridge asset sale to Easton Ridge LLC and is comprised of two main amounts. The Authority loaned $16,603,341 of proceeds from its 2013 Series A Bond financing to the Project. The Project has agreed to pay the Authority amounts equal to the principal and interest requirements on the 35 year 2013 Series A Bonds of $862,600 per year. Principal payments totaled $240,000 in 2017. The County has provided a contingent loan agreement in the event earnings from the project and the principal and interest reserve fund are not sufficient to pay required annual amounts. Second, the Authority has a mortgage loan to the Project in the amount of $12,235,000 as part of the sale agreement. The mortgage earns 3.1% interest on the outstanding balance. The mortgage repayment is contingent on available excess revenue of the project and does not have specific payment amounts or repayment time terms.

## 5. CAPITAL ASSETS

Capital assets activity for the year was as follows:

| | Balance July 1, 2016 | Increases | Decreases | Transfers | Balance June 30,2017 |
|---|---|---|---|---|---|
| Capital assets not being depreciated: | | | | | |
| Land | $ 2,938,492 | $ - | $ - | $ - | $ 2,938,492 |
| Construction in progress | 236,241 | - | (236,241) | - | - |
| Total capital assets not being depreciated | 3,174,733 | - | (236,241) | - | 2,938,492 |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 35,398,807 | 956,312 | - | | 36,355,119 |
| Furniture and equipment | 746,011 | 32,417 | (13,596) | - | 764,832 |
| Total capital assets being depreciated | 36,144,818 | 988,729 | (13,596) | - | 37,119,951 |
| Less accumulated depreciation: | | | | | |
| Buildings and improvements | (30,560,146) | (747,385) | - | - | (31,307,531) |
| Furniture and equipment | (553,840) | (44,585) | 13,596 | | (584,829) |
| Total acumulated depreciation | (31,113,986) | (791,970) | 13,596 | - | (31,892,360) |
| Total capital assets being deprciated, net | 5,030,832 | 196,759 | - | - | 5,227,591 |
| Total capital assets, net | $ 8,205,565 | $ 196,759 | $ (236,241) | $ - | $ 8,166,083 |

Depreciation expense for the Authority was $791,970 for the year ended June 30, 2017.

## 6. LONG-TERM LIABILITIES

The Authority's long term debt is comprised of mortgage notes, loans and bonds. Mortgage notes payable were incurred to purchase low income housing and are payable from rents received and the net cash flows from operations.

Loans payable include amounts due to Farmers Home Administration and the State of Oregon for the purchase, construction, repair and improvement of property. Under terms of the agreements with the State of Oregon, a certain portion of the loans are forgiven yearly as long as the Authority operates the facilities as low-income housing. If the Authority ceases to operate these facilities as low-income housing, the loans become payable when the Authority sells the property. This loan has a balance of $46,407 at June 30, 2017, and is noninterest bearing. The loan with the Farmers Home Administration collateralized by property, has a balance of $41,775 at June 30, 2017, payable monthly over the next eleven years and bears interest at 1% per year.

The loan payable to Clackamas County of $857,319 was obtained to construct and purchase low income housing units, is noninterest bearing and requires no payments as long as the Authority operates the facility as low-income housing.

## 6. LONG-TERM LIABILITIES (Continued)

The Authority issued 2013 Series A revenue bonds in the original amount of $16,550,000 to finance the rehabilitation of the Easton Ridge Apartments (the Project). The Series A bonds have maturities and/or mandatory redemption dates ranging from September 1, 2015 to September 1, 2049, and bear interest ranging from 1.75% to 4.0%. Interest payments are due on March 1 and September 1 of each year until the entire principal balance is retired and all accrued interest is paid.

The Project's assets, all net operating income and certain other revenues of the Authority, are pledged as collateral, in an amount equal to the sum of outstanding principle and interest, or $29,387,325. The pledge will remain in effect until the revenue bonds are paid in full. As of June 30, 2017 pledged debt service was $863,200 for the coming year. The Authority received pledged interest in the amount of $419,779 for 2013 Series A bond interest at June 30, 2017.

Pursuant to the bond documents, the Authority is subject to certain restrictive covenants related to the use of bond proceeds and other funds provided by operations of the Project. The contingent loan agreement with the County requires Easton Ridge LLC to maintain a 1.10 to 1.0 debt service coverage once the project achieves stabilization. The operating agreement requires that in order to eliminate the operating deficit contribution requirement, the Authority establish and collect rents sufficient to produce a required debt service coverage on the Series A bonds of at least 1.20 to 1 for two consecutive years, beginning at least three years after project stabilization. A failure to maintain the above ratios does not constitute a default.

Changes in long-term debt are as follows:

| | Loans Payable (Interest 0% to 1%) | Mortgage Notes Payable (Interest 2% to 11%) | Loans Payable to Clackamas County | 2013 Easton Ridge A Bonds Payable (Interest 1.75% to 4.0%) | Total |
|---|---|---|---|---|---|
| Balance, July 1, 2016 | $ 104,465 | $ 172,431 | $ 857,319 | $ 16,315,000 | $ 17,449,215 |
| Loan foregiveness | (11,162) | | | | (11,162) |
| Additions | | | - | - | - |
| Deductions | (5,121) | (42,893) | - | (240,000) | (288,014) |
| Balance, June 30, 2017 | 88,182 | 129,538 | 857,319 | 16,075,000 | 17,150,039 |
| Plus unamortized bond premium | - | - | - | 53,341 | 53,341 |
| | $ 88,182 | $ 129,538 | $ 857,319 | $ 16,128,341 | $ 17,203,380 |
| | | | | Current portion | $ 290,875 |
| | | | | Long-term portion | 16,912,505 |
| | | | | Total | $ 17,203,380 |

## 6. LONG-TERM LIABILITIES (Continued)

Future maturities are as follows:

| Fiscal Year | Loans Payable | Mortgage Notes Payable | Loan Payable to Clackamas County | 2013 A Easton Ridge Bonds Payable | Total | Interest |
|---|---|---|---|---|---|---|
| 2018 | $ 6,050 | $ 39,825 | $ - | $ 245,000 | $ 290,875 | $ 619,937 |
| 2019 | 6,111 | 10,035 | - | 250,000 | 266,146 | 613,867 |
| 2020 | 6,172 | 10,366 | - | 255,000 | 271,538 | 606,302 |
| 2021 | 6,234 | 10,720 | - | 265,000 | 281,954 | 604,758 |
| 2022 | 6,296 | 11,099 | | 275,000 | 292,395 | 593,223 |
| 2023-2025 | 11,545 | 34,543 | - | 890,000 | 936,088 | 2,255,079 |
| 2026-2030 | - | 12,950 | - | 1,735,000 | 1,747,950 | 2,534,244 |
| 2031-2035 | - | - | - | 2,075,000 | 2,075,000 | 2,188,875 |
| 2036-2040 | - | - | - | 2,500,000 | 2,500,000 | 1,741,667 |
| 2041-2045 | - | - | - | 3,030,000 | 3,030,000 | 1,183,200 |
| 2046-2050 | - | - | - | 4,555,000 | 4,555,000 | 475,767 |
| Undetermined | 45,774 | - | 857,319 | - | 903,093 | - |
| | $ 88,182 | $ 129,538 | $ 857,319 | $ 16,075,000 | $ 17,150,039 | $ 13,416,919 |

None of the above agreements are subject to federal arbitrage regulations.

Changes in long-term liabilities:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Compensated Absences | $ 209,757 | $ 12,215 | | $ 221,972 | $ 55,493 |
| Net OPEB Obligation | 322,346 | 3,942 | - | 326,288 | - |
| Net Pension Liability (Asset) | 1,736,121 | 2,487,911 | - | 4,224,032 | - |
| Loans & Notes Payable | 1,134,215 | - | (59,176) | 1,075,039 | 45,875 |
| Bonds Payable | 16,368,341 | - | (240,000) | 16,128,341 | 245,000 |
| Total | $ 19,770,780 | $ 2,504,068 | $ (299,176) | $ 21,975,672 | $ 346,368 |

## 7. PENSION PLAN

### *General Information about the Pension Plan*

*Name of the pension plan:* The Oregon Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit plan.

## 7. PENSION PLAN (Continued)

*Plan description.* Employees of the Authority are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. OPERS issues a publicly available financial report that can be obtained at http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

*Benefits provided under Chapter 238-Tier One / Tier Two*

1. *Pension Benefits.* The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

   A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

2. *Death Benefits.* Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:
   - Member was employed by a OPERS employer at the time of death,
   - Member died within 120 days after termination of OPERS-covered employment,
   - Member died as a result of injury sustained while employed in a OPERS-covered job, or
   - Member was on an official leave of absence from a OPERS-covered job at the time of death.

3. *Disability Benefits.* A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

## 7. PENSION PLAN (Continued)

4. *Benefit Changes After Retirement.* Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

   Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits above $60,000.

*Benefits provided under Chapter 238A-OPSRP Pension Program (OPSRP DB).*

1. *Pension Benefits.* The ORS 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

   This portion of the OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

   *Police and fire:* 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

   *General service:* 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

   A member of the OPSRP pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

2. *Death Benefits.* Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

3. *Disability Benefits.* A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

4. *Benefit Changes After Retirement.* Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits above $60,000.

## 7. PENSION PLAN (Continued)

*Contributions:*

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced.

Employer contributions for the year ended June 30, 2017 were approximately $321,000. The rates in effect for the fiscal year ended June 30, 2017 were: (1) Tier1/Tier 2 – 17.64 percent, and (2) OPSRP general service – 10.83 percent.

*Actuarial Valuations:*

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

| | |
|---|---|
| Valuation Date | December 31, 2014 |
| Measurement Date | June 30, 2016 |
| Experience Study Report | 2014, published September 2015 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years. |
| Asset Valuation Method | Market value of assets |
| Actuarial Assumptions: | |
| Inflation Rate | 2.50 percent |
| Investment Rate of Return | 7.50 percent |

## 7. PENSION PLAN (Continued)

| | |
|---|---|
| Projected Salary Increases | 3.50 percent |
| Cost of living adjustments (COLA) | Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* decision; blend based on service. |
| Mortality | Healthy retirees and beneficiaries:<br>RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.<br>Active members:<br>Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.<br>Disabled retirees:<br>Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table. |

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

*Discount Rate:*

The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

*Depletion Date Projection*
GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

## 7. PENSION PLAN (Continued)

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS:

- Oregon PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 67 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is PERS independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

*Assumed Asset Allocation:*

| Asset Class/Strategy | Low Range | | High Range | | OIC Target | |
|---|---|---|---|---|---|---|
| Cash | 0.0 | % | 3.0 | % | 0.0 | % |
| Debt Securities | 15.0 | | 25.0 | | 20.0 | |
| Public Equity | 32.5 | | 42.5 | | 37.5 | |
| Private Equity | 16.0 | | 24.0 | | 20.0 | |
| Real Estate | 9.5 | | 15.5 | | 12.5 | |
| Alternative Equity | 0.0 | | 10.0 | | 10.0 | |
| Opportunity Portfolio | 0.0 | | 3.0 | | 0.0 | |
| Total | | | | | 100.0 | % |

*Long-Term Expected Rate of Return:*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

## 7. PENSION PLAN (Continued)

| Asset Class | Target | Compound Annual Return (Geometric) |
|---|---|---|
| Core Fixed Income | 8.00% | 4.00% |
| Short-Term Bonds | 8.00 | 3.61 |
| Bank/Leveraged Loans | 3.00 | 5.42 |
| High Yield Bonds | 1.00 | 6.20 |
| Large/Mid Cap US Equities | 15.75 | 6.70 |
| Small Cap US Equities | 1.31 | 6.99 |
| Micro Cap US Equities | 1.31 | 7.01 |
| Developed Foreign Equities | 13.13 | 6.73 |
| Emerging Market Equities | 4.12 | 7.25 |
| Non-US Small Cap Equities | 1.88 | 7.22 |
| Private Equity | 17.50 | 7.97 |
| Real Estate (Property) | 10.00 | 5.84 |
| Real Estate (REITS) | 2.50 | 6.69 |
| Hedge Fund of Funds - Diversified | 2.50 | 4.64 |
| Hedge Fund – Event-driven | 0.63 | 6.72 |
| Timber | 1.88 | 5.85 |
| Infrastructure | 3.75 | 7.13 |
| Commodities | 1.88 | 4.58 |
| Assumed Inflation – Mean | | 2.50% |

*Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

| | 1% Decrease (6.50%) | Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| Proportionate share of the net pension liability | $6,820,403 | $4,224,032 | $2,053,920 |

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

## 7. PENSION PLAN (Continued)

At June 30, 2017, the Authority reported a liability of $4,224,032 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014 and rolled forward to June 30, 2016.

The Authority's proportion of the net pension asset was based on the Authority's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers.

Rates of every employer have at least two major components:

1. Normal Cost Rate: The economic value, stated as a percent of payroll, for the portion of each active member's total projected retirement benefit that is allocated to the upcoming year of service. The rate is in effect for as long as each member continues in OPERS-covered employment. The current value of all projected future Normal Cost Rate contributions is the Present Value of Future Normal Costs (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.
2. UAL Rate: If system assets are less than the actuarial liability, an Unfunded Actuarial Liability (UAL) exists. UAL can arise in a biennium when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises in a given biennium over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The present value of all projected UAL Rate contributions is simply the Unfunded Actuarial Liability (UAL) itself. The UAL represents the portion of the projected long-term contribution effort related to past service.
3. Looking at both rate components, the projected long-term contribution effort is just the sum of the PVFNC and the UAL. The PVFNC part of the contribution effort pays for the value of future service while the UAL part of the contribution effort pays for the value of past service not already funded by accumulated contributions and investment earnings.

The UAL has Tier 1/Tier 2 and OPSRP pieces. The Tier 1/Tier 2 piece is based on the employer's Tier 1/Tier 2 pooling arrangement. If an employer participates in one of the two large Tier 1/Tier 2 rate pools [State & Local Government Rate Pool (SLGRP) or School Districts Rate Pool], then the employer's Tier 1/Tier 2 UAL is just their pro-rata share of their pool's UAL. The pro-rata calculation is based on the employer's payroll in proportion to the pool's total payroll. For example, if the employer's payroll is one percent of the pool's total payroll, the employer will be allocated one percent of the pool's UAL. The OPSRP piece of the UAL follows a parallel pro-rata approach, as OPSRP experience is mandatorily pooled at a state-wide level. Employers that do not participate in a Tier 1/Tier 2 pooling arrangement, who are referred to as "Independent Employers", have their Tier 1/Tier 2 UAL tracked separately in the actuarial valuation. The division of the UAL across employers is shown graphically below.

An employer's PVFNC depends on both the normal cost rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For OPERS funding, employers have up to three different payrolls, each with a different normal cost rate: (1) Tier 1/Tier 2 payroll, (2) OPSRP general service payroll, and (3) OPSRP police and fire payroll.

## 7. PENSION PLAN (Continued)

The employer's Normal Cost Rates for each payroll are combined with system-wide present value factors for each payroll to develop an estimated PVFNC. The present value factors are actuarially determined at a system level for simplicity and to allow for the PVFNC calculations to be audited in a timely, cost-effective manner. Thus for each and every system employer, the PVFNC is calculated following the format in the table below.

Since many governments in Oregon have sold pension obligation bonds and deposited the proceeds with OPERS (referred to as side accounts or transitional liability or surplus), adjustments are required. After each employer's projected long-term contribution effort is calculated, that amount is reduced by the value of the employer's side account, transitional liability/surplus, and pre-SLGRP liability/surplus (if any). This is done as those balances increase/decrease the employer's projected long-term contribution effort because side accounts are effectively pre-paid contributions.

Looking at both rate components, the projected long-term contribution effort is just the sum of the PVFNC and UAL. The PVFNC part of the contribution effort pays for the value of future service while the UAL part of the contribution effort pays for the value of past service not already funded by accumulated contributions and investment earnings. Each of the two contribution effort components are calculated at the employer-specific level. The sum of these components across all employers is the total projected long-term contribution effort.

At June 30, 2017, the Authority's proportion was 0.02813710 percent.

For the year ended June 30, 2017, the Authority recognized pension expense of $727,231. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|---|---|
| Differences between expected and actual experience | $139,749 | $- |
| Changes of assumptions | 900,885 | - |
| Net difference between projected and actual earnings on investments | 834,492 | - |
| Changes in proportionate share | 18,267 | 109,535 |
| Differences between employer contributions and proportionate share of system contributions | 33,257 | 59,715 |
| Total (prior to post-measurement date contributions) | 1,926,650 | 169,250 |
| Contributions made subsequent to measurement date | 321,885 | - |
| Net Deferred Outflow/(Inflow) of Resources | - | $1,757,400 |

$321,885 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The average of the expected

## 7. PENSION PLAN (Continued)

remaining service lives of all employees that are provided with pensions through PERS (active and inactive employees) determined at July 1, 2015, the beginning of the measurement period ended June 30, 2016, is 5.3 years.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Employer subsequent fiscal years | Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions) |
|---|---|
| Fiscal Year 2018 | $307,802 |
| Fiscal Year 2019 | 307,802 |
| Fiscal Year 2020 | 615,200 |
| Fiscal Year 2021 | 464,138 |
| Fiscal Year 2022 | 62,458 |
| Thereafter | - |
| Total | $1,757,400 |

*Defined Contribution Plan*

**OPSRP Individual Account Program (OPSRP IAP)**

**Pension Benefits**
Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a $200 minimum distribution limit.

**Death Benefits**
Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

## 7. PENSION PLAN (Continued)

**Contributions**
The Authority has chosen to pay the employees contributions to the plan. 6 percent of covered payroll is paid for general service employees and 9 percent of covered payroll is paid for firefighters and police officers.

**Recordkeeping**
PERS contracts with VOYA Financial to maintain IAP participant records.

## 8. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

### A. Authority Plan

The Authority administers a single-employer defined benefit healthcare plan per the requirements of a collective bargaining agreement. Per Oregon State law, the plan provides the opportunity for post-retirement healthcare insurance for eligible retirees and their spouses through the Authority's group health insurance plans which cover both active and retired participants. The Authority does not pay any portion of the retiree's healthcare insurance; however, the retired employee receives an implicit benefit of a lower healthcare premium which is spread among the cost of active employee premiums.

The Authority has not established a trust fund to supplement the costs for the net other post-employment benefit (OPEB) obligation related to this implicit benefit. The Authority pays none of the premium of health insurance coverage for retirees from age 58 to age 65. The Authority's regular health care benefit providers underwrite the retirees' policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. At June 30 2016, there was one retiree that was receiving the post employment implicit healthcare benefit.

The Authority's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the guidance of GASB Statement No. 45. The Authority is included in the Clackamas County Actuarial Valuation report. The Authority comprises about 2.0% of the total active and retiree covered county employees. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for 2017 and the last four preceding years ended were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Annual OPEB Cost Contributed | Net OPEB Obligation(cum) |
|---|---|---|---|
| 6/30/2017 | $ 27,363 | 86% | $ 326,288 |
| 6/30/2016 | 23,293 | 65% | 322,346 |
| 6/30/2015 | 24,215 | 46% | 316,771 |
| 6/30/2014 | 28,603 | 52% | 303,161 |
| 6/30/2013 | 27,576 | 55% | 289,551 |

## 8. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

As of July 1 2016, the estimated 2017 actuarial accrued liability for benefits was $337,060, and the actuarial value of assets was $0, resulting in an estimated unfunded actuarial accrued liability (UAAL) of $337,060.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility, consistent with the long-term perspective of the calculations.

In the most recently conducted actuarial valuation, the entry age normal actuarial cost method was used. A discount rate of 4.0% was used in the most recent actuarial valuation for the closed period. The health care cost assumptions are that health care costs are trending from 5.5% in 2017 to 6.4% in 2030 for the major medical premium component.

### B. Retirement Health Insurance Account (RHIA)

As a member of Oregon Public Employees Retirement System (OPERS), the Authority contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees.

Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA resides with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to $60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of $60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

## 8. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

For fiscal year 2017, participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.53% of annual covered OPERS payroll and 0.45% of OPSRP payroll. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Authority's contributions to RHIA for the years ended June 30, 2015, 2016 and 2017 were $11,947, $10,821, and $11,170 respectively, which equaled the required contributions each year.

## 9. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. The Authority does not engage in risk financing activities where the risk is retained (self-insurance) by the Authority. For the past three years, insurance coverage has been sufficient to cover any losses. Currently, a suit is pending against the Authority for employee discrimination. The Authority believes these allegations to be without merit. However, should there be an adverse judgment against the Authority, the Authority believes liability insurance would be adequate to cover any award.

## 10. COMMITMENTS

The Authority has no construction and legal commitments under contracts at June 30, 2017. The Authority has a commitment to cover up to $922,000 of operating deficits for Easton Ridge LLC for at least the next four years.

| | Disposition Proceeds | |
|---|---|---|
| Balance as of July 1, 2016 | $ | 2,232,691 |
| Interest received | | 539 |
| Balance as of June 30, 2017 | $ | 2,233,230 |

## 11. RELATED-PARTY TRANSACTIONS

Labor and fringe benefit costs and expenses for human resources, information technology and other professional services totaling approximately $553,000 were paid to various County departments. About $128,000 was accrued as payable to the County at June 30, 2017.

The Authority has unsecured non-recourse loans with the County, in the amount of $857,319. The purpose of the loans is to construct and purchase low income housing units. The loan is noninterest bearing and requires no payments as long as the Authority operates the facility as low-income housing.

## 12. TAX CREDIT

On March 6, 2013, the Authority sold the Project to Easton Ridge LLC, a tax credit partnership for $18,650,000 in order to substantially rehabilitate the project. The Authority earned a gain of $12,109,644 on the sale. The Authority sold $16,550,000 of 35 year 2013 Series A Bonds. The Authority received $6,415,000 of the Series A Bond proceeds and used the principal and interest reserve and excess revenue to defease the $7,440,000 of outstanding 1996 Series A Easton Ridge Revenue Bonds. The partnership subsequently borrowed an additional $860,000 in HOME funds from the County. These proceeds were loaned to the project and along with a $2,123,757 equity contribution from the tax credit partner were used to rehabilitate the Project for approximately $12 million. As part of the transaction, the Authority accepted a $12,235,000 third mortgage on the property.

The Authority has a .01% equity interest in Easton Ridge LLC and is the managing partner. The Authority has a $922,000 operating deficit obligation until the project earns a coverage ratio of 1.20 in two consecutive years beginning at least three years after project stabilization. The Authority has the option to purchase the investor member's interest in the property in 15 years at the greater of the fair market value of the investor member's interest, or taxes attributable to the sale.

The key agreements include the Trust Indenture for the Series 2013A Revenue Bonds, the Operating Agreement between the Easton Ridge LLC tax credit partnership, the Loan Agreement between the Authority and Easton Ridge LLC relating to the Series 2013A Revenue Bonds, and the Contingent Loan Agreement between the Authority and the County.

## 13. DISCRETELY PRESENTED COMPONENT UNIT

At December 31, 2016 the long-term notes payable of Easton Ridge LLC (the "Company") consisted of the following:

| | |
|---|---|
| Housing Authority: | |
| Term Loan | $16,075,000 |
| Unamortized bond premium/discount – net | (26,298) |
| Acquisition Loan | 12,235,000 |
| Clackamas County | 860,000 |
| | $29,143,702 |

*Housing Authority* – The proceeds of the Bonds issued by the Housing Authority ("Bond Loan") were loaned to the Company on substantially the same terms of the Bonds. The Bonds mature in varying amounts beginning September 1, 2015 and each year thereafter through September 1, 2049. Stated interest rates range from 2% to 4% per annum with a weighted average interest rate of 3.93% over the term of the Bonds. The Term Loan is payable in interest only payments of $52,300 per month through August 2014 and $71,883 per month thereafter.

## 13. DISCRETELY PRESENTED COMPONENT UNIT (Continued)

The Acquisition Loan in the original amount of $12,235,000 is due on December 31, 2054 and provides for interest at 3.10% per annum compounded annually. Interest shall be paid annually on March 15 of each year, but only to the extent of Cash Flow as defined in and in the order of priority set forth in the operating agreement.

*Clackamas County* – The loan agreement with Clackamas County provides for borrowings of up to $860,000 with simple interest at 1% per annum with the accrual of interest beginning on the Project Completion Date. The note is due on December 1, 2054 and is payable in annual principal and interest payments equal to 100% of the Project's Cash Flow as defined and in the order of priority set forth in the Operating Agreement.

Substantially all assets of the Project are pledged as collateral for long-term notes payable with the Bond Loan in the first position, the note payable to Clackamas County in the second position and the Acquisition Loan in the third position.

Principal payments due over the next five years and thereafter are as follows:

| Year Ending December 31, | |
|---|---|
| 2017 | $ 245,000 |
| 2018 | 250,000 |
| 2019 | 255,000 |
| 2020 | 265,000 |
| 2021 | 275,000 |
| Thereafter | 27,880,000 |
| Total | $ 29,170,000 |

Since the principal payments on the note payable to Clackamas County are dependent upon Cash Flow, which cannot be determined in advance, the balance is classified as being due in 2054.

A summary of interest incurred during the year ended December 31, 2016 and accrued interest at December 31, 2016 is as follows:

| | Interest Incurred | Accrued Interest at Dec 31, 2016 |
|---|---|---|
| Housing Authority: | | |
| Bond Loan | $ 621,300 | $ - |
| Development Fee | 22,368 | 22,368 |
| Clackamas County | 8,600 | 20,507 |
| Acquisition Loan | 413.372 | 1,512,951 |
| | 1,065,640 | 1,555,826 |
| | $1,065,640 | $1,555,826 |

# REQUIRED SUPPLEMENTARY INFORMATION

**REQUIRED SUPPLEMENTARY INFORMATION**
**FOR THE YEAR ENDED JUNE 30, 2017**

## Other Post-employment Benefit (OPEB) funding progress for the Authority:

| Actuarial Date July 1, | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability (Asset) | Percent Funded | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2016 | $ - | $ 292,390 | $ 292,390 | 0% | $ 1,818,093 | 16 % |
| 2014 | - | 275,803 | 275,803 | 0% | 1,752,379 | 16 % |
| 2012 | - | 306,037 | 306,037 | 0% | 1,889,742 | 16 % |

## Schedule of Authority's Pension Contributions

| | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 |
|---|---|---|---|---|---|
| Contractually required contribution | $ 348,000 | $ 309,000 | $ 273,000 | $ 278,000 | $ 290,000 |
| Contributions to the contractually required contribution | (348,000) | (309,000) | (273,000) | (278,000) | (290,000) |
| | $ - | $ - | $ - | $ - | $ - |
| Authority's covered employee payroll | $ 2,353,000 | $ 2,058,000 | $ 2,025,000 | $ 2,087,000 | $ 2,113,000 |
| Contribution as a percentage of covered payroll | 14.8% | 15.0% | 13.5% | 13.3% | 13.7% |

| | FY 2012 | FY 2011 | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|---|---|
| Contractually required contribution | $ 287,000 | $ 256,000 | $ 241,000 | $ 276,000 | $ 268,000 |
| Contributions to the contractually required contribution | (287,000) | (256,000) | (241,000) | (276,000) | (268,000) |
| | $ - | $ - | $ - | $ - | $ - |
| Authority's covered employee payroll | $ 2,087,000 | $ 2,085,000 | $ 2,049,000 | $ 1,836,000 | $ 1,787,000 |
| Contribution as a percentage of covered payroll | 13.8% | 12.3% | 11.8% | 15.0% | 15.0% |

## Schedule of Authority's Proportionate Share of Net Pension Liability

| | FY 2017 | FY 2016 |
|---|---|---|
| Authority's proportion of the net pension liability (asset) | 0.02813710% | 0.03017175% |
| Authority's proportionate share of the net pension liability (asset) | $ 4,224,032 | $ 1,732,299 |
| Authority's covered employee payroll | $ 2,058,000 | $ 2,025,000 |

| | FY 2017 | FY 2016 |
|---|---|---|
| Authority's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll | 179.5% | 80.9% |
| Plan fiduciary net position as a percentage of the total pension liability | 80.5% | 91.9% |

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**SUPPLEMENTARY INFORMATION**

# HOUSING AUTHORITY OF CLACKAMAS COUNTY
(A component unit of Clackamas County, Oregon)
## COMBINING SCHEDULE OF NET POSITION (FINANCIAL DATA SCHEDULE)

## YEAR ENDED JUNE 30, 2017

| | State and Local Projects | Clackamas Apartments | Low Rent Public Housing SF 274 | Central Office Program | Capital Grant Program |
|---|---|---|---|---|---|
| **ASSETS:** | | | | | |
| **CURRENT ASSETS:** | | | | | |
| Cash - unrestricted | $ 20,603 | $ 78,051 | $ 1,649,562 | $ 450 | $ - |
| Investments - unrestricted | 2,079,535 | - | - | 162,778 | - |
| Accounts receivable: | | | | | |
| HUD other programs | - | - | - | - | 39,549 |
| Other governments | - | - | - | - | - |
| Miscellaneous | - | 2,790 | 134,544 | 2,199 | - |
| Tenants - rent/misc | 4,204 | 1,651 | 65,631 | - | - |
| Tenants - fraud | - | - | 11,306 | - | - |
| Allowance for doubtful accounts: | | | | | |
| Rents | (4,060) | - | (20,214) | - | - |
| Other | - | - | (60,083) | - | - |
| Fraud recovery | - | - | (3,392) | - | - |
| Notes receivable | | | | | |
| Accrued interest | - | - | - | - | - |
| | 144 | 4,441 | 127,792 | 2,199 | 39,549 |
| Prepaid expenses and other assets | 2,399 | - | 59,950 | 16,250 | - |
| Inventory | - | - | 66,021 | - | - |
| Allowance for obsolete inventory | - | - | (45,884) | - | - |
| Due from other funds | - | - | - | 44,379 | - |
| **TOTAL CURRENT ASSETS** | 2,102,681 | 82,492 | 1,857,441 | 226,056 | 39,549 |
| **RESTRICTED CASH AND INVESTMENTS:** | | | | | |
| Other than security deposits | 103,441 | 127,646 | 2,233,230 | - | - |
| Security deposits | 2,175 | 2,126 | 81,946 | - | - |
| | 105,616 | 129,772 | 2,315,176 | - | - |
| **NONCURRENT ASSETS:** | | | | | |
| Notes receivable | - | - | - | - | - |
| Other/joint venture investment | - | - | - | - | - |
| Capital Assets: | | | | | |
| Land | 247,444 | 78,500 | 2,522,548 | - | - |
| Buildings and improvements | 3,329,459 | 1,161,873 | 24,863,119 | - | 827,127 |
| Furniture and equipment - dwellings | - | - | - | - | - |
| Furniture and equipment - administration | 44,037 | - | 532,985 | 37,316 | 55,734 |
| Site improvements | - | - | 4,789,820 | - | 35,421 |
| Construction in progress | - | - | - | - | - |
| Accumulated depreciation | (2,604,749) | (871,405) | (27,196,303) | (37,316) | (43,756) |
| Total Capital Assets | 1,016,191 | 368,968 | 5,512,169 | - | 874,526 |
| **TOTAL ASSETS** | 3,224,488 | 581,232 | 9,684,786 | 226,056 | 914,075 |
| **DEFERRED OUTFLOWS OF RESOURCES** | 181,468 | 19,046 | 988,452 | 427,516 | - |
| **TOTAL ASSETS and DEFERRED OUTFLOWS OF RESOURCES** | 3,405,956 | 600,278 | 10,673,238 | 653,572 | 914,075 |

# HOUSING AUTHORITY OF CLACKAMAS COUNTY

(A component unit of Clackamas County, Oregon)

## COMBINING SCHEDULE OF NET POSITION (FINANCIAL DATA SCHEDULE)

## YEAR ENDED JUNE 30, 2017

| Easton Ridge LLC | Rental Assistance Vouchers SF-0018V | Mainstream Vouchers | Jannsen Road Apartments | Arbor Terrace Apartments | Resident Self Sufficiency Program | Shelter Plus Care | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| $ 313,112 | $ 315,336 | $ 3,426 | $ 16,757 | $ 518 | $ - | $ - | $ - | $ 2,397,815 |
| 529,476 | - | - | - | 53,892 | - | - | - | 2,825,681 |
| - | 17,679 | 55,528 | 15,224 | - | - | - | | 127,980 |
| - | - | - | - | - | - | - | - | - |
| 2,055,888 | - | - | - | 1,868 | 29,994 | 1,937 | - | 2,229,220 |
| - | - | - | 2,861 | - | - | - | - | 74,347 |
| - | - | - | - | - | - | - | - | 11,306 |
| - | - | - | (251) | - | - | - | - | (24,525) |
| - | - | - | - | - | - | - | - | (60,083) |
| - | - | - | - | - | - | - | - | (3,392) |
| 245,000 | | | | | | | | 245,000 |
| 1,726,045 | - | - | - | - | - | - | - | 1,726,045 |
| 4,026,933 | 17,679 | 55,528 | 17,834 | 1,868 | 29,994 | 1,937 | - | 4,325,898 |
| 100 | - | - | - | - | - | - | - | 78,699 |
| - | - | - | - | - | - | - | - | 66,021 |
| - | - | - | - | - | - | - | - | (45,884) |
| - | - | - | - | - | - | - | (44,379) | - |
| 4,869,621 | 333,015 | 58,954 | 34,591 | 56,278 | 29,994 | 1,937 | (44,379) | 9,648,230 |
| 411,553 | 622,700 | - | 15,442 | 174,437 | - | - | - | 3,688,449 |
| - | - | - | 1,050 | 9,982 | - | - | - | 97,279 |
| 411,553 | 622,700 | - | 16,492 | 184,419 | - | - | - | 3,785,728 |
| 28,118,341 | - | - | - | - | - | - | - | 28,118,341 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | 90,000 | - | - | - | 2,938,492 |
| - | - | - | - | 1,348,300 | - | - | - | 31,529,878 |
| - | - | - | - | 20,069 | - | - | - | 20,069 |
| - | 68,454 | - | - | 6,237 | - | - | - | 744,763 |
| - | - | - | - | - | - | - | - | 4,825,241 |
| - | - | - | - | - | - | - | - | - |
| - | (56,356) | - | - | (1,082,475) | - | - | - | (31,892,360) |
| - | 12,098 | - | - | 382,131 | - | - | - | 8,166,083 |
| 33,399,515 | 967,813 | 58,954 | 51,083 | 622,828 | 29,994 | 1,937 | (44,379) | 49,718,382 |
| - | 591,410 | 23,131 | - | 17,512 | - | - | - | 2,248,535 |
| 33,399,515 | 1,559,223 | 82,085 | 51,083 | 640,340 | 29,994 | 1,937 | (44,379) | 51,966,917 |

(Continued)

**HOUSING AUTHORITY OF CLACKAMAS COUNTY**
(A component unit of Clackamas County, Oregon)
**COMBINING SCHEDULE OF NET POSITION (FINANCIAL DATA SCHEDULE)**

**YEAR ENDED JUNE 30, 2017**

| | State and Local Projects | Clackamas Apartments | Low Rent Public Housing SF 274 | Central Office Program | Capital Grant Program |
|---|---|---|---|---|---|
| **LIABILITIES:** | | | | | |
| **CURRENT LIABILITIES:** | | | | | |
| Accounts payable | 141 | - | - | - | - |
| Accrued wages | - | - | 73,238 | 78,718 | - |
| Accrued compensated absences | 30,506 | - | 24,987 | - | - |
| Accrued interest payable | - | - | - | - | - |
| Accounts payable HUD PHA programs | - | - | - | - | - |
| Tenant security deposits | 2,175 | 2,126 | 81,947 | - | - |
| Unearned revenue | 12,510 | 829 | 9,206 | - | - |
| Current portion of long-term debt | 32,496 | 7,329 | - | - | - |
| Other current liabilities | 122,453 | 68,749 | - | 1,316 | - |
| Accrued liabilities | 32,499 | 18,656 | 311,717 | 27,459 | 32,984 |
| Due to other funds | 106 | - | 1,990 | - | 6,564 |
| **TOTAL CURRENT LIABILITIES** | 232,886 | 97,689 | 503,085 | 107,493 | 39,548 |
| **NONCURRENT LIABILITIES:** | | | | | |
| Long-term debt, net of current portion | 77,909 | 58,211 | - | - | - |
| Long-term debt, payable to Clackamas County | 317,319 | 540,000 | - | - | - |
| Accrued compensated absences - noncurrent | 91,518 | - | 74,961 | - | - |
| Other noncurrent liabilities - Pension & OPEB liability | 341,208 | 35,812 | 1,858,557 | 1,130,132 | - |
| **TOTAL NONCURRENT LIABILITIES** | 827,954 | 634,023 | 1,933,518 | 1,130,132 | - |
| **TOTAL LIABILITIES** | 1,060,840 | 731,712 | 2,436,603 | 1,237,625 | 39,548 |
| **DEFERRED INFLOWS OF RESOURCES** | 13,658 | 1,434 | 74,402 | 32,180 | - |
| **NET POSITION:** | | | | | |
| Net investment in capital assets | 588,467 | (236,572) | 5,512,169 | - | 874,526 |
| Restricted | 10,828 | 59,168 | 2,233,230 | - | - |
| Unrestricted | 1,732,163 | 44,536 | 416,834 | (616,233) | 1 |
| **TOTAL NET POSITION** | $ 2,331,458 | $ (132,868) | $ 8,162,233 | $ (616,233) | $ 874,527 |

**HOUSING AUTHORITY OF CLACKAMAS COUNTY**
(A component unit of Clackamas County, Oregon)
**COMBINING SCHEDULE OF NET POSITION (FINANCIAL DATA SCHEDULE)**

**YEAR ENDED JUNE 30, 2017**

| Easton Ridge LLC | Rental Assistance Vouchers SF-0018V | Mainstream Vouchers | Jannsen Road Apartments | Arbor Terrace Apartments | Resident Self Sufficiency Program | Shelter Plus Care 2002 | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| - | - | - | 150 | - | - | - | - | 291 |
| | 44,669 | - | - | - | - | - | - | 196,625 |
| - | - | - | - | - | - | - | - | 55,493 |
| 409,133 | - | - | - | - | - | - | - | 409,133 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | 1,050 | 4,612 | - | - | - | 91,910 |
| - | - | - | 542 | 176 | - | - | - | 23,263 |
| 245,000 | - | - | - | 6,050 | - | - | - | 290,875 |
| - | 624,781 | - | - | 7,890 | - | - | - | 825,189 |
| - | 10,534 | - | 16,175 | - | - | - | - | 450,024 |
| - | 1,206 | - | 2,582 | - | 29,994 | 1,937 | (44,379) | - |
| 654,133 | 681,190 | - | 20,499 | 18,728 | 29,994 | 1,937 | (44,379) | 2,342,803 |
| | | | | | | | | |
| 15,883,341 | - | - | - | 35,725 | - | - | - | 16,055,186 |
| - | - | - | - | - | - | - | - | 857,319 |
| - | - | - | - | - | - | - | - | 166,479 |
| - | 1,112,010 | 43,494 | - | 32,927 | - | - | - | 4,554,140 |
| 15,883,341 | 1,112,010 | 43,494 | - | 68,652 | - | - | - | 21,633,124 |
| 16,537,474 | 1,793,200 | 43,494 | 20,499 | 87,380 | 29,994 | 1,937 | (44,379) | 23,975,927 |
| - | 44,516 | 1,740 | - | 1,320 | - | - | - | 169,250 |
| | | | | | | | | |
| - | 12,098 | - | - | 340,356 | - | - | - | 7,091,044 |
| | 177,203 | - | 15,442 | 174,437 | - | - | - | 2,670,308 |
| 16,862,041 | (467,794) | 36,851 | 15,142 | 36,847 | - | - | - | 18,060,388 |
| 16,862,041 | $ (278,493) | $ 36,851 | $ 30,584 | $ 551,640 | $ - | $ - | $ - | $ 27,821,740 |

**HOUSING AUTHORITY OF CLACKAMAS COUNTY**
(A component unit of Clackamas County, Oregon)
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (FINANCIAL DATA SCHEDULE)**

**YEAR ENDED JUNE 30, 2017**

| | State and Local Projects | Clackamas Apartments | Low Rent Public Housing SF 274 | Central Office Program | Capital Grant Program |
|---|---|---|---|---|---|
| **REVENUES:** | | | | | |
| Tenant rental revenue | $ 311,501 | $ 74,199 | $ 1,482,149 | $ - | $ - |
| Tenant revenue - other | 4,663 | 2,604 | 104,007 | - | - |
| Total Tenant Revenue | 316,164 | 76,803 | 1,586,156 | - | - |
| HUD PHA operating grants | - | - | 1,926,935 | - | 354,279 |
| HUD PHA capital grants | - | - | - | - | 579,083 |
| Mgmt fee | | - | - | 345,499 | - |
| Asset mgmt fee | - | - | - | 65,520 | - |
| Bookkeeping fee | - | - | - | 47,783 | - |
| Other Fees | | | | 86,750 | |
| Other government grants | - | - | - | - | - |
| Voucher income | - | - | - | - | - |
| Investment income | 28,289 | - | 3,366 | 2,323 | - |
| Fraud recovery | - | - | 6,196 | - | - |
| Other revenue | 114,908 | 11,295 | 18,393 | 11,800 | - |
| Investment income restricted | - | - | 540 | - | - |
| Gain(Loss) on sale of fixed assets | - | - | 4,995 | - | - |
| **TOTAL REVENUES** | 459,361 | 88,098 | 3,546,581 | 559,675 | 933,362 |
| **OPERATING EXPENSES:** | | | | | |
| Administrative: | | | | | |
| Salaries | 62,030 | 16,872 | 410,517 | 460,245 | 17,451 |
| Employee benefit contributions | 61,000 | 5,441 | 385,709 | 323,768 | 10,868 |
| Audit fees | 1,156 | - | 15,126 | 7,287 | 6,500 |
| Management fees | - | - | 345,499 | - | - |
| Bookkeeping fee | - | - | 47,783 | - | - |
| Office expense | 80,266 | 12,139 | 152,948 | 374,466 | 14,711 |
| Legal expense | 1,399 | - | 16,248 | 25,013 | - |
| Travel expense | - | 57 | 9,635 | 9,075 | - |
| Asset mgmt fee | - | - | 65,520 | - | - |
| Other | - | | | | 86,750 |
| Tenant Services: | | | | | |
| Salaries | - | - | 9,392 | - | - |
| Relocation costs | - | - | - | - | 10,668 |
| Employee benefit contributions | - | - | 6,153 | - | - |
| Other expenses | 28,783 | - | 14,633 | - | - |
| Utilities: | | | | | |
| Water | 2,599 | 3,082 | 164,487 | - | - |
| Electricity | 730 | 7,631 | 112,662 | 7,519 | - |
| Gas | - | - | 32,490 | 2,388 | - |
| Sewer | 10,759 | 11,730 | 406,354 | - | - |
| Ordinary Maintenance and Operations: | | | | | |
| Labor | 17,255 | 3,902 | 640,764 | 6,054 | - |
| Employee benefit contributions | 11,806 | 2,666 | 428,347 | 2,759 | - |
| Materials | 5,674 | 848 | 169,004 | 82 | 572 |
| Contract costs | 67,831 | 7,036 | 326,294 | 3,931 | 33,173 |
| Protective Services: | | | | | |
| Contract costs | 12 | - | 19,226 | 121 | - |
| General Expenses: | | | | | |
| Property insurance | 5,098 | 1,403 | 52,197 | - | - |
| Liability insurance | 1,926 | 571 | 19,348 | 3,215 | - |
| Workers' compensation | 834 | 155 | 25,430 | 1,715 | 143 |
| All other insurance | 1,248 | - | 11,462 | - | - |
| Other expenses | - | - | 5,757 | 189 | - |
| Payment in lieu of taxes | - | - | 75,625 | - | - |
| Bad debt - tenant rents | - | 531 | 14,088 | - | - |
| Bad debt - other | - | 303 | 39,208 | - | - |
| Interest expense | 7,423 | 1,319 | - | - | - |
| **TOTAL OPERATING EXPENSES** | 367,829 | 75,686 | 4,021,906 | 1,227,827 | 180,836 |
| **INCOME (LOSS) BEFORE OTHER EXPENSES** | 91,532 | 12,412 | (475,325) | (668,152) | 752,526 |

# HOUSING AUTHORITY OF CLACKAMAS COUNTY
(A component unit of Clackamas County, Oregon)
## COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (FINANCIAL DATA SCHEDULE (Continued)

## YEAR ENDED JUNE 30, 2017

| Easton Ridge LLC | Rental Assistance Vouchers SF-0018V | Mainstream Vouchers | Jannsen Road Apartments | Arbor Terrace Apartments | Resident Self Sufficiency Program | Shelter Plus Care Program | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| $ - | $ - | $ - | $ 37,078 | $ 112,087 | $ - | $ - | $ - | $ 2,017,014 |
| - | - | - | 3,243 | 8,524 | - | - | - | 123,041 |
| - | - | - | 40,321 | 120,611 | - | - | - | 2,140,055 |
| - | - | - | 65,221 | - | 87,271 | - | - | 2,433,706 |
| - | - | - | - | - | - | - | - | 579,083 |
| - | - | - | - | - | - | - | (345,499) | - |
| - | - | - | - | - | - | - | (65,520) | - |
| - | - | - | - | - | - | - | (47,783) | - |
| | | | | | | | (86,750) | - |
| - | - | - | - | 4,347 | - | - | - | 4,347 |
| - | 13,748,603 | 594,970 | - | - | - | 355,392 | - | 14,698,965 |
| 426,853 | - | - | 48 | 616 | - | - | - | 461,495 |
| - | 29,010 | - | - | - | - | - | - | 35,206 |
| - | 293,880 | - | 30,580 | - | - | - | - | 480,856 |
| 620,500 | - | 20 | - | 12 | - | - | - | 621,072 |
| - | - | - | - | - | - | - | - | 4,995 |
| 1,047,353 | 14,071,493 | 594,990 | 136,170 | 125,586 | 87,271 | 355,392 | (545,552) | 21,459,780 |
| - | 566,980 | 25,230 | 7,178 | 11,134 | 77,196 | 29,595 | - | 1,684,428 |
| - | 474,634 | 19,096 | 3,282 | 4,165 | - | - | - | 1,287,963 |
| - | 12,653 | 451 | - | - | - | - | - | 43,173 |
| - | - | - | - | 10,263 | - | - | (345,499) | 10,263 |
| - | - | - | - | - | - | - | (47,783) | - |
| - | 170,770 | 6,532 | 63 | 22,935 | 10,075 | - | - | 844,905 |
| | 881 | 37 | - | - | - | - | - | 43,578 |
| | 5,852 | 240 | - | - | - | - | - | 24,859 |
| - | - | - | - | - | - | - | (65,520) | - |
| | | | | | | | (86,750) | - |
| - | 78,082 | - | - | - | - | - | - | 87,474 |
| | - | - | - | - | | - | - | 10,668 |
| - | 48,112 | - | - | - | - | - | - | 54,265 |
| - | - | - | 77,720 | - | - | - | - | 121,136 |
| - | - | - | 1,953 | - | - | - | - | 172,121 |
| - | - | - | 1,695 | 4,739 | - | - | - | 134,976 |
| - | - | - | - | - | - | - | - | 34,878 |
| - | - | - | 5,250 | 26,570 | - | - | - | 460,663 |
| - | - | - | 4,678 | 12,333 | - | - | - | 684,986 |
| - | - | - | 3,173 | - | - | - | - | 448,751 |
| - | 1,304 | 53 | 5,074 | 6,287 | - | - | - | 188,898 |
| - | 1,424 | 38 | 7,325 | 17,393 | - | - | - | 464,445 |
| - | 218 | 9 | - | 333 | - | - | - | 19,919 |
| | - | - | 946 | 2,672 | - | - | - | 62,316 |
| - | 5,695 | 237 | 261 | - | - | - | - | 31,253 |
| - | 2,268 | 87 | 191 | - | - | - | - | 30,823 |
| - | 1,718 | 72 | - | - | - | - | - | 14,500 |
| - | 21,426 | - | - | - | - | - | - | 27,372 |
| - | - | - | - | - | - | - | - | 75,625 |
| - | - | - | 432 | - | - | - | - | 15,051 |
| - | - | - | 601 | - | - | - | - | 40,112 |
| 620,500 | - | - | - | 988 | - | - | - | 630,230 |
| 620,500 | 1,392,017 | 52,082 | 119,822 | 119,812 | 87,271 | 29,595 | (545,552) | 7,749,631 |
| 426,853 | 12,679,476 | 542,908 | 16,348 | 5,774 | - | 325,797 | - | 13,710,149 |

(Continued)

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**HOUSING AUTHORITY OF CLACKAMAS COUNTY**
(A component unit of Clackamas County, Oregon)
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (FINANCIAL DATA SCHEDULE (Continued)**

**YEAR ENDED JUNE 30, 2017**

| | State and Local Projects | Clackamas Apartments | Low Rent Public Housing SF 274 | Central Office Program | Capital Grant Program |
|---|---|---|---|---|---|
| **OTHER EXPENSES:** | | | | | |
| Extraordinary maintenance | $ - | $ - | $ - | $ - | $ - |
| Casualty losses recovered | - | (20,167) | (2,075) | - | - |
| Grant Expense | - | - | - | - | - |
| Housing assistance payments | - | - | - | - | - |
| Housing assistance payments - port-in | - | - | - | - | - |
| Depreciation | 106,906 | 38,729 | 559,046 | - | 38,889 |
| **TOTAL OTHER EXPENSES** | 106,906 | 18,562 | 556,971 | - | 38,889 |
| **NET INCOME (LOSS)** | (15,374) | (6,150) | (1,032,296) | (668,152) | 713,637 |
| **OPERATING TRANSFER** | (533,871) | - | 763,376 | 508,871 | (763,376) |
| **INCREASE (DECREASE) IN NET ASSETS** | (549,245) | (6,150) | (268,920) | (159,281) | (49,739) |
| **NET POSITION,** June 30, 2016 | 3,021,728 | (111,916) | 9,199,321 | (1,872,141) | 924,266 |
| **CUMMULATIVE EFFECT ALLOCATING GASBS 68** | (141,025) | (14,802) | (768,168) | 1,415,189 | - |
| **NET POSITION,** June 30, 2016 | 2,880,703 | (126,718) | 8,431,153 | (456,952) | - |
| **NET POSITION,** June 30, 2017 | $ 2,331,458 | $ (132,868) | $ 8,162,233 | $ (616,233) | $ 874,527 |
| **OTHER INFORMATION:** | | | | | |
| Debt principal payment | $ 46,288 | $ 7,017 | $ - | $ - | $ - |

**HOUSING AUTHORITY OF CLACKAMAS COUNTY**
(A component unit of Clackamas County, Oregon)
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (FINANCIAL DATA SCHEDULE (Continued)**

**YEAR ENDED JUNE 30, 2017**

| Easton Ridge LLC | Rental Assistance Vouchers SF-0018V | Mainstream Vouchers | Jannsen Road Apartments | Arbor Terrace Apartments | Resident Self Sufficiency Program | Shelter Plus Care Program | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| $ - | $ - | $ - | $ 10,500 | $ 14,791 | $ - | $ - | $ - | $ 25,291 |
| - | - | - | - | - | - | - | - | (22,242) |
| - | - | - | - | - | - | - | - | - |
| - | 12,639,405 | 552,514 | - | - | - | 325,797 | - | 13,517,716 |
| - | 278,539 | - | - | - | - | - | - | 278,539 |
| - | 3,457 | - | - | 44,943 | - | - | - | 791,970 |
| - | 12,921,401 | 552,514 | 10,500 | 59,734 | - | 325,797 | - | 14,591,274 |
| 426,853 | (241,925) | (9,606) | 5,848 | (53,960) | - | - | - | (881,125) |
| - | - | 25,000 | - | - | - | - | - | - |
| 426,853 | (241,925) | 15,394 | 5,848 | (53,960) | - | - | - | (881,125) |
| 16,435,188 | 423,040 | 39,433 | 24,736 | 619,210 | - | - | - | 28,702,865 |
| - | (459,608) | (17,976) | - | (13,610) | - | - | - | - |
| - | (36,568) | 21,457 | - | 605,600 | - | - | - | 28,702,865 |
| $ 16,862,041 | $ (278,493) | $ 36,851 | $ 30,584 | $ 551,640 | $ - | $ - | $ - | $ 27,821,740 |
| $ - | $ - | $ - | $ - | $ 6,050 | $ - | $ - | | $ 59,355 |

# HOUSING AUTHORITY OF CLACKAMAS COUNTY
(A component unit of Clackamas County, Oregon)
## FINANCIAL DATA SCHEDULE – COMBINING SCHEDULE OF NET POSITION – PUBLIC HOUSING DETAIL

## YEAR ENDED JUNE 30, 2017

| | AMP 1 | AMP 2 | AMP 3 | AMP 4 | AMP 5 | Total Low Rent Public Housing and Capital Grant Program |
|---|---|---|---|---|---|---|
| **ASSETS:** | | | | | | |
| **CURRENT ASSETS:** | | | | | | |
| Cash: | | | | | | |
| Cash - unrestricted | $ 165,395 | $ 680,228 | $ 454,853 | $ 120,901 | $ 228,185 | $ 1,649,562 |
| Cash - security deposits | 15,700 | 28,058 | 15,005 | 16,413 | 6,770 | 81,946 |
| Total Cash | 181,095 | 708,286 | 469,858 | 137,314 | 234,955 | 1,731,508 |
| Investments - unrestricted | - | - | - | - | - | - |
| Accounts Receivable: | | | | | | |
| HUD | 941 | 5,242 | - | 33,366 | - | 39,549 |
| Miscellaneous | 10,185 | 68,583 | 14,626 | 34,375 | 6,775 | 134,544 |
| Tenants | 5,211 | 50,451 | 5,388 | 1,878 | 2,703 | 65,631 |
| Allowance for doubtful accounts: | | | | | | |
| Rents | (1,388) | (14,181) | (3,003) | (966) | (676) | (20,214) |
| Other | (4,780) | (30,462) | (5,848) | (15,944) | (3,049) | (60,083) |
| Fraud recovery | - | (2,856) | - | (536) | - | (3,392) |
| Fraud recovery | - | 9,519 | - | 1,787 | - | 11,306 |
| Accrued interest | - | - | - | - | - | - |
| Total Accounts Receivable | 10,169 | 86,296 | 11,163 | 53,960 | 5,753 | 167,341 |
| Prepaid expenses and other assets | 11,142 | 17,219 | 9,131 | 11,714 | 10,743 | 59,949 |
| Inventory | 60,247 | - | - | - | 5,774 | 66,021 |
| Allowance for obsolete inventories | (41,032) | - | - | - | (4,851) | (45,883) |
| Assets held for sale | - | - | - | - | - | - |
| **TOTAL CURRENT ASSETS** | 221,621 | 811,801 | 490,152 | 202,988 | 252,374 | 1,978,936 |
| **RESTRICTED CASH AND INVESTMENTS** | - | 2,233,230 | - | - | - | 2,233,230 |
| **NONCURRENT ASSETS:** | | | | | | |
| Capital Assets: | | | | | | |
| Land | 19,541 | 2,425,542 | 10,772 | 66,693 | - | 2,522,548 |
| Buildings and improvements | 4,593,486 | 12,275,067 | 2,275,070 | 2,762,311 | 3,784,312 | 25,690,246 |
| Furniture and equipment - administration | 420,765 | 62,451 | 10,031 | 54,657 | 40,815 | 588,719 |
| Site and leasehold improvements | 762,711 | 1,270,656 | 1,249,965 | 1,297,681 | 244,228 | 4,825,241 |
| Construction in progress | | | | | - | - |
| Accumulated depreciation | (5,520,291) | (11,202,113) | (3,290,737) | (3,678,739) | (3,548,177) | (27,240,057) |
| **TOTAL NONCURRENT ASSETS** | 276,212 | 4,831,603 | 255,101 | 502,603 | 521,178 | 6,386,697 |
| **TOTAL ASSETS** | 497,833 | 7,876,634 | 745,253 | 705,591 | 773,552 | 10,598,863 |
| **DEFERRED OUTFLOWS OF RESOURCES** | 176,719 | 320,890 | 158,414 | 174,778 | 157,651 | 988,452 |
| **TOTAL ASSETS and DEFERRED OUTFLOWS OF RESOURCES** | 674,552 | 8,197,524 | 903,667 | 880,369 | 931,203 | 11,587,315 |
| **LIABILITIES:** | | | | | | |
| **CURRENT LIABILITIES:** | | | | | | |
| Accounts payable | - | - | - | - | - | - |
| Accrued wages | 12,426 | 20,352 | 13,735 | 16,874 | 9,851 | 73,238 |
| Accrued compensated absences | 3,193 | 10,289 | 4,120 | 3,193 | 4,192 | 24,987 |
| Tenant security deposits | 15,700 | 28,059 | 15,005 | 16,413 | 6,770 | 81,947 |
| Unearned revenue | 1,157 | 3,407 | 2,203 | 1,383 | 1,056 | 9,206 |
| Accrued liabilities | 31,170 | 184,869 | 49,628 | 47,327 | 31,707 | 344,701 |
| Due to other funds | 1,110 | 587 | 327 | 6,203 | 327 | 8,554 |
| **TOTAL CURRENT LIABILITIES** | 64,756 | 247,563 | 85,018 | 91,393 | 53,903 | 542,633 |
| **NONCURRENT LIABILITIES:** | | | | | | |
| Accrued compensated absences - noncurrent | 9,579 | 30,866 | 12,361 | 9,578 | 12,577 | 74,961 |
| Other noncurrent liabilities - Pension & OPEB liability | 332,280 | 603,360 | 297,861 | 328,629 | 296,427 | 1,858,557 |
| **TOTAL NONCURRENT LIABILITIES** | 341,859 | 634,226 | 310,222 | 338,207 | 309,004 | 1,933,518 |
| **TOTAL LIABILITIES** | 406,615 | 881,789 | 395,240 | 429,600 | 362,907 | 2,476,151 |
| **DEFERRED INFLOWS OF RESOURCES** | 13,302 | 24,154 | 11,924 | 13,156 | 11,866 | 74,402 |
| **NET POSITION:** | | | | | | |
| Net investment in capital assets | 276,212 | 4,831,603 | 255,101 | 502,603 | 521,178 | 6,386,697 |
| Restricted | - | 2,233,230 | - | - | - | 2,233,230 |
| Unrestricted | (21,577) | 226,748 | 241,402 | (64,990) | 35,252 | 416,835 |
| **TOTAL NET POSITION** | $ 254,635 | $ 7,291,581 | $ 496,503 | $ 437,613 | $ 556,430 | $ 9,036,762 |

# HOUSING AUTHORITY OF CLACKAMAS COUNTY
(A component unit of Clackamas County, Oregon)
## FINANCIAL DATA SCHEDULE – COMBINING SCHEDULE OF REVENUES AND EXPENSES – PUBLIC HOUSING DETAIL

## YEAR ENDED JUNE 30, 2017

| | AMP 1 | | | AMP 2 | | | AMP 3 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Operating | Capital Fund | Total | Operating | Capital Fund | Total | Operating | Capital Fund | Total |
| **REVENUES:** | | | | | | | | | |
| Tenant rental revenue | $ 230,256 | $ - | $ 230,256 | $ 542,428 | $ - | $ 542,428 | $ 238,510 | $ - | $ 238,510 |
| Tenant revenue - other | 15,491 | - | 15,491 | 27,673 | - | 27,673 | 20,274 | - | 20,274 |
| HUD PHA grants | 384,976 | 41,228 | 426,204 | 509,306 | 137,766 | 647,072 | 329,765 | 52,732 | 382,497 |
| HUD PHA capital grants | - | 75,415 | 75,415 | - | 282,888 | 282,888 | - | 67,731 | 67,731 |
| Investment income | 284 | - | 284 | 1,757 | - | 1,757 | 691 | - | 691 |
| Investment income restricted | - | - | - | 540 | - | 540 | - | - | - |
| Fraud recovery | - | - | - | 2,286 | - | 2,286 | - | - | - |
| Other revenue | 337 | - | 337 | 245 | - | 245 | 85 | - | 85 |
| Gain (loss) on sale of fixed assets | 4,995 | - | 4,995 | - | - | - | - | - | - |
| **TOTAL REVENUE** | 636,339 | 116,643 | 752,982 | 1,084,235 | 420,654 | 1,504,889 | 589,325 | 120,463 | 709,788 |
| **EXPENSES:** | | | | | | | | | |
| Administrative: | | | | | | | | | |
| Administrative salaries | 75,055 | 247 | 75,302 | 119,237 | 16,075 | 135,312 | 70,630 | 529 | 71,159 |
| Auditing fees | 2,883 | 1,186 | 4,069 | 4,625 | 1,756 | 6,381 | 2,368 | 1,186 | 3,554 |
| Employee benefit contributions | 72,031 | 106 | 72,137 | 116,731 | 10,095 | 126,826 | 62,348 | 322 | 62,670 |
| Office expense | 20,275 | 12,530 | 32,805 | 38,748 | - | 38,748 | 29,602 | - | 29,602 |
| Legal expense | 1,658 | - | 1,658 | 3,904 | - | 3,904 | 1,554 | - | 1,554 |
| Travel expense | 2,089 | - | 2,089 | 2,056 | - | 2,056 | 1,496 | - | 1,496 |
| Other | - | 15,918 | 15,918 | - | 23,080 | 23,080 | - | 15,918 | 15,918 |
| | 173,991 | 29,987 | 203,978 | 285,301 | 51,006 | 336,307 | 167,998 | 17,955 | 185,953 |
| Tenant services: | | | | | | | | | |
| Salaries | 1,730 | - | 1,730 | 2,475 | - | 2,475 | 1,729 | - | 1,729 |
| Relocation costs | - | 799 | 799 | - | 7,668 | 7,668 | - | 550 | 550 |
| Employee benefit contributions | 1,133 | - | 1,133 | 1,621 | - | 1,621 | 1,133 | - | 1,133 |
| Other expenses | 4,835 | - | 4,835 | 839 | - | 839 | 3,084 | - | 3,084 |
| | 7,698 | 799 | 8,497 | 4,935 | 7,668 | 12,603 | 5,946 | 550 | 6,496 |
| Utilities: | | | | | | | | | |
| Water | 27,851 | - | 27,851 | 61,658 | - | 61,658 | 22,118 | - | 22,118 |
| Electricity | 15,924 | - | 15,924 | 4,599 | - | 4,599 | 7,742 | - | 7,742 |
| Gas | 1,013 | - | 1,013 | 2,546 | - | 2,546 | 935 | - | 935 |
| Sewer/Other utilities | 91,492 | - | 91,492 | 100,225 | - | 100,225 | 58,389 | - | 58,389 |
| | 136,280 | - | 136,280 | 169,028 | - | 169,028 | 89,184 | - | 89,184 |
| Ordinary maintenance and operations: | | | | | | | | | |
| Labor | 115,719 | - | 115,719 | 212,214 | - | 212,214 | 99,897 | - | 99,897 |
| Materials | 28,288 | 571 | 28,859 | 75,425 | - | 75,425 | 21,184 | - | 21,184 |
| Contracts | 64,449 | 1,905 | 66,354 | 131,805 | 8,930 | 140,735 | 46,700 | 2,387 | 49,087 |
| Employee benefits | 71,715 | - | 71,715 | 159,819 | - | 159,819 | 65,165 | - | 65,165 |
| | 280,171 | 2,476 | 282,647 | 579,263 | 8,930 | 588,193 | 232,946 | 2,387 | 235,333 |
| Protective services: | | | | | | | | | |
| Contract costs | 266 | - | 266 | 385 | - | 385 | 31 | - | 31 |
| General: | | | | | | | | | |
| Property insurance | 6,617 | - | 6,617 | 16,948 | - | 16,948 | 7,395 | - | 7,395 |
| Liability insurance | 3,479 | - | 3,479 | 5,126 | - | 5,126 | 3,608 | - | 3,608 |
| Workers' compensation | 4,739 | 2 | 4,741 | 8,344 | 131 | 8,475 | 3,860 | 5 | 3,865 |
| All other insurance | 2,101 | - | 2,101 | 3,016 | - | 3,016 | 2,100 | - | 2,100 |
| Other | 714 | - | 714 | 1,209 | - | 1,209 | 528 | - | 528 |
| Payments in lieu of taxes | 9,276 | - | 9,276 | 36,857 | - | 36,857 | 14,739 | - | 14,739 |
| Bad Debt - rent | 1,347 | - | 1,347 | 5,848 | - | 5,848 | 2,766 | - | 2,766 |
| Bad debt - other | 8,725 | - | 8,725 | 18,227 | - | 18,227 | 4,395 | - | 4,395 |
| Management fee | 62,581 | - | 62,581 | 92,625 | - | 92,625 | 63,721 | - | 63,721 |
| Accounting fee | 8,655 | - | 8,655 | 12,810 | - | 12,810 | 8,813 | - | 8,813 |
| Asset management fee | 12,000 | - | 12,000 | 17,400 | - | 17,400 | 12,000 | - | 12,000 |
| | 120,234 | 2 | 120,236 | 218,410 | 131 | 218,541 | 123,925 | 5 | 123,930 |
| Other: | | | | | | | | | |
| Extraordinary maintenance | - | - | - | | - | - | - | - | - |
| Casualty losses recovered | - | - | - | (2,075) | - | (2,075) | - | - | - |
| Grant Expense | - | - | - | - | - | - | - | - | - |
| Depreciation expense | 38,805 | 6,981 | 45,786 | 317,810 | 18,702 | 336,512 | 50,966 | 3,423 | 54,389 |
| | 38,805 | 6,981 | 45,786 | 315,735 | 18,702 | 334,437 | 50,966 | 3,423 | 54,389 |
| **TOTAL EXPENSES:** | 757,445 | 40,245 | 797,690 | 1,573,057 | 86,437 | 1,659,494 | 670,996 | 24,320 | 695,316 |
| **EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER OPERATING EXPENSES** | (121,106) | 76,398 | (44,708) | (488,822) | 334,217 | (154,605) | (81,671) | 96,143 | 14,472 |
| **OTHER FINANCING SOURCES (USES):** | | | | | | | | | |
| Operating transfers in | 31,835 | - | 31,835 | 46,161 | - | 46,161 | 31,835 | - | 31,835 |
| Equity transfers | 62,209 | (62,209) | - | 394,057 | (394,057) | - | 44,469 | (44,469) | - |
| Operating transfers out | - | (31,835) | (31,835) | - | (46,161) | (46,161) | - | (31,835) | (31,835) |
| | 94,044 | (94,044) | - | 440,218 | (440,218) | - | 76,304 | (76,304) | - |
| **EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE** | $ (27,062) | $ (17,646) | $ (44,708) | $ (48,604) | $ (106,001) | $ (154,605.00) | $ (5,367) | $ 19,839 | $ 14,472 |

**HOUSING AUTHORITY OF CLACKAMAS COUNTY**

(A component unit of Clackamas County, Oregon)

**FINANCIAL DATA SCHEDULE – COMBINING SCHEDULE OF REVENUES AND EXPENSES – PUBLIC HOUSING DETAIL**

**YEAR ENDED JUNE 30, 2017**

| AMP 4 | | | AMP 5 | | | Low Rent Public Housing and Capital Grant |
|---|---|---|---|---|---|---|
| Operating | Capital Fund | Total | Operating | Capital Fund | Total | Program Total |
| $ 168,750 | $ - | $ 168,750 | $ 302,205 | $ - | $ 302,205 | $ 1,482,149 |
| 25,534 | - | 25,534 | 15,035 | - | 15,035 | 104,007 |
| 430,894 | 59,827 | 490,721 | 271,993 | 62,727 | 334,720 | 2,281,214 |
| - | 134,565 | 134,565 | - | 18,484 | 18,484 | 579,083 |
| 206 | - | 206 | 428 | - | 428 | 3,366 |
| - | - | - | - | - | - | 540 |
| 2,640 | - | 2,640 | 1,270 | | 1,270 | 6,196 |
| 302 | - | 302 | 17,424 | - | 17,424 | 18,393 |
| - | - | - | - | - | - | 4,995 |
| 628,326 | 194,392 | 822,718 | 608,355 | 81,211 | 689,566 | 4,479,943 |
| 74,428 | 555 | 74,983 | 71,167 | 45 | 71,212 | 427,968 |
| 2,882 | 1,186 | 4,068 | 2,368 | 1,186 | 3,554 | 21,626 |
| 71,451 | 331 | 71,782 | 63,148 | 14 | 63,162 | 396,577 |
| 26,265 | - | 26,265 | 38,113 | 2,126 | 40,239 | 167,659 |
| 4,618 | - | 4,618 | 4,514 | - | 4,514 | 16,248 |
| 2,305 | - | 2,305 | 1,689 | - | 1,689 | 9,635 |
| - | 15,917 | 15,917 | - | 15,917 | 15,917 | 86,750 |
| 181,949 | 17,989 | 199,938 | 180,999 | 19,288 | 200,287 | 1,126,463 |
| 1,729 | - | 1,729 | 1,729 | - | 1,729 | 9,392 |
| - | 782 | 782 | - | 869 | 869 | 10,668.00 |
| 1,133 | - | 1,133 | 1,133 | - | 1,133 | 6,153 |
| 2,360 | - | 2,360 | 3,515 | - | 3,515 | 14,633 |
| 5,222 | 782 | 6,004 | 6,377 | 869 | 7,246 | 40,846 |
| 34,369 | - | 34,369 | 18,491 | - | 18,491 | 164,487 |
| 10,733 | - | 10,733 | 73,664 | - | 73,664 | 112,662 |
| 831 | - | 831 | 27,165 | - | 27,165 | 32,490 |
| 94,299 | - | 94,299 | 61,949 | - | 61,949 | 406,354 |
| 140,232 | - | 140,232 | 181,269 | - | 181,269 | 715,993 |
| 113,922 | - | 113,922 | 99,012 | - | 99,012 | 640,764 |
| 22,554 | - | 22,554 | 21,554 | - | 21,554 | 169,576 |
| 42,264 | 9,215 | 51,479 | 41,078 | 10,734 | 51,812 | 359,467 |
| 68,695 | - | 68,695 | 62,953 | - | 62,953 | 428,347 |
| 247,435 | 9,215 | 256,650 | 224,597 | 10,734 | 235,331 | 1,598,154 |
| 266 | - | 266 | 18,277 | - | 18,277 | 19,225 |
| 11,379 | - | 11,379 | 9,858 | - | 9,858 | 52,197 |
| 3,528 | - | 3,528 | 3,607 | - | 3,607 | 19,348 |
| 4,695 | 5 | 4,700 | 3,792 | - | 3,792 | 25,573 |
| 2,144 | - | 2,144 | 2,101 | - | 2,101 | 11,462 |
| 714 | - | 714 | 2,592 | - | 2,592 | 5,757 |
| 2,816 | - | 2,816 | 11,937 | - | 11,937 | 75,625 |
| 3,298 | - | 3,298 | 829 | - | 829 | 14,088 |
| 4,569 | - | 4,569 | 3,292 | - | 3,292 | 39,208 |
| 62,581 | - | 62,581 | 63,991 | - | 63,991 | 345,499 |
| 8,655 | - | 8,655 | 8,850 | - | 8,850 | 47,783 |
| 12,000 | - | 12,000 | 12,120 | - | 12,120 | 65,520 |
| 116,379 | 5 | 116,384 | 122,969 | - | 122,969 | 702,060 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | (2,075) |
| - | - | - | - | - | - | - |
| 45,193 | 4,670 | 49,863 | 106,273 | 5,112 | 111,385 | 597,935 |
| 45,193 | 4,670 | 49,863 | 106,273 | 5,112 | 111,385 | 595,860 |
| 736,676 | 32,661 | 769,337 | 840,761 | 36,003 | 876,764 | 4,798,601 |
| (108,350) | 161,731 | 53,381 | (232,406) | 45,208 | (187,198) | (318,658) |
| 31,835 | - | 31,835 | 31,835 | - | 31,835 | 173,501 |
| 23,751 | (23,751) | - | 65,449 | (65,449) | - | - |
| - | (31,835) | (31,835) | - | (31,835) | (31,835) | (173,501) |
| 55,586 | (55,586) | - | 97,284 | (97,284) | - | - |
| $ (52,764) | $ 106,145 | $ 53,381 | $ (135,122) | $ (52,076) | $ (187,198) | $ (318,658) |

**HOUSING AUTHORITY OF CLACKAMAS COUNTY**
(A component unit of Clackamas County, Oregon)
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR RENTAL ASSISTANCE VOUCHERS**

**YEAR ENDED JUNE 30, 2017**

| | |
|---|---|
| **REVENUES:** | |
| HUD administrative fee | $ 1,181,686 |
| Fraud revenue | 14,515 |
| Other | 293,880 |
| **Total revenues** | 1,490,081 |
| **EXPENSES:** | |
| Administrative salaries | 645,062 |
| Employee benefits | 522,746 |
| Other administrative costs | 206,499 |
| Insurance | 9,681 |
| Other general (Port-In) | 278,539 |
| **Total expenses** | 1,662,527 |
| **EXCESS OF EXPENSES OVER REVENUES** | (172,446) |
| **TRANSFERS** | |
| Operating transfer within the Authority | - |
| **UNRESTRICTED NET POSITION,** June 30, 2016 | 176,358 |
| **CUMMULATIVE EFFECT ALLOCATING GASBS 68** | (459,608) |
| **UNRESTRICTED NET POSITION,** June 30, 2016 | (283,250) |
| **UNRESTRICTED NET POSITION,** June 30, 2017 | $ (455,696) |
| **HAP REVENUE:** | |
| HUD Housing Assistance Payments revenue | $ 12,566,917 |
| Fraud revenue | 14,495 |
| Investment revenue | - |
| **Total HAP revenue** | 12,581,412 |
| **HAP EXPENSES** | 12,653,551 |
| **EXCESS OF HAP REVENUES OVER EXPENSES** | (72,139) |
| **TRANSFERS** | |
| Operating transfer within this fund | - |
| **RESTRICTED NET POSITION,** June 30, 2016 | 249,342 |
| **RESTRICTED NET POSITION,** June 30, 2017 | $ 177,203 |

**HOUSING AUTHORITY OF CLACKAMAS COUNTY**
(A component unit of Clackamas County, Oregon)
**SCHEDULE OF CLACKAMAS APARTMENTS CASH BALANCE**

**YEAR ENDED JUNE 30, 2017**

| | | |
|---|---|---|
| Cash: | | |
| Cash and cash equivalents - unrestricted | $ | 78,051 |
| Cash and cash equivalents - restricted | | 2,126 |
| Total | | 80,177 |
| Less current obligations: | | |
| Trust deed interest payable (15 days of interest) | | 54 |
| Accounts payable (due within 30 days) | | - |
| Accrued expenses | | 18,656 |
| Tenant/resident security deposits | | 2,126 |
| Other current obligations | | - |
| Total current obligations | | 20,836 |
| Cash balance in excess of current obligations | $ | 59,341 |

**HOUSING AUTHORITY OF CLACKAMAS COUNTY**
(A component unit of Clackamas County, Oregon)
**SCHEDULE OF CAPITAL FUND PROGRAM**

**YEAR ENDED JUNE 30, 2017**

| | Capital Fund Program Grant Approved | Capital Fund Program Grant Expended |
|---|---|---|
| Public Housing Capital Fund 2011 | $ 983,192 | $ 983,192 |
| Public Housing Capital Fund 2012 | $ 892,834 | $ 892,834 |
| Public Housing Capital Fund 2013 | $ 843,731 | $ 843,731 |

**SINGLE AUDIT SECTION**

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# Report of Independent Auditors 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*

Board of County Commissioners of
Clackamas County, Oregon, as Governing Body of
Housing Authority of Clackamas County
Oregon City, 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 Housing Authority of Clackamas County (the Authority), a component unit of Clackamas County, Oregon, and its discretely presented component unit, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements, and have issued our report thereon dated November 20, 2017. Our report includes reference to other auditors who audited the financial statements of Easton Ridge LLC, a discretely presented component unit, as described in our report of the Authority's financial statements. The financial statements of Easton Ridge LLC 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 opinions 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.

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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.

## 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams, LLP

Eugene, Oregon
November 20, 2017

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# Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of County Commissioners of
Clackamas County, Oregon, as Governing Body of
Housing Authority of Clackamas County
Oregon City, Oregon

**Report on Compliance for Each Major Federal Program**

We have audited Housing Authority of Clackamas County's (the Authority), a component unit of Clackamas County, Oregon, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

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***Opinion on Each Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moss Adams, LLP

Eugene, Oregon
November 20, 2017

**HOUSING AUTHORITY OF CLACKAMAS COUNTY**
(A component unit of Clackamas County, Oregon)
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2017**

| Federal Grantor / Program Title | Federal CFDA No. | Expenditures |
|---|---|---|
| **DIRECT FROM:** | | |
| **U.S. Department of Housing and Urban Development:** | | |
| Public and Indian Housing | 14.850 | $ 1,926,935 |
| Public Housing Capital Fund | 14.872 | 933,362 |
| Housing Choice Vouchers | 14.871 | 13,748,603 |
| Mainstream Vouchers | 14.879 | 594,970 |
| Housing Voucher Cluster | | 14,343,573 |
| Residential Opportunity and Supportive Services - Service Coordinators | 14.870 | 87,271 |
| Supportive Housing | 14.235 | 65,221 |
| Shelter Plus Care | 14.238 | 355,392 |
| **Total U.S. Department of Housing and Urban Development** | | 17,711,754 |
| **U.S. Department of Agriculture:** | | |
| Farm Labor Housing Loans and Grants | 10.405 | 4,347 |
| **TOTAL EXPENDITURES OF FEDERAL AWARDS** | | $ 17,716,101 |

The accompanying notes are an integral part of this schedule.

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Housing Authority of Clackamas County, Oregon (the "Authority"), a component unit of Clackamas County, Oregon, under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principle, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not represent the financial position, changes in net position or cash flows of the Authority.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 2 CFR 200, Subpart E (Cost Principles), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Subrecipients

All expenditures reported on this schedule were for the federal award activity of the Authority and no related funds for any of the programs were provided to subrecipients for the year ended June 30, 2017.

## Section I - Summary of Auditor's Results

***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP — *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

| *CFDA Numbers* | *Name of Federal Program or Cluster* | *Type of Auditor's Report Issued on Compliance for Major Federal Programs* |
|---|---|---|
| 14.871, 14.879 | Housing Voucher Cluster | *Unmodified* |
| 14.872 | Public Housing Capital Fund | *Unmodified* |

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

## Section II - Financial Statement Findings

None reported

## Section III - Federal Award Findings and Questioned Costs

None reported

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# Report of Independent Auditors on Compliance and on Internal Control Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Oregon Minimum Standards

Board of County Commissioners of
Clackamas County, Oregon, as Governing Body of
Housing Authority of Clackamas County
Oregon City, Oregon

We have audited the basic financial statements of Housing Authority of Clackamas County (the Authority), a component unit of Clackamas County, Oregon, and the discretely presented component unit, as of and for the year ended June 30, 2017, and have issued our report thereon dated November 20, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations,* prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. Our report includes reference to other auditors who audited the financial statements of Easton Ridge LLC, a discretely presented component unit, as described in our report of the Authority's financial statements. The financial statements of Easton Ridge LLC were not audited in accordance with *Government Auditing Standards* or provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

## Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules (OAR) 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The use of approved depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

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 *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Oregon Secretary of State.

## Internal Control Over Financial Reporting

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

## 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James C. Lanzarotta

For Moss Adams LLP
Eugene, Oregon
November 20, 2017