

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, 2018

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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INTRODUCTORY SECTION

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, 2018

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

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, 2018, 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 opinions 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.

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, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8, and the schedules of OPEB and Pension Information on pages 37 through 38 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 38 through 51, 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 56 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.

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 15, 2018 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 15, 2018 on our consideration of the Authority's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



For Moss Adams LLP
Eugene, Oregon
November 15, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOUSING AUTHORITY OF CLACKAMAS COUNTY

(A component unit of Clackamas County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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, 2018. 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 \$26,923, a decrease of \$899 over the prior fiscal year. Of this amount, \$18,725 (unrestricted net position) may be used to meet our ongoing obligations to provide low cost housing.
- The Authority's total assets were \$53,229, a net increase of \$3,507 from the prior fiscal year, primarily due to an increase in notes receivable from development activity.
- Total liabilities were \$27,449, an increase of \$3,473 from the prior fiscal year primarily as a result of recording debt related to development activity.
- Change in Net Position was a loss of \$(899). Primarily due to recording development and Oregon PERS expenses.
- Total operating revenues were \$21,862, an increase of \$2,069, mainly from an increase in Voucher income and developer fees. Total non-operating revenues were \$679 in 2018 and \$1,083 in 2017.
- Total operating expenses were \$23,247, an increase of \$1,536 due primarily to the net impact of an increased Voucher housing payments, Oregon PERS and development expenses incurred during the year. Total non-operating expenses were \$622 in 2018 and \$630 in 2017.
- Capital contributions amounted to \$421, primarily from HUD, which were used for the acquisition of capital assets, whereas in 2017 the amount was \$579.

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.

HOUSING AUTHORITY OF CLACKAMAS COUNTY
 (A component unit of Clackamas County, Oregon)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2018

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 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Assets:	\$(000's)	
Assets, excluding capital assets	\$ 45,337	\$ 41,555
Capital assets	<u>7,892</u>	<u>8,166</u>
Total assets	<u>53,229</u>	<u>49,722</u>
Deferred outflows of resources	<u>1,387</u>	<u>2,245</u>
Liabilities:		
Current liabilities	1,764	2,343
Noncurrent liabilities	<u>25,684</u>	<u>21,633</u>
Total liabilities	<u>27,449</u>	<u>23,976</u>
Deferred inflows of resources	<u>244</u>	<u>169</u>
Net position:		
Net investment in capital assets	6,870	7,091
Restricted	1,328	2,670
Unrestricted	<u>18,725</u>	<u>18,060</u>
Total net position	<u>\$ 26,923</u>	<u>\$ 27,822</u>

HOUSING AUTHORITY OF CLACKAMAS COUNTY
(A component unit of Clackamas County, Oregon)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2018

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 \$26,923 at the close of the most recent fiscal year.

Twenty-five percent of the Authority's net position, \$6,870, reflects its investment in capital assets, primarily housing, less any related debt used to acquire those assets that is still outstanding. Approximately five percent of the Authority's net position (\$1,328) 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 \$899 during the current fiscal year. Net investment in capital assets decreased by \$221, due primarily to depreciation exceeding capital additions. Restricted net position decreased by \$1,342, primarily due to the use of restricted disposition funds for development. The unrestricted net position of the Authority increased by \$665 primarily due to recording the impact of Oregon PERS and amounts related to development activities.

Changes in Net Position

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

	<u>2018</u>	<u>2017</u>
	\$(000's)	
Revenues:		
Intergovernmental revenues	\$ 17,414	\$ 17,137
Rental income	2,433	2,140
Other revenue	2,015	516
Total revenues	<u>21,862</u>	<u>19,793</u>
Expenses:		
Housing assistance payments	14,643	13,796
Other operating expenses	8,604	7,914
Non-operating expenses (income), net	(65)	(457)
Total expenses	<u>23,182</u>	<u>21,253</u>
Net income (loss) before contributions	(1,320)	(1,460)
Capital contributions	421	579
Change in net position	(899)	(881)
Net position, beginning of year	<u>27,822</u>	<u>28,703</u>
Net position, end of year	<u>\$ 26,923</u>	<u>\$ 27,822</u>

HOUSING AUTHORITY OF CLACKAMAS COUNTY
(A component unit of Clackamas County, Oregon)
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Authority Financial Analysis (Continued)

Total revenues increased by \$2,069 or 10.5% over the prior year. Increases over the prior year's revenues resulted primarily from developer fees, an increase in Voucher rental income, and increased rents in the area. Total operating expenses increased by \$1,537 due primarily to a net of increased HAP payments and costs associated with development.

Capital Asset and Debt Analysis

The Authority's total investment in gross capital assets of \$40,518 increased approximately \$460 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 increased \$4,615 from \$17,203 to \$21,818 primarily as a result of development activity net of principal payments on outstanding 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 Housing Choice voucher program (the "Program") has two primary funding components: The Housing Assistance Payment (HAP) which can only be used for rent assistance payments to landlords and the administrative fee funding to cover the costs of administering the Program. The administrative fee was funded at only 76% of fee eligibility during the fiscal year and are further limited to the number of vouchers leased. During this fiscal year, the Program was authorized to serve 1,656 families but due to average rental assistance needed per family exceeding the HAP funding received on average per family, the Authority could only serve 1,482 families (a loss of assistance to 174 families or approximately 10.5%). At this time the Authority is utilizing 100% of its rental assistance dollars and is only able to serve 89% of its vouchers due to funding not keeping up with the rental market conditions where rent increases have outpaced funding increases by nearly 11%. Therefore, this reduction in Vouchers leased further reduces the Administrative fee received by HUD to cover the Authority's administrative costs of operation. The Authority has reduced staff levels and streamlined operations, but still has been forced to subsidize administrative costs with funds from local projects which do not have federal restrictions on their use. On a positive note, the fiscal year ended with average rents showing a decline for the first time since 2010 and vacancy rates are rising from less than 3% to 5% with new construction of housing units coming into the pipeline. The Authority is optimistic that with flat funding it could see improvements to lease up to further increase overall administrative fee eligibility.

The Authority's Public Housing subsidy for calendar year 2018 was about 90% of subsidy eligibility while the physical needs assessment is about three times the amount funded by HUD.

HOUSING AUTHORITY OF CLACKAMAS COUNTY
(A component unit of Clackamas County, Oregon)
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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, 2018

	<u>Housing Authority of Clackamas County</u>	<u>Component Unit Easton Ridge LLC</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 2,266,203	\$ 697,917
Investments	2,899,104	-
Accounts receivable, net of allowance for doubtful accounts of \$94,483	3,477,041	4,376
Notes receivable	250,000	
Inventory	20,137	-
Other assets	73,426	60,305
Total current assets	<u>8,985,911</u>	<u>762,598</u>
Restricted assets:		
Cash	1,543,428	144,471
Investments with fiscal agent	414,176	3,678,801
Non-current assets:		
Notes receivable	34,393,363	-
Capital assets not being depreciated	2,938,492	3,229,376
Capital assets being depreciated	4,953,703	30,391,990
TOTAL ASSETS	<u>53,229,073</u>	<u>38,207,236</u>
DEFERRED OUTFLOW OF RESOURCES		
	<u>1,386,502</u>	<u>-</u>
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued expenses	953,955	3,779,916
Tenant deposits payable from restricted assets	109,677	144,471
Unearned revenue	13,129	6,654
Other current liabilities payable from restricted assets	410,062	-
Accrued compensated absences payable	11,458	-
Current portion of long-term debt	266,146	-
Total current liabilities	<u>1,764,427</u>	<u>3,931,041</u>
Non-current liabilities:		
Other - notes payable	-	28,650,581
Long-term liabilities, net of current portion	25,684,315	-
TOTAL LIABILITIES	<u>27,448,742</u>	<u>32,581,622</u>
DEFERRED INFLOW OF RESOURCES		
	<u>244,325</u>	<u>-</u>
NET POSITION:		
Net investment in capital assets	6,870,024	-
Restricted	1,327,559	-
Unrestricted	18,724,925	5,625,614
TOTAL NET POSITION	<u>\$ 26,922,508</u>	<u>\$ 5,625,614</u>

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, 2018

	<u>Housing Authority of Clackamas County</u>	<u>Component Unit Easton Ridge LLC</u>
OPERATING REVENUES:		
Rental income	\$ 2,432,961	\$ 2,564,795
HUD PHA operating grants	2,506,428	-
Voucher income	14,907,926	-
Other income	<u>2,014,787</u>	<u>-</u>
Total operating revenues	<u>21,862,102</u>	<u>2,564,795</u>
OPERATING EXPENSES:		
Housing assistance payments	14,642,916	-
Administrative expenses	4,234,254	321,670
Tenant services	222,946	-
Utilities	835,951	250,053
Ordinary maintenance and operations	1,885,036	382,969
General expenses	585,530	82,506
Other expenses	75,200	-
Depreciation and amortization	<u>764,985</u>	<u>1,019,481</u>
Total operating expenses	<u>23,246,818</u>	<u>2,056,679</u>
OPERATING INCOME (LOSS)	<u>(1,384,716)</u>	<u>508,116</u>
NON-OPERATING REVENUE (EXPENSE):		
Interest income	679,378	2,655
Interest expense	(621,597)	(1,071,039)
Gain (loss) on disposition of assets	<u>6,720</u>	<u>-</u>
Total non-operating revenue (expense)	<u>64,501</u>	<u>(1,068,384)</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(1,320,215)	(560,268)
Capital contributions	<u>420,983</u>	<u>-</u>
CHANGE IN NET POSITION	(899,232)	(560,268)
NET POSITION, June 30, 2017	<u>27,821,740</u>	<u>6,185,882</u>
NET POSITION, June 30, 2018	<u>\$ 26,922,508</u>	<u>\$ 5,625,614</u>

See notes to basic financial statements

HOUSING AUTHORITY OF CLACKAMAS COUNTY

(A component unit of Clackamas County, Oregon)

STATEMENT OF CASH FLOWS**YEAR ENDED JUNE 30, 2018**

	Housing Authority of Clackamas County	Component Unit Easton Ridge LLC
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from grants	\$ 17,403,192	\$ -
Received from tenants	3,044,451	2,522,696
Payments to suppliers	(6,244,455)	(947,733)
Payments for housing subsidies	(14,642,916)	-
Payments to employees	(2,310,516)	-
Other	2,014,787	21,426
NET CASH FROM OPERATING ACTIVITIES	(735,457)	1,596,389
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Purchase of notes	(6,525,022)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(6,525,022)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on long-term debt	(294,114)	(245,000)
Interest paid on long-term debt	(621,597)	(615,650)
Capital grants received	420,983	-
Acquisition of capital assets	(500,953)	(604,505)
Principal received on note	5,165,022	-
Proceeds from sale of capital asset	16,576	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	4,185,917	(1,465,155)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	679,378	-
Reductions (additions) to restricted investments	432,825	(112,652)
NET CASH FROM INVESTING ACTIVITIES	1,112,203	(112,652)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,962,359)	18,582
CASH AND CASH EQUIVALENTS, June 30, 2017	5,771,990	823,806
CASH AND CASH EQUIVALENTS, June 30, 2018	\$ 3,809,631	\$ 842,388
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (1,384,716)	\$ 508,116
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation and amortization	764,985	1,019,481
Principal payment forgiven on deferred payment loans	(11,162)	-
Pension expense	(211,264)	-
Change in assets and liabilities:		
Decrease in accounts receivable	603,857	56,918
Decrease in other assets	5,273	84,707
Increase in unearned revenue	(10,134)	(1,409)
Decrease in accounts payable and accrued expenses	(517,245)	(85,864)
Decrease in tenant deposits	17,767	14,440
Increase in accrued compensated absences payable	7,182	-
NET CASH FROM OPERATING ACTIVITIES	\$ (735,457)	\$ 1,596,389
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
Forgiveness of long-term debt	11,162	-

See notes to basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF CLACKAMAS COUNTY
(A component unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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 two tax credit projects: 1) Easton Ridge Apartments, a 264-unit apartment complex located in Clackamas, Oregon. Easton Ridge Apartments 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's fiscal year-end is December 31, and its fiscal year ended December 31, 2017 is included in these basic financial statements. 2) Rosewood Terrace, a 212-unit apartment complex located in Happy Valley, Oregon. Rosewood Terrace was financed with proceeds from bonds issued by the Authority and an equity contribution made by Pedcor. These projects are considered to be component units and are included in the Authority because, under GASB 61 guidelines, in management's professional judgment the projects 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 projects are not fiscally dependent on the Authority. Rosewood Terrace's fiscal year end is December 31, and its initial fiscal year ended December 31, 2018 is not included in these basic financial statements. The Authority's fiscal year ending June 30, 2019 financial statements will incorporate Rosewood's fiscal year December 31, 2018. 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

HOUSING AUTHORITY OF CLACKAMAS COUNTY
(A component unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

HOUSING AUTHORITY OF CLACKAMAS COUNTY
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YEAR ENDED JUNE 30, 2018

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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* for fiscal year ended June 30, 2018. The Authority's total OPEB liability 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.

HOUSING AUTHORITY OF CLACKAMAS COUNTY
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YEAR ENDED JUNE 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

The Authority does not have an annual appropriated budget for the year ended June 30, 2018. 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:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Deposits	\$ 2,266,203	\$ 1,543,428	\$ 3,809,631
Investments with fiscal agent	-	414,176	414,176
Oregon Treasurer's Local			
Government Investment Pool	<u>2,899,104</u>	<u>-</u>	<u>2,899,104</u>
	<u>\$ 5,165,307</u>	<u>\$ 1,957,604</u>	<u>\$ 7,122,911</u>

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, 2018, the carrying amount of deposits was \$3,778,033 and the bank balance was \$3,808,827. Of the Authority's June 30, 2018 bank balance deposit, \$760,117 was covered by the FDIC and \$3,048,710 was collateralized by the PFCP.

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3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Deposits with Financial Institutions (Continued)

At June 30, 2018, 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:

	Totals as of 6/30/18	Fair Value Measurements Using			Cost Measurement
		Quoted Prices Active Markets in Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Using Not subject to Leveling Requirements
Time/Interest Bearing Deposits	\$ 414,176	\$ -	\$ -	\$ -	\$ 414,176
Local Government Investment Pool	2,899,104	-	-	-	2,899,104
Total investments	<u>\$ 3,313,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,313,280</u>

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YEAR ENDED JUNE 30, 2018

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.

<u>Investments</u>	<u>Fair Value</u>	<u>Less than 1,080 days</u>
Investments with fiscal agent	\$ 414,176	\$ 414,176
		<u>\$ 414,176</u>
Local government investment pool	<u>2,899,104</u>	
	<u>\$ 3,313,280</u>	

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.

<u>Maturity</u>	<u>Minimum %</u>	<u>Actual %</u>
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, 2018. 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, 2018, Authority investments in the amount of \$0 are subject to custodial credit risk.

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4. NOTES RECEIVABLE

The Notes Receivable balance at June 30, 2018 is \$36,369,408. This balance resulted from the Easton Ridge asset sale to Easton Ridge LLC and amounts related to Pedcor/Rosewood Station construction. The Authority loaned \$16,603,341 of proceeds from its 2013 Series A Bond financing to Easton Ridge LLC. Easton Ridge LLC 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 \$245,000 in 2018. 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. 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. Rosewood Station is under construction, initially funded with a loan from the Authority of disposition funds in the amount of \$1,605,000 and as of June 30, 2018 had drawn down \$4,920,022 for construction which is included in the note receivable balance.

	Beginning Balance	Additions	Reductions	Ending Balance
Easton Ridge LLC notes receivable	\$ 16,128,341	\$ -	\$ (245,000)	\$ 15,883,341
Easton Ridge LLC mortgage loan receivable	13,961,045	432,792	-	14,393,837
Rosewood Station Dispo notes receivable	-	1,613,025	-	1,613,025
Rosewood Station notes receivable	-	4,920,022	-	4,920,022
	<u>30,089,386</u>	<u>6,965,839</u>	<u>(245,000)</u>	<u>36,810,225</u>

	Gross Notes Receivable	Uncollectible Allowance Rate	Uncollectible Allowance	Notes and Loans Receivable, net
Easton Ridge LLC notes receivable	\$ 15,883,341	0.00%	\$ -	\$ 15,883,341
Easton Ridge LLC mortgage loan receivable	14,393,837	3.01%	432,792	13,961,045
Rosewood Station Dispo notes receivable	1,613,025	0.50%	8,025	1,605,000
Rosewood Station notes receivable	4,920,022	0.00%	-	4,920,022
	<u>36,810,225</u>		<u>440,817</u>	<u>36,369,408</u>

HOUSING AUTHORITY OF CLACKAMAS COUNTY
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YEAR ENDED JUNE 30, 2018

5. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance July 1, 2017	Increases	Decreases	Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 2,938,492	\$ -	\$ -	\$ -	\$ 2,938,492
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>2,938,492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,938,492</u>
Capital assets being depreciated:					
Buildings and improvements	36,355,119	471,150	-		36,826,269
Furniture and equipment	764,832	29,803	(40,555)	-	754,080
Total capital assets being depreciated	<u>37,119,951</u>	<u>500,953</u>	<u>(40,555)</u>	<u>-</u>	<u>37,580,349</u>
Less accumulated depreciation:					
Buildings and improvements	(31,307,531)	(722,799)	-	-	(32,030,330)
Furniture and equipment	(584,829)	(42,186)	30,699		(596,316)
Total accumulated depreciation	<u>(31,892,360)</u>	<u>(764,985)</u>	<u>30,699</u>	<u>-</u>	<u>(32,626,646)</u>
Total capital assets being depreciated, net	<u>5,227,591</u>	<u>(264,032)</u>	<u>(9,856)</u>	<u>-</u>	<u>4,953,703</u>
Total capital assets, net	<u>\$ 8,166,083</u>	<u>\$ (264,032)</u>	<u>\$ (9,856)</u>	<u>\$ -</u>	<u>\$ 7,892,195</u>

Depreciation expense for the Authority was \$764,985 for the year ended June 30, 2018.

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 totaling \$75,139 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 \$36,358 at June 30, 2018, and is noninterest bearing. The loan with the Farmers Home Administration collateralized by property, has a balance of \$38,781 at June 30, 2018, payable monthly over the next ten 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.

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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 \$28,524,225. The pledge will remain in effect until the revenue bonds are paid in full. As of June 30, 2018 pledged debt service was \$863,200 for the coming year. The Authority received pledged interest in the amount of \$414,176 for 2013 Series A bond interest at June 30, 2018.

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	Rosewood Station Construction Bonds	2013 Easton Ridge A Bonds Payable (Interest 1.75% to 4.0%)	Total
Balance, July 1, 2017	\$ 88,182	\$ 129,538	\$ 857,319	\$ -	\$ 16,075,000	\$ 17,150,039
Loan forgiveness	(6,993)					(6,993)
Additions			-	4,920,022	-	4,920,022
Deductions	(6,050)	(39,825)	-	-	(245,000)	(290,875)
Balance, June 30, 2018	75,139	89,713	857,319	4,920,022	15,830,000	21,772,193
Plus unamortized bond premium	-	-	-	-	45,933	45,933
	<u>\$ 75,139</u>	<u>\$ 89,713</u>	<u>\$ 857,319</u>	<u>\$ 4,920,022</u>	<u>\$ 15,875,933</u>	<u>\$ 21,818,126</u>
					Current portion	\$ 266,146
					Long-term portion	21,551,980
					Total	<u>\$ 21,818,126</u>

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6. LONG-TERM LIABILITIES (Continued)

Future maturities are as follows:

Fiscal Year	Loans Payable	Mortgage Notes Payable	Loan Payable to Clackamas County	Rosewood Station Construction Bonds	2013 A Easton Ridge Bonds Payable	Total	Interest
2019	\$ 6,111	\$ 10,035	\$ -	\$ -	\$ 250,000	\$ 266,146	\$ 616,983
2020	6,172	10,366	-	-	255,000	271,538	612,206
2021	6,234	10,720	-	-	265,000	281,954	604,140
2022	6,296	11,099	-	-	275,000	292,395	593,098
2023	6,360	11,505	-	-	285,000	302,865	581,629
2024-2028	5,185	35,988	-	-	1,605,000	1,646,173	2,720,839
2029-2033	-	-	-	-	1,935,000	1,935,000	2,389,150
2034-2038	-	-	-	-	2,315,000	2,315,000	2,038,650
2039-2043	-	-	-	-	2,805,000	2,805,000	1,513,000
2044-2048	-	-	-	-	3,410,000	3,410,000	905,800
2049-2050	-	-	-	-	2,430,000	2,430,000	103,800
Undetermined	38,781	-	857,319	4,920,022	-	5,816,122	-
	<u>\$ 75,139</u>	<u>\$ 89,713</u>	<u>\$ 857,319</u>	<u>\$ 4,920,022</u>	<u>\$ 15,830,000</u>	<u>\$ 21,772,193</u>	<u>\$ 12,679,295</u>

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	\$ 221,972	\$ 7,182		\$ 229,154	\$ 11,458
Total OPEB Liability	326,288	18,833	-	345,121	-
Net Pension Liability (Asset)	4,224,032	-	(654,514)	3,569,518	-
Loans & Notes Payable	1,075,039	-	(52,868)	1,022,171	16,146
Bonds Payable	16,128,341	4,920,022	(252,408)	20,795,955	250,000
Total	<u>\$ 21,975,672</u>	<u>\$ 4,946,037</u>	<u>\$ (959,790)</u>	<u>\$ 25,961,919</u>	<u>\$ 277,604</u>

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.

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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 an 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 an OPERS-covered job, or
 - Member was on an official leave of absence from an 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.

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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.

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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, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. 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, 2018 were approximately \$447,000. The rates in effect for the fiscal year ended June 30, 2018 were: (1) Tier1/Tier 2 – 21.57 percent, and (2) OPSRP general service – 14.19 percent.

Actuarial Valuations:

The employer contribution rates effective July 1, 2017, through June 30, 2019, 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, 2015
Measurement Date	June 30, 2017
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-term expected rate of return	7.50 percent
Discount rate	7.50 percent
Projected salary increases	3.50 percent

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7. PENSION PLAN (Continued)

Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</p>

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 68 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 68 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 68 (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.

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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 68 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 68 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	Target Allocation	
Cash	0.0	%
Debt Securities	20.0	
Public Equity	37.5	
Private Equity	17.5	
Real Estate	12.5	
Alternative Equity	12.5	
Opportunity Portfolio	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 2015 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.

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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
Farmland	1.88	6.37
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-percentage point 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	\$6,066,596	\$3,569,518	\$1,463,705

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

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7. PENSION PLAN (Continued)

At June 30, 2018, the Authority reported a liability of \$3,569,518 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015 and rolled forward to June 30, 2017.

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.

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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, 2018, the Authority's proportion was 0.02640814 percent.

For the year ended June 30, 2018, the Authority recognized pension expense of \$721,492. At June 30, 2018, 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	\$172,155	\$-
Changes of assumptions	648,893	-
Net difference between projected and actual earnings on investments	36,675	-
Changes in proportionate share	12,895	201,164
Differences between employer contributions and proportionate share of system contributions	72,156	42,151
Total (prior to post-measurement date contributions)	942,774	243,315
Contributions made subsequent to measurement date	446,991	-
Total Deferred Outflow/(Inflow) of Resources	\$1,389,765	243,315
Net Deferred Outflow/(Inflow) of Resources		<u>\$699,459</u>

\$446,991 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

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7. PENSION PLAN (Continued)

of the net pension liability in the year ended June 30, 2019. The average of the expected remaining service lives of all employees that are provided with pensions through PERS (active and inactive employees) determined at July 1, 2016, the beginning of the measurement period ended June 30, 2017, 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 2019	\$123,063
Fiscal Year 2020	411,553
Fiscal Year 2021	270,200
Fiscal Year 2022	(105,718)
Fiscal Year 2023	360
Thereafter	-
Total	\$699,459

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.

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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. General Information about the OPEB Plan

Plan name: Retiree Implicit Medical Benefit Plan

Plan description: 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 other post-employment benefit (OPEB) liability 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 healthcare benefit providers underwrite the retirees' policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

The Authority's annual OPEB cost is calculated based on an amount actuarially determined in accordance with the guidance of GASB Statement No. 75. The Authority is included in the Clackamas County Actuarial Valuation report. GASB Statement No. 75 is effective for fiscal years with a beginning date after June 15, 2017.

Total OPEB Liability

The Authority's total OPEB liability of \$345,121 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

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

Discount rate	3.62%
Salary increases	3.75%
Assumed wage inflation *	3.00%
General inflation rate	2.75%
*- a component of assumed salary increases	

The discount rate was based on the Fidelity Municipal Bond AA 20 Year Maturity Yield.

The demographic actuarial assumptions used in the valuation are based on the December 31, 2015 report of the Oregon Public Employees Retirement System, except for the different basis used to project future mortality improvements.

Mortality rates were based on the MacLeod Watts Scale 2017.

Changes in the Total OPEB Liability and related ratios

		Total OPEB Liability
Balance at 6/30/17		\$348,707
Changes during year		
	Service cost	14,498
	Interest	12,408
	Changes of benefit terms	-
	Differences in expected and actual experience	-
	Changes in assumptions	(1,150)
	Benefit payments	(29,342)
Balance at 6/30/18		\$345,121

Covered employee payroll for the year ended June 30, 2018 was \$2,164,052.

Net OPEB liability as a percentage of covered employee payroll was 15.95%.

Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate.

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate. The discount rate used for the fiscal year end 2018 is 3.62%. Healthcare cost trend rate was assumed to start at 5.4% (effective January 1, 2018) and arrive an ultimate rate of 4.40% for years 2094 and later. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

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

Change in Discount Rate	1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
Total OPEB Liability	\$364,864	\$345,121	\$326,617

Change in Healthcare Cost Trend Rate	1% Decrease In Current Trend	Current Trend	1% Increase In Current Trend
Total OPEB Liability	\$312,106	\$345,121	\$386,277

Deferred Resources as of Fiscal Year End and Expected Future Recognition

The table below shows deferred resources as of the fiscal year end June 30, 2018.

HACC Members Implicit	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ -	\$1,013
Total	\$ -	\$1,013

The Authority will recognize the Contributions Made Subsequent to the Measurement Date in the next fiscal year. In addition, future recognition of these deferred resources is show below.

For the Fiscal Year Ending June 30	HACC Members Implicit
2019	\$(137)
2020	(137)
2021	(137)
2022	(137)
2023	(137)
Thereafter	(328)

B. Retirement Health Insurance Account (RHIA)

Due to the immaterial nature of GASB Statement No. 75 as it relates to the Authority's exposure under the Oregon Public Employees Retirement System (OPERS) RHIA, the Authority has chosen not to disclose RHIA under this GASB Statement.

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.

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

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.

For fiscal year 2018, participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS. The Authority's contributions to RHIA for the years ended June 30, 2016, 2017 and 2018 were \$10,821, \$11,170, and \$11,596 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.

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10. COMMITMENTS

The Authority has no construction and legal commitments under contracts at June 30, 2018. The Authority has a commitment to cover up to \$922,000 of operating deficits for Easton Ridge LLC for at least the next three years.

Disposition funds restricted by HUD are as follows:

	Disposition Proceeds
Balance as of July 1, 2017	\$ 2,233,230
Interest received	475
Pedcor	(1,605,000)
Balance as of June 30, 2018	\$ 628,705

11. RELATED-PARTY TRANSACTIONS

Labor and fringe benefit costs and expenses for human resources, information technology and other professional services totaling approximately \$828,000 were paid to various County departments. About \$130,000 was accrued as payable to the County at June 30, 2018.

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 Easton Ridge Apartments (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, used along with 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 which 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.

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12. TAX CREDIT (continued)

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, 2017 the long-term notes payable of Easton Ridge LLC (the "Company") consisted of the following:

Housing Authority:	
Term Loan	\$15,830,000
Unamortized bond premium/discount – net	(43,505)
Acquisition Loan	12,235,000
Clackamas County	<u>860,000</u>
	<u>\$28,881,495</u>

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.

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.

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13. DISCRETELY PRESENTED COMPONENT UNIT (Continued)

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

Year Ending		
December 31,		
2018	\$	250,000
2019		255,000
2020		265,000
2021		275,000
2022		285,000
Thereafter		<u>27,595,000</u>
Total		<u>\$ 28,925,000</u>

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, 2017 and accrued interest at December 31, 2017 is as follows:

	<u>Interest Incurred</u>	<u>Accrued Interest at Dec 31, 2017</u>
Housing Authority:		
Bond Loan	\$ 618,100	\$ -
Development Fee	19,231	19,231
Clackamas County	8,600	29,107
Acquisition Loan	<u>426,186</u>	<u>1,939,138</u>
	<u>1,072,117</u>	<u>1,987,476</u>
	<u>\$1,072,117</u>	<u>\$1,987,476</u>

REQUIRED SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF CLACKAMAS COUNTY
 (A component unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

**REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2018**

Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios:

Total OPEB Liability	FY 2018
Service Cost	\$ 14,498
Interest	12,408
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(1,150)
Benefit payments	(29,342)
Total OPEB Liability - Beginning	348,707
Total OPEB Liability - Ending (a)	\$ 345,121
Plan fiduciary net position	
Contributions - employer	\$ 29,342
Net investment income	-
Benefit payments	(29,342)
Net change in plan fiduciary net position	-
Plan fiduciary net position - Beginning	-
Plan fiduciary net position - Ending (b)	\$ -
Total OPEB liability - ending (a)-(b)	\$ 345,121
Covered-employee payroll	\$ 2,164,052
Total OPEB liability as a percentage of covered-employee payroll	15.95%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the Authority is showing one year's presentation.

HOUSING AUTHORITY OF CLACKAMAS COUNTY
(A component unit of Clackamas County, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

Schedule of Authority's Pension Contributions

	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
Contractually required contribution	\$ 446,991	\$ 348,000	\$ 309,000	\$ 273,000	\$ 278,000
Contributions to the contractually required contribution	<u>(446,991)</u>	<u>(348,000)</u>	<u>(309,000)</u>	<u>(273,000)</u>	<u>(278,000)</u>
	<u>\$ -</u>				
Authority's covered employee payroll	\$ 2,450,000	\$ 2,353,000	\$ 2,058,000	\$ 2,025,000	\$ 2,087,000
Contribution as a percentage of covered payroll	18.2%	14.8%	15.0%	13.5%	13.3%

	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
Contractually required contribution	\$ 290,000	\$ 287,000	\$ 256,000	\$ 241,000	\$ 276,000
Contributions to the contractually required contribution	<u>(290,000)</u>	<u>(287,000)</u>	<u>(256,000)</u>	<u>(241,000)</u>	<u>(276,000)</u>
	<u>\$ -</u>				
Authority's covered employee payroll	\$ 2,113,000	\$ 2,087,000	\$ 2,085,000	\$ 2,049,000	\$ 1,836,000
Contribution as a percentage of covered payroll	13.7%	13.8%	12.3%	11.8%	15.0%

Schedule of Authority's Proportionate Share of Net Pension Liability

	<u>FY 2018</u>	<u>FY 2017</u>		<u>FY 2018</u>	<u>FY 2017</u>
Authority's proportion of the net pension liability (asset)	0.02640814%	0.02813710%	Authority's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	151.3%	179.5%
Authority's proportionate share of the net pension liability (asset)	\$ 3,559,827	\$ 4,224,032			
Authority's covered employee payroll	\$ 2,353,000	\$ 2,058,000	Plan fiduciary net position as a percentage of the total pension liability	81.1%	80.5%

SUPPLEMENTARY INFORMATION

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

COMBINING SCHEDULE OF NET POSITION (FINANCIAL DATA SCHEDULE)

JUNE 30, 2018

	State and Local Projects	Clackamas Apartments	Low Rent Public Housing SF 274	Central Office Program	Capital Grant Program	Easton Ridge LLC
ASSETS:						
CURRENT ASSETS:						
Cash - unrestricted	\$ 34,266	\$ 62,993	\$ 1,577,656	\$ 219,655	\$ -	\$ 333,334
Investments - unrestricted	1,926,966	-	-	176,744	-	740,540
Accounts receivable:						
HUD other programs	-	-	-	-	136,185	-
Other governments	-	-	-	-	-	-
Miscellaneous	-	2,651	138,648	1,803	-	1,335,666
Tenants - rent/misc	8,968	1,197	80,606	-	-	-
Tenants - fraud	-	-	13,612	-	-	-
Allowance for doubtful accounts:						
Rents	(4,061)	-	(21,421)	-	-	-
Other	-	-	(64,652)	-	-	-
Fraud recovery	-	-	(4,098)	-	-	-
Notes receivable	-	-	-	-	-	250,000
Accrued interest	-	-	8,025	-	-	2,158,837
Allowance for Accrued Interest	-	-	(8,025)	-	-	(432,792)
	<u>4,907</u>	<u>3,848</u>	<u>142,695</u>	<u>1,803</u>	<u>136,185</u>	<u>3,311,711</u>
Prepaid expenses and other assets	2,399	-	57,833	13,094	-	100
Inventory	-	-	61,738	-	-	-
Allowance for obsolete inventory	-	-	(41,601)	-	-	-
Due from other funds	-	-	-	30,748	-	-
TOTAL CURRENT ASSETS	<u>1,968,538</u>	<u>66,841</u>	<u>1,798,321</u>	<u>442,044</u>	<u>136,185</u>	<u>4,385,685</u>
RESTRICTED CASH AND INVESTMENTS:						
Other than security deposits	103,602	121,146	628,705	-	-	414,176
Security deposits	6,985	2,026	87,356	-	-	-
	<u>110,587</u>	<u>123,172</u>	<u>716,061</u>	<u>-</u>	<u>-</u>	<u>414,176</u>
NONCURRENT ASSETS:						
Notes receivable	-	-	1,605,000	-	-	27,868,341
Other/joint venture investment	-	-	-	-	-	-
Capital Assets:						
Land	247,444	78,500	2,522,548	-	-	-
Buildings and improvements	3,511,291	1,173,973	24,736,066	-	1,222,882	-
Furniture and equipment - dwellings	-	-	-	-	-	-
Furniture and equipment - administration	44,037	-	532,985	37,316	55,734	-
Site improvements	-	-	4,773,109	-	60,648	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	(2,708,804)	(910,537)	(27,676,601)	(37,316)	(135,091)	-
Total Capital Assets	<u>1,093,968</u>	<u>341,936</u>	<u>4,888,107</u>	<u>-</u>	<u>1,204,173</u>	<u>-</u>
TOTAL ASSETS	<u>3,173,093</u>	<u>531,949</u>	<u>9,007,489</u>	<u>442,044</u>	<u>1,340,358</u>	<u>32,668,202</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>122,008</u>	<u>11,590</u>	<u>610,078</u>	<u>252,185</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS and DEFERRED OUTFLOWS OF RESOURCES	<u>3,295,101</u>	<u>543,539</u>	<u>9,617,567</u>	<u>694,229</u>	<u>1,340,358</u>	<u>32,668,202</u>

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

YEAR ENDED JUNE 30, 2018

Rosewood Station	Rental Assistance Vouchers SF-0018V	Mainstream Vouchers	Jannsen Road Apartments	Arbor Terrace Apartments	Resident Self Sufficiency Program	Shelter Plus Care	Eliminations	Total
\$ -	\$ 26,299	\$ -	\$ 10,699	\$ 1,301	\$ -	\$ -	\$ -	\$ 2,266,203
-	-	-	-	54,854	-	-	-	2,899,104
-	24,657	64,383	-	-	-	-	-	225,225
-	-	-	-	10,206	-	26,897	-	1,515,871
-	-	-	-	-	-	-	-	90,771
-	-	-	-	-	-	-	-	13,612
-	-	-	(251)	-	-	-	-	(25,733)
-	-	-	-	-	-	-	-	(64,652)
-	-	-	-	-	-	-	-	(4,098)
-	-	-	-	-	-	-	-	250,000
-	-	-	-	-	-	-	-	2,166,862
-	-	-	-	-	-	-	-	(440,817)
-	24,657	64,383	(251)	10,206	-	26,897	-	3,727,041
-	-	-	-	-	-	-	-	73,426
-	-	-	-	-	-	-	-	61,738
-	-	-	-	-	-	-	-	(41,601)
-	-	-	-	-	-	-	(30,748)	-
-	50,956	64,383	10,448	66,361	-	26,897	(30,748)	8,985,911
-	402,510	-	16,284	161,334	-	-	-	1,847,757
-	-	-	-	13,480	-	-	-	109,847
-	402,510	-	16,284	174,814	-	-	-	1,957,604
4,920,022	-	-	-	-	-	-	-	34,393,363
-	-	-	-	-	-	-	-	-
-	-	-	-	90,000	-	-	-	2,938,492
-	-	-	-	1,348,300	-	-	-	31,992,512
-	-	-	-	20,069	-	-	-	20,069
-	57,702	-	-	6,237	-	-	-	734,011
-	-	-	-	-	-	-	-	4,833,757
-	-	-	-	-	-	-	-	-
-	(30,879)	-	-	(1,127,418)	-	-	-	(32,626,646)
-	26,823	-	-	337,188	-	-	-	7,892,195
4,920,022	480,289	64,383	26,732	578,363	-	26,897	(30,748)	53,229,073
-	369,317	17,001	-	4,323	-	-	-	1,386,502
4,920,022	849,606	81,384	26,732	582,686	-	26,897	(30,748)	54,615,575

(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, 2018

	State and Local Projects	Clackamas Apartments	Low Rent Public Housing SF 274	Central Office Program	Capital Grant Program
LIABILITIES:					
CURRENT LIABILITIES:					
Accounts payable	\$ 696	\$ -	\$ -	\$ -	\$ -
Accrued wages	1,039	-	73,697	40,859	-
Accrued compensated absences	5,771	-	5,687	-	-
Accrued interest payable	-	-	-	-	-
Accounts payable HUD PHA programs	-	-	-	-	-
Tenant security deposits	6,985	2,026	87,356	-	-
Unearned revenue	1,858	373	6,263	-	-
Current portion of long-term debt	2,614	7,421	-	-	-
Other current liabilities	122,453	62,249	-	1,119	-
Accrued liabilities	41,474	2,400	205,465	55,505	132,333
Due to other funds	-	-	-	-	3,851
TOTAL CURRENT LIABILITIES	182,890	74,469	378,468	97,483	136,184
NONCURRENT LIABILITIES:					
Long-term debt, net of current portion	68,949	50,790	-	-	-
Long-term debt, payable to Clackamas County	317,319	540,000	-	-	-
Accrued compensated absences - noncurrent	109,647	-	108,049	-	-
Other noncurrent liabilities - Pension & OPEB liability	297,394	30,096	1,576,948	1,001,927	-
TOTAL NONCURRENT LIABILITIES	793,309	620,886	1,684,997	1,001,927	-
TOTAL LIABILITIES	976,199	695,355	2,063,465	1,099,410	136,184
DEFERRED INFLOWS OF RESOURCES	18,786	2,076	107,024	48,044	-
NET POSITION:					
Net investment in capital assets	705,086	(256,275)	4,888,107	-	1,204,173
Restricted	110,587	123,172	628,705	-	-
Unrestricted	1,484,443	(20,789)	1,930,266	(453,225)	1
TOTAL NET POSITION	\$ 2,300,116	\$ (153,892)	\$ 7,447,078	\$ (453,225)	\$ 1,204,174

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

YEAR ENDED JUNE 30, 2018

Easton Ridge LLC	Rosewood Station	Rental Assistance Vouchers SF-0018V	Mainstream Vouchers	Jannsen Road Apartments	Arbor Terrace Apartments	Resident Self Sufficiency Program	Shelter Plus Care 2002	Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 696
-	-	49,626	-	-	-	-	-	-	165,221
-	-	-	-	-	-	-	-	-	11,458
410,062	-	-	-	-	-	-	-	-	410,062
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	13,310	-	-	-	109,677
-	-	-	-	-	4,635	-	-	-	13,129
250,000	-	-	-	-	6,111	-	-	-	266,146
-	-	117,007	-	-	34,040	-	-	-	336,868
-	-	13,993	-	-	-	-	-	-	451,170
-	-	-	-	-	-	-	26,897	(30,748)	-
<u>660,062</u>	<u>-</u>	<u>180,626</u>	<u>-</u>	<u>-</u>	<u>58,096</u>	<u>-</u>	<u>26,897</u>	<u>(30,748)</u>	<u>1,764,427</u>
15,625,933	4,920,022	-	-	-	28,967	-	-	-	20,694,661
-	-	-	-	-	-	-	-	-	857,319
-	-	-	-	-	-	-	-	-	217,696
-	-	946,664	38,794	-	22,816	-	-	-	3,914,639
<u>15,625,933</u>	<u>4,920,022</u>	<u>946,664</u>	<u>38,794</u>	<u>-</u>	<u>51,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,684,315</u>
<u>16,285,995</u>	<u>4,920,022</u>	<u>1,127,290</u>	<u>38,794</u>	<u>-</u>	<u>109,879</u>	<u>-</u>	<u>26,897</u>	<u>(30,748)</u>	<u>27,448,742</u>
-	-	63,670	2,269	-	2,456	-	-	-	244,325
-	-	26,823	-	-	302,110	-	-	-	6,870,024
-	-	287,477	-	16,284	161,334	-	-	-	1,327,559
<u>16,382,207</u>	<u>-</u>	<u>(655,654)</u>	<u>40,321</u>	<u>10,448</u>	<u>6,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,724,925</u>
<u>16,382,207</u>	<u>-</u>	<u>\$ (341,354)</u>	<u>\$ 40,321</u>	<u>\$ 26,732</u>	<u>\$ 470,351</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,922,508</u>

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, 2018

	State and Local Projects	Clackamas Apartments	Low Rent Public Housing SF 274	Central Office Program	Capital Grant Program
REVENUES:					
Tenant rental revenue	\$ 437,620	\$ 72,785	\$ 1,649,655	\$ -	\$ -
Tenant revenue - other	9,618	5,939	94,435	-	-
Total Tenant Revenue	447,238	78,724	1,744,090	-	-
HUD PHA operating grants	-	-	2,014,545	-	383,050
HUD PHA capital grants	-	-	-	-	420,983
Mgmt fee	-	-	-	354,654	-
Asset mgmt fee	-	-	-	65,520	-
Bookkeeping fee	-	-	-	48,030	-
Other Fees	-	-	-	89,420	-
Other government grants	-	-	-	-	-
Voucher income	-	-	-	-	-
Investment income	37,670	-	744	3,668	-
Fraud recovery	-	-	3,430	-	-
Other revenue	138,525	17,080	19,005	778,667	-
Investment income restricted	-	-	475	-	-
Gain(Loss) on sale of fixed assets	-	-	-	-	-
TOTAL REVENUES	623,433	95,804	3,782,289	1,339,959	804,033
OPERATING EXPENSES:					
Administrative:					
Salaries	59,151	16,572	482,137	522,135	19,217
Employee benefit contributions	55,247	2,232	403,703	362,907	13,087
Audit fees	1,185	-	21,004	7,268	-
Management fees	-	-	354,654	-	-
Bookkeeping fee	-	-	48,030	-	-
Office expense	158,634	2,115	179,728	312,749	-
Legal expense	1,779	-	13,688	107,012	-
Travel expense	1,077	113	5,311	13,869	-
Asset mgmt fee	-	-	65,520	-	-
Other	-	-	-	-	89,420
Tenant Services:					
Salaries	-	-	21,102	-	-
Relocation costs	-	-	-	-	9,851
Employee benefit contributions	-	-	14,356	-	-
Other expenses	14,360	-	14,066	-	-
Utilities:					
Water	5,606	2,640	172,758	-	-
Electricity	4,262	9,445	106,657	8,162	-
Gas	-	-	30,036	2,626	-
Sewer	20,113	12,083	424,622	-	-
Ordinary Maintenance and Operations:					
Labor	29,512	6,244	636,762	4,655	-
Employee benefit contributions	21,256	4,439	413,409	2,282	-
Materials	9,197	3,349	167,604	151	-
Contract costs	74,638	11,109	368,455	3,480	27,742
Protective Services:					
Contract costs	15	-	16,771	144	-
General Expenses:					
Property insurance	5,070	1,240	46,743	-	-
Liability insurance	2,004	554	18,626	2,961	-
Workers' compensation	1,439	244	28,873	2,230	180
All other insurance	1,186	-	10,887	-	-
Other expenses	-	-	3,999	269,320	-
Payment in lieu of taxes	-	-	90,451	-	-
Bad debt - tenant rents	1,649	851	17,038	-	-
Bad debt - other	4,155	3,691	34,283	-	-
Interest expense	4,184	775	-	-	-
TOTAL OPERATING EXPENSES	475,719	77,696	4,211,273	1,621,951	159,497
INCOME (LOSS) BEFORE OTHER EXPENSES	147,714	18,108	(428,984)	(281,992)	644,536

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, 2018

Easton Ridge LLC	Rosewood Station	Rental Assistance Vouchers SF-0018V	Mainstream Vouchers	Jannsen Road Apartments	Arbor Terrace Apartments	Resident Self Sufficiency Program	Shelter Plus Care Program	Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ 5,033	\$ 146,976	\$ -	\$ -	\$ -	\$ 2,312,069
-	-	-	-	697	10,203	-	-	-	120,892
-	-	-	-	5,730	157,179	-	-	-	2,432,961
-	-	-	-	33,248	-	75,585	-	-	2,506,428
-	-	-	-	-	-	-	-	-	420,983
-	-	-	-	-	-	-	-	(354,654)	-
-	-	-	-	-	-	-	-	(65,520)	-
-	-	-	-	-	-	-	-	(48,030)	-
-	-	-	-	-	-	-	-	(89,420)	-
-	-	13,869,180	680,938	-	-	-	357,808	-	14,907,926
20,166	-	-	-	7	962	-	-	-	63,217
-	-	254,089	-	-	-	-	-	-	257,519
-	-	798,779	-	5,212	-	-	-	-	1,757,268
615,650	-	-	-	-	36	-	-	-	616,161
-	-	6,720	-	-	-	-	-	-	6,720
635,816	-	14,928,768	680,938	44,197	158,177	75,585	357,808	(557,624)	22,969,183
-	-	579,007	18,758	2,059	19,500	60,902	27,000	-	1,806,438
-	-	472,666	14,430	1,144	12,451	-	-	-	1,337,867
-	-	12,684	412	-	-	-	-	-	42,553
-	-	-	-	-	14,684	-	-	(354,654)	14,684
-	-	-	-	-	-	-	-	(48,030)	-
-	-	197,489	5,811	45	9,669	14,683	-	-	880,923
-	-	528	17	90	-	-	-	-	123,114
-	-	8,086	221	-	-	-	-	-	28,677
-	-	-	-	-	-	-	-	(65,520)	-
-	-	-	-	-	-	-	-	(89,420)	-
-	-	83,267	-	-	-	-	-	-	104,369
-	-	-	-	-	-	-	-	-	9,851
-	-	49,849	-	-	-	-	-	-	64,205
-	-	-	-	16,095	-	-	-	-	44,521
-	-	-	-	645	-	-	-	-	181,649
-	-	-	-	394	8,050	-	-	-	136,970
-	-	-	-	-	-	-	-	-	32,662
-	-	-	-	1,352	26,500	-	-	-	484,670
-	-	-	-	3,328	20,860	-	-	-	701,361
-	-	-	-	2,548	-	-	-	-	443,934
-	-	1,401	38	16,549	7,695	-	-	-	205,984
-	-	1,961	64	1,940	44,368	-	-	-	533,757
-	-	261	9	-	-	-	-	-	17,200
-	-	-	-	275	675	-	-	-	54,003
-	-	5,383	175	87	-	-	-	-	29,790
-	-	2,479	69	118	-	-	-	-	35,632
-	-	1,992	65	-	-	-	-	-	14,130
-	-	25,158	-	-	-	-	-	-	298,477
-	-	-	-	-	-	-	-	-	90,451
-	-	-	-	671	-	-	-	-	20,209
-	-	-	-	709	-	-	-	-	42,838
615,650	-	-	-	-	988	-	-	-	621,597
615,650	-	1,442,211	40,069	48,049	165,440	75,585	27,000	(557,624)	8,402,516
20,166	-	13,486,557	640,869	(3,852)	(7,263)	-	330,808	-	14,566,667

(Continued)

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, 2018

	State and Local Projects	Clackamas Apartments	Low Rent Public Housing SF 274	Central Office Program	Capital Grant Program
OTHER EXPENSES:					
Extraordinary maintenance	\$ -	\$ -	\$ 28,917	\$ -	\$ -
Casualty losses recovered	-	-	-	-	-
Grant Expense	-	-	-	-	-
Housing assistance payments	-	-	-	-	-
Housing assistance payments - port-in	-	-	-	-	-
Depreciation	104,056	39,132	480,809	-	91,336
TOTAL OTHER EXPENSES	104,056	39,132	509,726	-	91,336
NET INCOME (LOSS)	43,658	(21,024)	(938,710)	(281,992)	553,200
OPERATING TRANSFER	(75,000)	-	223,553	445,000	(223,553)
INCREASE (DECREASE) IN NET ASSETS	(31,342)	(21,024)	(715,157)	163,008	329,647
NET POSITION, June 30, 2017	2,331,458	(132,868)	8,162,233	(616,233)	874,527
NET POSITION, June 30, 2018	<u>\$ 2,300,116</u>	<u>\$ (153,892)</u>	<u>\$ 7,447,076</u>	<u>\$ (453,225)</u>	<u>\$ 1,204,174</u>
OTHER INFORMATION:					
Debt principal payment	\$ 32,496	\$ 7,329	\$ -	\$ -	\$ -

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, 2018

Easton Ridge LLC	Rosewood Station	Rental Assistance Vouchers SF-0018V	Mainstream Vouchers	Jannsen Road Apartments	Arbor Terrace Apartments	Resident Self Sufficiency Program	Shelter Plus Care Program	Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,083	\$ -	\$ -	\$ -	\$ 58,000
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	12,913,861	637,399	-	-	-	330,808	-	13,882,068
-	-	760,848	-	-	-	-	-	-	760,848
-	-	4,709	-	-	44,943	-	-	-	764,985
-	-	13,679,418	637,399	-	74,026	-	330,808	-	15,465,901
20,166	-	(192,861)	3,470	(3,852)	(81,289)	-	-	-	(899,234)
(500,000)	-	130,000	-	-	-	-	-	-	-
(479,834)	-	(62,861)	3,470	(3,852)	(81,289)	-	-	-	(899,234)
16,862,041	-	(278,493)	36,851	30,584	551,640	-	-	-	27,821,740
<u>\$ 16,382,207</u>	<u>\$ -</u>	<u>\$ (341,354)</u>	<u>\$ 40,321</u>	<u>\$ 26,732</u>	<u>\$ 470,351</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,922,506</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,050	\$ -	\$ -	\$ -	\$ 45,875

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, 2018

	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, 2018

	AMP 1			AMP 2			AMP 3		
	Operating	Capital Fund	Total	Operating	Capital Fund	Total	Operating	Capital Fund	Total
REVENUES:									
Tenant rental revenue	\$ 266,202	\$ -	\$ 266,202	\$ 623,362	\$ -	\$ 623,362	\$ 243,854	\$ -	\$ 243,854
Tenant revenue - other	13,076	-	13,076	33,796	-	33,796	7,961	-	7,961
HUD PHA grants	418,474	61,042	479,516	502,169	120,289	622,458	344,225	66,902	411,127
HUD PHA capital grants	-	110,959	110,959	-	205,728	205,728	-	63,773	63,773
Investment income	68	-	68	391	-	391	171	-	171
Investment income restricted	-	-	-	475	-	475	-	-	-
Fraud recovery	1,792	-	1,792	-	-	-	645	-	645
Other revenue	118	-	118	145	-	145	767	-	767
Gain (loss) on sale of fixed assets	-	-	-	-	-	-	-	-	-
TOTAL REVENUE	699,730	172,001	871,731	1,160,338	326,017	1,486,355	597,623	130,675	728,298
EXPENSES:									
Administrative:									
Administrative salaries	86,633	84	86,717	129,982	17,729	147,711	88,059	1,080	89,139
Auditing fees	3,005	-	3,005	6,541	-	6,541	3,644	-	3,644
Employee benefit contributions	73,472	30	73,502	108,838	12,100	120,938	73,621	727	74,348
Office expense	26,427	-	26,427	49,127	-	49,127	28,815	-	28,815
Legal expense	2,017	-	2,017	4,824	-	4,824	571	-	571
Travel expense	1,192	-	1,192	1,109	-	1,109	912	-	912
Other	-	16,407	16,407	-	23,791	23,791	-	16,407	16,407
	<u>192,746</u>	<u>16,521</u>	<u>209,267</u>	<u>300,421</u>	<u>53,620</u>	<u>354,041</u>	<u>195,622</u>	<u>18,214</u>	<u>213,836</u>
Tenant services:									
Salaries	3,875	-	3,875	5,602	-	5,602	3,875	-	3,875
Relocation costs	-	-	-	-	1,033	1,033	-	2,681	2,681
Employee benefit contributions	2,636	-	2,636	3,811	-	3,811	2,636	-	2,636
Other expenses	3,172	-	3,172	1,505	-	1,505	2,735	-	2,735
	<u>9,683</u>	<u>-</u>	<u>9,683</u>	<u>10,918</u>	<u>1,033</u>	<u>11,951</u>	<u>9,246</u>	<u>2,681</u>	<u>11,927</u>
Utilities:									
Water	29,155	-	29,155	63,429	-	63,429	24,428	-	24,428
Electricity	14,726	-	14,726	2,382	-	2,382	6,416	-	6,416
Gas	995	-	995	819	-	819	972	-	972
Sewer/Other utilities	94,224	-	94,224	106,753	-	106,753	54,289	-	54,289
	<u>139,100</u>	<u>-</u>	<u>139,100</u>	<u>173,383</u>	<u>-</u>	<u>173,383</u>	<u>86,105</u>	<u>-</u>	<u>86,105</u>
Ordinary maintenance and operations:									
Labor	124,653	-	124,653	187,016	-	187,016	98,299	-	98,299
Materials	31,409	-	31,409	65,105	-	65,105	19,104	-	19,104
Contracts	56,270	3,500	59,770	138,918	5,992	144,910	57,576	4,977	62,553
Employee benefits	69,768	-	69,768	138,956	-	138,956	61,156	-	61,156
	<u>282,100</u>	<u>3,500</u>	<u>285,600</u>	<u>529,995</u>	<u>5,992</u>	<u>535,987</u>	<u>236,135</u>	<u>4,977</u>	<u>241,112</u>
Protective services:									
Contract costs	178	-	178	257	-	257	294	-	294
General:									
Property insurance	6,417	-	6,417	14,996	-	14,996	6,542	-	6,542
Liability insurance	3,356	-	3,356	4,954	-	4,954	3,455	-	3,455
Workers' compensation	5,554	1	5,555	8,410	166	8,576	4,637	10	4,647
All other insurance	1,996	-	1,996	2,865	-	2,865	1,996	-	1,996
Other	311	-	311	396	-	396	303	-	303
Payments in lieu of taxes	12,556	-	12,556	44,454	-	44,454	15,584	-	15,584
Bad Debt - rent	1,091	-	1,091	10,798	-	10,798	805	-	805
Bad debt - other	1,152	-	1,152	21,979	-	21,979	-	-	-
Management fee	64,961	-	64,961	95,073	-	95,073	65,081	-	65,081
Accounting fee	8,798	-	8,798	12,878	-	12,878	8,813	-	8,813
Asset management fee	12,000	-	12,000	17,400	-	17,400	12,000	-	12,000
	<u>118,192</u>	<u>1</u>	<u>118,193</u>	<u>234,203</u>	<u>166</u>	<u>234,369</u>	<u>119,216</u>	<u>10</u>	<u>119,226</u>
Other:									
Extraordinary maintenance	939	-	939	8,083	-	8,083	-	-	-
Casualty losses recovered	-	-	-	-	-	-	-	-	-
Grant Expense	-	-	-	-	-	-	-	-	-
Depreciation expense	35,119	15,860	50,979	265,201	44,757	309,958	35,993	9,101	45,094
	<u>36,058</u>	<u>15,860</u>	<u>51,918</u>	<u>273,284</u>	<u>44,757</u>	<u>318,041</u>	<u>35,993</u>	<u>9,101</u>	<u>45,094</u>
TOTAL EXPENSES:	778,057	35,882	813,939	1,522,461	105,568	1,628,029	682,611	34,983	717,594
EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER OPERATING EXPENSES	(78,327)	136,119	57,792	(362,123)	220,449	(141,674)	(84,988)	95,692	10,704
OTHER FINANCING SOURCES (USES):									
Operating transfers in	41,019	-	41,019	59,477	-	59,477	41,019	-	41,019
Equity transfers	-	-	-	-	-	-	-	-	-
Operating transfers out	-	(41,019)	(41,019)	-	(59,477)	(59,477)	-	(41,019)	(41,019)
	<u>41,019</u>	<u>(41,019)</u>	<u>-</u>	<u>59,477</u>	<u>(59,477)</u>	<u>-</u>	<u>41,019</u>	<u>(41,019)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	\$ (37,308)	\$ 95,100	\$ 57,792	\$ (302,646)	\$ 160,972	\$ (141,674)	\$ (43,969)	\$ 54,673	\$ 10,704

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, 2018

AMP 4			AMP 5			Low Rent Public Housing and Capital Grant Program Total
Operating	Capital Fund	Total	Operating	Capital Fund	Total	
\$ 201,810	\$ -	\$ 201,810	\$ 314,427	\$ -	\$ 314,427	\$ 1,649,655
25,776	-	25,776	13,826	-	13,826	94,435
461,783	72,439	534,222	287,893	62,379	350,272	2,397,595
-	40,523	40,523	-	-	-	420,983
42	-	42	72	-	72	744
-	-	-	-	-	-	475
993	-	993	-	-	-	3,430
71	-	71	17,904	-	17,904	19,005
-	-	-	-	-	-	-
<u>690,475</u>	<u>112,962</u>	<u>803,437</u>	<u>634,122</u>	<u>62,379</u>	<u>696,501</u>	<u>4,586,322</u>
86,245	195	86,440	91,217	130	91,347	501,354
4,170	-	4,170	3,644	-	3,644	21,004
73,954	139	74,093	73,818	91	73,909	416,790
39,599	-	39,599	35,760	-	35,760	179,728
2,762	-	2,762	3,514	-	3,514	13,688
1,187	-	1,187	911	-	911	5,311
-	16,407	16,407	-	16,408	16,408	89,420
<u>207,917</u>	<u>16,741</u>	<u>224,658</u>	<u>208,864</u>	<u>16,629</u>	<u>225,493</u>	<u>1,227,295</u>
3,875	-	3,875	3,875	-	3,875	21,102
-	5,750	5,750	-	387	387	9,851.00
2,636	-	2,636	2,637	-	2,637	14,356
2,885	-	2,885	3,769	-	3,769	14,066
<u>9,396</u>	<u>5,750</u>	<u>15,146</u>	<u>10,281</u>	<u>387</u>	<u>10,668</u>	<u>59,375</u>
36,610	-	36,610	19,136	-	19,136	172,758
9,174	-	9,174	73,959	-	73,959	106,657
1,018	-	1,018	26,232	-	26,232	30,036
97,059	-	97,059	72,297	-	72,297	424,622
<u>143,861</u>	<u>-</u>	<u>143,861</u>	<u>191,624</u>	<u>-</u>	<u>191,624</u>	<u>734,073</u>
129,371	-	129,371	97,423	-	97,423	636,762
30,409	-	30,409	21,577	-	21,577	167,604
55,213	8,929	64,142	60,478	4,344	64,822	396,197
76,457	-	76,457	67,072	-	67,072	413,409
<u>291,450</u>	<u>8,929</u>	<u>300,379</u>	<u>246,550</u>	<u>4,344</u>	<u>250,894</u>	<u>1,613,972</u>
178	-	178	15,864	-	15,864	16,771
10,067	-	10,067	8,721	-	8,721	46,743
3,407	-	3,407	3,454	-	3,454	18,626
5,736	2	5,738	4,536	1	4,537	29,053
2,035	-	2,035	1,995	-	1,995	10,887
311	-	311	2,678	-	2,678	3,999
5,725	-	5,725	12,132	-	12,132	90,451
1,442	-	1,442	2,902	-	2,902	17,038
9,324	-	9,324	1,828	-	1,828	34,283
64,192	-	64,192	65,347	-	65,347	354,654
8,692	-	8,692	8,849	-	8,849	48,030
12,000	-	12,000	12,120	-	12,120	65,520
<u>122,931</u>	<u>2</u>	<u>122,933</u>	<u>124,562</u>	<u>1</u>	<u>124,563</u>	<u>719,284</u>
19,895	-	19,895	-	-	-	28,917
-	-	-	-	-	-	-
-	-	-	-	-	-	-
44,699	11,009	55,708	104,429	5,977	110,406	572,145
64,594	11,009	75,603	104,429	5,977	110,406	601,062
<u>840,327</u>	<u>42,431</u>	<u>882,758</u>	<u>902,174</u>	<u>27,338</u>	<u>929,512</u>	<u>4,971,832</u>
(149,852)	70,531	(79,321)	(268,052)	35,041	(233,011)	(385,510)
41,019	-	41,019	41,019	-	41,019	223,553
-	-	-	-	-	-	-
-	(41,019)	(41,019)	-	(41,019)	(41,019)	(223,553)
<u>41,019</u>	<u>(41,019)</u>	<u>-</u>	<u>41,019</u>	<u>(41,019)</u>	<u>-</u>	<u>-</u>
<u>\$ (108,833)</u>	<u>\$ 29,512</u>	<u>\$ (79,321)</u>	<u>\$ (227,033)</u>	<u>\$ (5,978)</u>	<u>\$ (233,011)</u>	<u>\$ (385,510)</u>

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, 2018

REVENUES:	
HUD administrative fee	\$ 1,077,459
Fraud revenue	21,674
Other	805,499
	<hr/>
Total revenues	1,904,632
	<hr/>
EXPENSES:	
Administrative salaries	662,274
Employee benefits	522,515
Other administrative costs	252,277
Insurance	9,854
Other general (Port-In)	760,848
	<hr/>
Total expenses	2,207,768
	<hr/>
EXCESS OF EXPENSES OVER REVENUES	(303,136)
TRANSFERS	
Operating transfer within the Authority	130,000
UNRESTRICTED NET POSITION, June 30, 2017	<hr/> (455,696)
UNRESTRICTED NET POSITION, June 30, 2018	<hr/> \$ (628,832)
	<hr/>
HAP REVENUE:	
HUD Housing Assistance Payments revenue	\$ 12,791,721
Fraud revenue	21,684
FSS Escrow Forfeitures	210,730
Investment revenue	-
	<hr/>
Total HAP revenue	13,024,135
HAP EXPENSES	<hr/> 12,913,861
	<hr/>
EXCESS OF HAP REVENUES OVER EXPENSES	110,274
RESTRICTED NET POSITION, June 30, 2017	<hr/> 177,203
RESTRICTED NET POSITION, June 30, 2018	<hr/> \$ 287,477
	<hr/>

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

YEAR ENDED JUNE 30, 2018

Cash:	
Cash and cash equivalents - unrestricted	\$ 62,993
Cash and cash equivalents - restricted	<u>2,026</u>
Total	<u>65,019</u>
Less current obligations:	
Trust deed interest payable (15 days of interest)	54
Accounts payable (due within 30 days)	-
Accrued expenses	2,400
Tenant/resident security deposits	2,026
Other current obligations	<u>-</u>
Total current obligations	<u>4,480</u>
Cash balance in excess of current obligations	<u><u>\$ 60,539</u></u>

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

YEAR ENDED JUNE 30, 2018

	<u>Capital Fund Program Grant Approved</u>	<u>Capital Fund Program Grant Expended</u>
Public Housing Capital Fund 2014	<u>\$ 879,902</u>	<u>\$ 879,902</u>

SINGLE AUDIT SECTION

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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 15, 2018. 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.

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 15, 2018

Report of Independent Auditors on Compliance for the 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 the 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 the Authority's major federal program for the year ended June 30, 2018. The Authority's major federal program is 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 the Authority's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the 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 its major federal program for the year ended June 30, 2018.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 15, 2018

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

YEAR ENDED JUNE 30, 2018

<u>Federal Grantor / Program Title</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
DIRECT FROM:		
U.S. Department of Housing and Urban Development:		
Public and Indian Housing	14.850	\$ <u>2,014,545</u>
Public Housing Capital Fund	14.872	<u>804,033</u>
Housing Choice Vouchers	14.871	13,869,180
Mainstream Vouchers	14.879	<u>680,938</u>
Housing Voucher Cluster		<u>14,550,118</u>
Residential Opportunity and Supportive Services - Service Coordinators	14.870	<u>75,585</u>
Supportive Housing	14.235	<u>33,248</u>
Shelter Plus Care	14.238	<u>357,808</u>
Total U.S. Department of Housing and Urban Development		<u>17,835,337</u>
U.S. Department of Agriculture:		
Farm Labor Housing Loans and Grants	10.405	<u>4,347</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 17,839,684</u>

The accompanying notes are an integral part of this schedule.

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

YEAR ENDED JUNE 30, 2018

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, 2018. 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, 2018.

**HOUSING AUTHORITY OF CLACKAMAS COUNTY
(A COMPONENT UNIT OF CLACKAMAS COUNTY, OREGON)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

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 federal 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:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i>
14.871, 14.879	Housing Voucher Cluster	<i>Unmodified</i>

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



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, 2018, and have issued our report thereon dated November 15, 2018. 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.



For Moss Adams LLP
Eugene, Oregon
November 15, 2018