

**HOUSING AND COMMUNITY SERVICES
AGENCY OF LANE COUNTY**

**Financial Statements and Supplementary Information
for the year ended September 30, 2013 and Independent
Auditor's Report and Single Audit Reports**

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INTRODUCTORY SECTION

**HOUSING AND COMMUNITY SERVICES
AGENCY OF LANE COUNTY**

SEPTEMBER 30, 2013

BOARD OF COMMISSIONERS

Pat Farr	125 E. 8 th Avenue Eugene, OR 97401
Jay Bozievich	125 E. 8 th Avenue Eugene, OR 97401
Faye Stewart	125 E. 8 th Avenue Eugene, OR 97401
Sid Leiken	125 E. 8 th Avenue Eugene, OR 97401
Pete Sorenson	125 E. 8 th Avenue Eugene, OR 97401
Charene Reavis	125 E. 8 th Avenue Eugene, OR 97401
Judith Pothier	125 E. 8 th Avenue Eugene, OR 97401

ADMINISTRATION

Larry Abel	Executive Director
Jacob Fox	Deputy Director
Valerie Warner	Finance Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing And Community Services Agency of Lane County
Eugene, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing And Community Services Agency of Lane County ("HACSA"), a component unit of Lane County, Oregon and its discretely presented component units, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise HACSA's basic financial statements as listed in the table of contents. We did not audit the financial statements of the aggregate discretely presented component units of HACSA. The discretely component units' financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented units, is based solely on the reports of the other auditors.

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 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.

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.

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of HACSA and its aggregate discretely presented component units as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, effective October 1, 2012, HACSA adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 61. *The Financial Reporting Entity: Omnibus, an amendment of GASB No. 14 and No. 34*. Our opinions are not modified with respect to this matter.

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 11 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 an opinion on the financial statements that collectively comprise HACSA's basic financial statements. The supplementary information on pages 41 through 48, and the schedule of expenditures of federal awards on pages 52 through 54, is presented for purposes of additional analysis and is not a required part of the 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise HACSA'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2014, on our consideration of HACSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HACSA's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated August 29, 2014 on our consideration of HACSA'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.

Bjorklund & Montclair

Portland, Oregon
August 29, 2014 (October 17, 2014 as to Note 16)

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) of the Housing And Community Services Agency (HACSA) of Lane County's financial performance provides an overview of the Agency's financial activities for the fiscal year ended September 30, 2013. Please read it in conjunction with the Agency's financial statements, which begin on page 12.

During fiscal year 2013, a significant number of prior period adjustments were recorded to HACSA accounts. In addition, the September 30, 2012 balances of four blended component units are consolidated with the HACSA programs in the primary government column. For this reason, the asset and liability balances included in MD&A tables in the 2012 column have been restated to include the effect of the prior period adjustments and the consolidation. The prior period adjustments are described in Note 5 of the Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

- The Agency reported a net position (assets less liabilities) of \$48,648,508 as of September 30, 2013. This represents an increase of \$2,495,534 or 5.4% from the prior year restated total net position of \$46,152,974.
- Total assets were \$58,046,377 which was an increase of \$3,267,180 or 5.9% over FY 2012 total assets restated at \$54,779,197.
- Total liabilities were \$9,397,869 which was an increase of \$771,646 or 8.9% from FY 2012 total liabilities restated at \$8,626,223.
- 23.8% or \$11,569,728 of combined net position was unrestricted and therefore had no constraints on future use. This compares to \$13,089,183, the revised amount for the prior year.
- Total operating revenue for the year ended September 30, 2013 aggregated \$26,287,793, an increase of \$890,200 or 3.5% over the prior year.
- Operating expenses exceeded operating revenues by \$1,009,516 for fiscal year 2013. This is \$602,741 less than the net operating loss of \$1,612,257 for the prior year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements which are listed in the Table of Contents. The basic financial statements reflect the financial position, results of operations and cash flows of HACSA, as a whole, as of and for the year ended September 30, 2013.

The basic financial statements for the fiscal year ended September 30, 2013, are presented in two columns: primary government and discretely presented component units. The primary government of HACSA includes all HACSA programs, including the Housing Choice Voucher Program (also known as Section 8), the Housing Division programs, the Community Services Programs and the blended component units; HACSA Partner LLC, Walnut Park Limited Partnership, The Orchards Limited Partnership and Laurel Gardens Limited Partnership. The discretely presented component unit column includes eight low-income housing tax credit limited partnerships/limited liability corporations. For a more detailed discussion of the reporting entity, see Note 1 of Notes to Financial Statements.

One of the most important uses of the MD & A is to compare the current year net position and changes in net position to the previous year. The Statement of Net Position, the Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash Flows report information about HACSA as a whole in a way that supports this comparison. The tables, charts, and comments all pertain to the primary government.

The supplemental information reflects the combining financial statements of all of the Agency's separate programs. The Financial Data Schedule (FDS) is required by the United States Department of Housing and Urban Development (HUD). HUD has established Uniform Financial Reporting Standards that require HACSA to submit financial information electronically using the FDS format. The numbers in the left-hand column of the supplemental schedules reflect HUD's chart of accounts.

Overview of the Financial Statements

The Statement of Net Position presents HACSA's financial position as of September 30, 2013. It is a snapshot of the Agency's accounts on that specific date. Assets are defined as what the Agency owns and liabilities are what it owes. Therefore, the net position is simply what is owned less what is owed.

While the Statement of Net Position presents the financial position as of a specific date, the Statement of Revenue, Expenses and Changes in Net Position measures the Agency's results and change in net position for a period of time; in this case the year ended September 30, 2013.

The Statement of Cash Flows is an analysis of the increase in the Agency's cash balances during the year.

Generally accepted accounting principles (GAAP) requires state and local governments to use the enterprise fund type to account for business-type activities. All of the Agency's transactions are recorded in one enterprise fund. Enterprise funds use the accrual basis of accounting; revenue is recorded when earned and expenses are recorded when incurred, regardless of when the cash is received or disbursed.

FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of HACSA, assets exceeded liabilities by \$48,648,508 at the close of the fiscal year. Net position increased by \$2,495,534 over the prior year's restated figure of \$46,152,974. The following table provides a summary of HACSA's net position for 2013 compared to 2012. One significant influence on the increase in net position was the inclusion of the four blended component units, which account for \$483,337 of the increase.

TABLE 1
NET POSITION

	September 30,	
	2013	2012
Current Assets	\$ 9,072,359	\$ 7,833,864
Fixed Assets, Net of accumulated depreciation	41,019,094	37,862,148
Other Assets	7,954,924	9,083,185
Total Assets	<u>58,046,377</u>	<u>54,779,197</u>
Current Liabilities	2,082,326	1,842,706
Noncurrent Liabilities	7,315,543	6,783,517
Total Liabilities	<u>9,397,869</u>	<u>8,626,223</u>
Net Position:		
Investment in capital assets, net of related debt	34,366,956	29,910,119
Restricted net position	2,711,824	3,153,672
Unrestricted net position	<u>11,569,728</u>	<u>13,089,183</u>
Net Position	<u><u>\$ 48,648,508</u></u>	<u><u>\$ 46,152,974</u></u>

The entity-wide increase in net position of \$2,495,534 is the sum of the results of HACSA's various programs, most of which typically experience a reasonably narrow range of variability in operating results from year to year. During FY2013, the Norseman Village Apartment housing development benefited from substantial grant funds to pay for the major remodeling project and this represents \$1,944,107 of the total increase in net position and is included in the line labeled Development Grants in Table 2. The Community Services Agency work done at HACSA includes administration and management of various development projects which result in occasional large revenues called development fees. During FY2013, HACSA received a development fee related to the Norseman improvement project of \$215,000 and a development fee related to the Hawthorne-at-29th Limited Partnership project of \$322,019. Therefore, along with its other operating results, the Business Activities unit of HACSA generated a total of \$583,860 of the total increase in net position. The development fees are included in the line labeled Other Income in Table 2 below.

**TABLE 2
CHANGES IN NET POSITION**

	<u>September 30,</u>	
	<u>2013</u>	<u>2012</u>
Operating Revenues:		
Dwelling Rent	\$ 3,668,717	\$ 3,254,510
Housing Assistance Grants	16,943,709	16,675,360
HUD Operating Subsidies	3,206,761	2,849,658
Other Government Grants	1,262,573	2,021,064
Other Income	1,206,033	501,994
Total Operating Revenues	<u>26,287,793</u>	<u>25,302,586</u>
Operating Expenses:		
Housing Assistance Payments	15,909,232	15,532,700
Administration	4,651,625	4,484,309
Tenant Services	64,820	86,440
Utilities	810,831	774,828
Ordinary Maintenance	3,960,967	4,231,383
Protection Services	21,533	32,350
Insurance Premiums	153,732	
Other General	379,963	590,207
Non-routine Maintenance	19,340	4,455
Depreciation	1,325,266	1,178,171
Total Operating Expenses	<u>27,297,309</u>	<u>26,914,843</u>
Operating Loss	(1,009,516)	(1,612,257)
Nonoperating Revenue, Expense and Capital Contributions:		
Interest Income	312,872	177,888
Gain on acquisition of limited partner interests	296,294	-
Equity in income (loss) of limited partnerships	(182)	-
HUD Capital Grants	1,118,212	1,225,011
Development Grants	2,001,624	-
Interest Expense	(223,770)	(202,472)
Increase (Decrease) in Net Position	<u>\$ 2,495,534</u>	<u>\$ (411,830)</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

HACSA's investment in capital assets is comprised of land, buildings, equipment and construction in progress, with buildings representing the largest component. The capitalization threshold is \$5,000. The figures in the following table represent the historical cost of the capital assets. The balances have been adjusted to include the capital assets of the blended component units.

During fiscal year 2013, \$5,664,013 was added to the total of capital assets, before depreciation. The most significant portion of the additions is a major rehabilitation project, begun in 2012 and completed in 2013, at the Norseman Village Apartments in Junction City, Oregon. This project included interior and exterior work on 44 apartment units in nine buildings and the community room, paving of two driveways and parking lots, sidewalk replacement, and repair and update to the sprinkler system and landscape.

Smaller capital construction projects were also undertaken at many of the public housing projects during fiscal 2013. The cost of this work is reported in the construction-in-progress line and will continue to be reported there until the capital grant is closed out. This work included bathroom upgrades at 80 units, ADA work at four low-income housing projects, paving of sidewalks and parking lots at four low-income housing projects and other minor rehab work.

TABLE 3
CAPITAL ASSETS

	September 30,	
	2013	2012
Land	\$ 8,740,324	\$ 8,643,089
Buildings and improvements	61,482,478	54,144,307
Equipment	2,956,233	2,788,631
Construction in progress	615,233	2,554,321
Total	73,794,268	68,130,348
Less: accumulated depreciation	(32,775,174)	(30,268,200)
Net Capital Assets	\$ 41,019,094	\$ 37,862,148

Long-term Debt

HACSA's long-term debt includes bonds and notes payable which were incurred to purchase or rehabilitate low income housing. The debt is payable from the net cash flow of operations and is secured by the real property.

Long-term debt from bonds and notes totals \$6,870,829 on September 30, 2013. This is a net increase of \$177,262 over the prior year's restated total of \$6,693,567.

The net increase reflects additional debt on the Norseman Village Apartments major rehabilitation project of \$155,319, the consolidation of the Laurel Gardens blended component unit, (which was effective in September 2013), of \$308, 226, net of principal payments made during the year which total \$286,285. More detailed information about the long-term debt obligations appears in Notes to the Financial Statements number 9.

**TABLE 4
Long Term Debt**

	September 30,	
	2013	2012
Bonds, net of accretion of bond discount	\$ 564,186	\$ 627,194
Notes payable	6,306,643	6,066,373
Total	\$ 6,870,829	\$ 6,693,567

BUDGETS, SIGNIFICANT CHANGES AND ECONOMIC FACTORS

HACSA’s budget for the year ended September 30, 2013 was approved by the HACSA Board of Commissioners on September 2012. HACSA’s Board of Commissioners includes two appointed commissioners who are public housing residents and five commissioners from the Lane County Board of Commissioners. HACSA is a component unit of Lane County and its financial statements are, therefore, included in Lane County’s financial statements. The budget authorized total spending of \$29,010,500, allocated to HACSA’s major programs as follows.

**TABLE 5
BUDGET ALLOCATIONS FOR FISCAL YEAR 2013**

Section 8 Division	\$ 16,731,300
Public Housing Division	6,776,100
Community Services Division	5,503,100
Total	\$ 29,010,500

HACSA’s budget is primarily supported by federal funds (84%). HUD funding alone comprises 71%. HACSA is primarily dependent upon HUD for the funding of operations and is affected more by Federal budget appropriations than by local economic conditions.

The budget for the year ending September 30, 2014 was approved by the HACSA Board on September 17, 2013.

**TABLE 6
BUDGET ALLOCATIONS FOR FISCAL YEAR 2014**

Section 8 Division	\$ 17,132,800
Public Housing Division	6,654,500
Community Services Division	3,511,900
Total	\$ 27,299,200

HUD Funding

In January 2014, in a rare moment of bipartisanship, Congress passed a budget for FY 2014. We were previously under a continuing resolution for about four of the past six years. The FY 2014 budget resulted in significant increases compared to our austere FY 2013 budget, which included sequestration. Congress planned to carry this budget forward to FY 2015 (with small increases for inflation), but its inability to do so will result in another continuing resolution with the risk of significant decreases and a return to sequestration.

HACSA's three largest programs are Section 8 Housing Choice Vouchers (HCV), Public Housing and Community Development. The HCV and Public Housing programs are reliant on HUD funding.

Section 8 Housing Choice Vouchers Program

The new voucher program year began on January 1, 2014. HACSA has an allocation of 2,817 vouchers. Funding for Housing Assistance Payments (HAP), which subsidizes rents to private landlords, is calculated based on HAP in calendar year 2013. This year's HAP is prorated at 99% (as compared to 93% last year) of that amount. We also have an allocation of 160 vouchers for homeless veterans under the HUD-Veterans Affairs Supportive Housing (VASH) program. We should receive an additional allocation of 51 VASH vouchers in the next few months. Funding for the VASH program is adequate. Administrative fees are based on the number of vouchers leased at the beginning of each month. These fees are prorated at 75% (as compared to 69% last year). As a result, Section 8 staff that retired have not been replaced. This puts a tremendous burden on remaining staff.

Public Housing Program

HACSA has a total of six Asset Management Projects (AMPS), which encompass all of our 708 public housing units. HUD funded our Public Housing operating subsidy for calendar year 2014 at 89% (as compared to 81% last year) of the amount that they considered adequate. Again, our property management and maintenance staffs are extremely overworked.

In addition to operating subsidies, HUD provides PHAs with capital fund grants for improvements to and modernization of public housing units. The amount of the grant in fiscal year 2013 was \$927,276. The comparable amount in fiscal year 2012 was \$961,540 and in 2010 it was \$1,256,000. The significant decline in funding has made it very difficult for the Agency to keep up with the capital needs of our public housing stock.

Community Development

Weatherization

Cost effective measures are installed by private contractors and are paid for with public and private funds from federal grants and participating electric and natural gas utilities. Fifteen separate funding sources make up this year's budget. Funding aggregated \$1,001,056 during the fiscal year ended September 30, 2013.

Development

HACSA is the general partner and the managing member in a number of limited partnerships and limited liability companies formed to finance the construction of affordable housing. In August 2015, HACSA submitted an application to the Oregon Housing and Community Development Department for an allocation of approximately \$8,000,000 in federal low-income housing tax credits. If we are funded, construction would begin on a new development in North Eugene in the summer of 2015.

HUD's Real Estate Assessment Center (REAC)

REAC evaluates all public housing authorities (PHAs) on an annual basis. Using the Public Housing Assessment System (PHAS), PHAs are rated for the physical status of their properties, financial condition, management proficiency, and capital fund compliance. An aggregate score of 90 or above designates the PHA as a "High Performer." HACSA has received a high performer designation since PHAS scoring has been in place, and continues the trend with a score of 91 out of 100 for the year ended September 30, 2013.

TABLE 7
PUBLIC HOUSING ASSESSMENT SYSTEM
Fiscal Year 2013

PHAS Indicators	Score	Maximum Score
Physical	36	40
Financial	23	25
Management	22	25
Capital Fund	10	10
PHAS Total Score	91	100

CONTACTING HACSA'S FINANCIAL MANAGEMENT

This financial report is intended to provide its citizens, taxpayers, creditors and stakeholders with a general overview of HACSA's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or wish to request additional information, contact Valerie Warner, Finance Director, Housing And Community Services Agency of Lane County, 177 Day Island Road, Eugene, OR, 97401; email: vwarner@hacsa.us; telephone: (541) 682-2525.

BASIC FINANCIAL STATEMENTS

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

**STATEMENTS OF NET POSITION
SEPTEMBER 30, 2013**

	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,790,809	\$ 538,410
Restricted cash and cash equivalents	2,452,454	1,413,201
Short-term investments	1,670,968	-
Restricted short-term investments	108,019	-
Accounts receivable:		
HUD	268,728	-
Tenants	43,261	4,420
Other	1,446,948	27,306
Interest receivable	6,347	-
Due from HACSA	-	24,314
Notes receivable	14,501	-
Inventories	160,920	-
Prepaid expenses	109,404	24,925
Total current assets	<u>9,072,359</u>	<u>2,032,576</u>
NONCURRENT ASSETS:		
Long-term investments	799,256	-
Interest receivable	1,027,793	-
Notes receivable from component units and related parties	4,786,627	-
Investments in limited partnerships	1,320,231	-
Other	21,017	583,029
Capital assets:		
Nondepreciable	9,355,557	1,946,871
Depreciable	<u>31,663,537</u>	<u>21,865,839</u>
Total capital assets	<u>41,019,094</u>	<u>23,812,710</u>
Total noncurrent assets	<u>48,974,018</u>	<u>24,395,739</u>
Total assets	<u><u>\$ 58,046,377</u></u>	<u><u>\$ 26,428,315</u></u>

	Primary Government	Discretely Presented Component Units
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 405,930	\$ 34,228
Accounts payable - capital assets	180,489	-
Accrued payroll expenses	68,939	-
Other accrued liabilities	258,813	15,773
Accrued interest	183,846	166,961
Payable to HACSA	-	229,251
Refundable security deposits	352,186	113,434
Unearned revenue	3,956	1,193
Current portion of compensated absences	297,180	-
Current portion of bonds and notes payable	330,987	640,689
Total current liabilities	<u>2,082,326</u>	<u>1,201,529</u>
NONCURRENT LIABILITIES:		
Compensated absences, net of current portion	91,999	-
Bonds and notes payable, net of current portion	6,539,842	6,207,513
Notes payable - HACSA	-	5,471,459
Family self sufficiency escrow	332,188	-
Payable to component units	351,514	-
Payable to HACSA	-	566,967
Accrued interest - HACSA	-	812,974
Total noncurrent liabilities	<u>7,315,543</u>	<u>13,058,913</u>
Total liabilities	<u>9,397,869</u>	<u>14,260,442</u>
NET POSITION:		
Net investment in capital assets	34,366,956	10,926,082
Restricted	2,711,824	1,304,995
Unrestricted	11,569,728	(63,204)
Net position	<u>48,648,508</u>	<u>12,167,873</u>
Total liabilities and net position	<u>\$ 58,046,377</u>	<u>\$ 26,428,315</u>

See notes to the financial statements.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

**STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2013**

	Primary Government	Discretely Presented Component Units
OPERATING REVENUES:		
Dwelling rent	\$ 3,668,717	\$ 1,426,018
Housing assistance grants	16,943,709	-
HUD operating subsidies	3,206,761	-
Other government grants	1,262,573	23,441
Other income	1,206,033	22,908
Total operating revenues	<u>26,287,793</u>	<u>1,472,367</u>
OPERATING EXPENSES:		
Housing assistance payments	15,909,232	-
Administration	4,651,625	391,247
Tenant services	64,820	-
Utilities	810,831	217,491
Ordinary maintenance	3,960,967	300,695
Protection services	21,533	-
Insurance premiums	153,732	55,689
Other general	379,963	-
Non-routine maintenance	19,340	-
Depreciation	1,325,266	1,037,788
Total operating expenses	<u>27,297,309</u>	<u>2,002,910</u>
OPERATING LOSS	<u>(1,009,516)</u>	<u>(530,543)</u>
NONOPERATING REVENUES (EXPENSES):		
Equity in income (loss) of limited partnerships	(182)	-
Gain on acquisition of limited partner interests	296,294	-
Other nonoperating expenses	-	(138,471)
Interest income	312,872	1,809
Interest expense	(223,770)	(239,692)
Total nonoperating revenues (expenses)	<u>385,214</u>	<u>(376,354)</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	<u>(624,302)</u>	<u>(906,897)</u>
CAPITAL CONTRIBUTIONS:		
HUD capital grants	1,118,212	-
Development grants	2,001,624	-
Limited partner contributions	-	68,000
Total capital contributions	<u>3,119,836</u>	<u>68,000</u>
Increase (decrease) in net position	2,495,534	(838,897)
Net position - Beginning of the year - as restated	<u>46,152,974</u>	<u>13,006,770</u>
Net position - End of the year	<u>\$ 48,648,508</u>	<u>\$ 12,167,873</u>

See notes to the financial statements.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2013

	<u>Primary Government</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from HUD grants	20,115,148
Receipts from state, local and other grants	1,339,729
Receipts from tenants and landlords	3,644,449
Receipts from others	884,010
Housing assistant payments	(15,909,232)
Payments to and on behalf of employees	(6,059,255)
Payments to vendors, contractors and others	<u>(4,168,844)</u>
Net cash used in operating activities	<u>(153,995)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from bonds and notes payable	155,321
Interest paid on bonds and notes payable	(176,856)
Principal payments on bonds and notes payable	(286,285)
Changes in restricted investments	1,043,856
HUD capital and other nonoperating contributions	2,998,640
Acquisition and construction of capital assets	<u>(3,455,969)</u>
Net provided by capital and related financing activities	<u>278,707</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from maturity of investments	47,547
Collection on notes receivable from component unit and related party	703,099
Change in payable to component units	334,411
Cash received in acquisition of limited partnership	280,225
Interest income received	<u>178,311</u>
Net cash provided by investing activities	<u>1,543,593</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,668,305
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,574,958</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,243,263</u>

(Continued)

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2013

	<u>Primary Government</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (1,009,516)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,325,266
(Increase) decrease in:	
Receivables	(341,155)
Prepaid expenses	(34,395)
Inventories	(106,108)
Increase (decrease) in:	
Accounts payable and other accrued liabilities	(8,470)
Deferred revenue	(20,096)
Refundable security deposits	24,434
Family self sufficiency escrow	16,045
Net cash used in operating activities	<u>\$ (153,995)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:	
Forgiveness of notes receivable from component unit	\$ 393,262
Change in investments in limited partnerships	\$ (105,765)
Additions to capital assets through incurrence of - Accounts payable - capital assets	\$ 180,489
Acquisition of assets and liabilities through equity transfer of limited partnership:	
Current assets - noncash	\$ 1,960
Capital assets	834,862
Other assets	6,205
Current liabilities	23,158
Long term liabilities	380,226
	(Concluded)

See notes to the financial statements.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

1. FINANCIAL REPORTING ENTITY

Primary Government - The Housing And Community Services Agency (“HACSA”) of Lane County, Oregon (the “Agency”) is the public housing authority of Lane County, Oregon. HACSA was created by resolution of the County Board of Commissioners, pursuant to Oregon Revised Statutes with a mission to provide affordable, decent, safe and sanitary housing to low and moderate income families and households.

HACSA is governed by the County Board of Commissioners and two appointed resident commissioners. Although the HACSA governing body is substantially the same as Lane County’s, there is no financial benefit or burden relationship between Lane County and HACSA, nor does Lane County management exercise operational responsibility over HACSA. Therefore, HACSA has been classified as a discrete component unit of the County.

Component Units - The governmental reporting entity consists of HACSA (the Primary Government) and its component units. Component units are legally separate organizations for which the Board is financially accountable, or other organizations whose nature and significant relationship with HACSA are such that exclusion would cause HACSA’s financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and (i) either HACSA’s ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on HACSA.

The basic financial statements include both blended and discretely presented component units. The blended component units are legally separate entities, and should be, in substance, part of HACSA’s operations, and so data from these units are combined with data of the primary government. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government.

Complete financial statements of individual component units can be obtained from the Finance Department of HACSA. Although the limited partnerships do not follow government accounting for presentation purposes, certain transactions may be reflected differently in these financial statements than in the separately issued information in order to conform to the presentation of the primary government.

Blended Component Units - The following entities are reported as blended component units of HACSA at September 30, 2013:

	<u>Number of Units</u>	<u>Location</u>
• HACSA Partner LLC		
• Walnut Park Limited Partnership (“Walnut Park”)	32	Eugene, Oregon
• The Orchards Limited Partnership (“Orchards”)	25	Eugene, Oregon
• Laurel Gardens Limited Partnership (“Laurel Gardens”)	<u>41</u>	Eugene, Oregon
	<u>98</u>	

HACSA Partner LLC is a sole member limited liability company in which HACSA is the sole member.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

1. **FINANCIAL REPORTING ENTITY - Continued**

HACSA is the general partner and HACSA Partner LLC is the limited partner in each of the limited partnerships listed above which are hereafter referred to as “blended limited partnerships”. Each of the blended limited partnerships and the underlying projects were developed pursuant to the low-income housing tax credits program of Section 42 of the Internal Revenue Code (“Section 42”). Section 42 regulates the use of each project as to occupant eligibility and unit gross rents among other requirements for an initial compliance period of fifteen years plus and extended use period for an additional fifteen year period. Construction of each of the projects was financed in part by the sale of tax credits to limited partner investors. At the end of the initial fifteen year compliance period, the initial investor limited partners assigned their limited partnership interests to HACSA Partner LLC and exited the partnership. The limited partnership interest of Walnut Park and Orchards were assigned to HACSA in a prior year. The limited partnership interest in Laurel Gardens was transferred to HACSA on September 19, 2013. Condensed financial information for the blended limited partnership is included in Note 13.

Discretely Presented Component Units - The discretely presented component units includes low-income housing tax credit limited partnerships/limited liability corporations (collectively referred to as “limited partnerships”) whose limited partners have limited rights regarding the operations of the partnerships and HACSA, as general partner, controls the day-to-day operations of the partnerships. The following entities, which comprise the discretely presented component units, are presented as of December 31, 2012 and for the year then ended:

	<u>Date Formed</u>	<u>Number of Units</u>	<u>Location</u>
• Jacob’s Lane Limited Partnership	07/24/98	63	Eugene, Oregon
• Hawthorn-at-29 th LLC	07/28/11	35	Eugene, Oregon
• New Winds Apartments Limited Partnership	12/21/05	18	Florence, Oregon
• Roosevelt Crossing Limited Partnership	06/06/08	45	Eugene, Oregon
• Sheldon Village I Limited Partnership	09/01/01	43	Eugene, Oregon
• Sheldon Village II Limited Partnership	07/01/02	35	Eugene, Oregon
• Munsel Park Limited Partnership	11/14/00	44	Florence, Oregon
• Turtle Creek Limited Partnership	02/13/07	<u>27</u>	Eugene, Oregon
		<u>310</u>	

HACSA has 0.005% to 0.01% ownership interest in each of the limited partnerships. HACSA’s investments in limited partnerships are accounted using equity method.

Change in Reporting Entity - Following the adoption of GASB 61, HACSA classified the following entities as blended component units: Walnut Park Limited Partnership and The Orchards Limited Partnership. The cumulative net position of these entities as of September 30, 2012 in the amount of \$483,337 is included in the statement of revenues, expenses and changes in net position as change in reporting entity. The amount of the adjustment for the change in reporting entity is net of \$663,647 that HACSA had recorded on its books as an investment in these partnerships.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and Fund Financial Statements - The government-wide financial statements (i.e., the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows) report information of the primary government (HACSA) and its component units. The effect of interfund activity has been removed from these statements. The primary government is reported separately from certain legally separate discrete component units for which the primary government is financially accountable.

For financial reporting purposes, HACSA reports all of its operations as a single business activity in a single enterprise fund. Therefore, the government-wide and fund financial statements are the same.

Basic Financial Statements - The basic financial statements (i.e. the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows) report information on all of the business-type activities of HACSA and its component units. These basic financial statements are presented in accordance with the Governmental Accounting Standards Board (GASB) standards.

Measurement Focus, Basis of Accounting and Financial Statement Presentation - The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which HACSA receives value without directly giving equal value in exchange, include revenues from federal, state and local assistance programs. Revenue from these sources is recognized in the fiscal year in which all eligibility requirements have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of HACSA's enterprise fund are U.S. Housing and Urban Development (HUD) housing assistance payments earned, Public Housing Operating Subsidies, HUD administrative fees and rental income from its public and affordable housing units. Operating expenses include employee services, services and supplies, administrative expenses, utilities, depreciation on capital assets and housing assistance payments to landlords. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

For financial reporting purposes, HACSA considers its HUD grants associated with operations as operating revenues because these funds more closely represent revenues generated from operating activities rather than nonoperating activities. HUD grants associated with capital acquisition and improvements are considered capital contributions and are presented after nonoperating activity on the accompanying statement of revenues, expenses and changes in net position.

Bond Premium and Discounts are amortized on a method which approximates the effective interest method over the related bond repayment period. Unamortized bond discount is deducted from bonds payable.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Summary of Significant Programs - The accompanying basic financial statements include the activities of several housing programs subsidized by HUD and other governmental entities. A summary of each significant program is provided below:

- Public Housing – HACSA owns, operates and maintains 708 units of Public Housing which were acquired through HUD’s Development Project Grant Program. Revenues consist primarily of rents and other fees collected from tenants, and an Operating Subsidy from HUD. Funds from the Capital Grant Program provided by HUD are used to improve the Public Housing portfolio. Substantially all additions to land, structures and equipment of Public Housing are accomplished through these grant funds.
- Rent Assistance – Section 8 of the U.S. Housing and Community Development Act of 1974 provides Housing assistance Payments on behalf of lower-income families to participating housing owners. Under this program, the landlord-tenant relationship is between a rental-housing owner and a family, rather than HACSA and the family as in the Public Housing program. For approved housing, HUD contracts with HACSA to enter into contracts with owners to make assistance payments for the difference between the approved contract rent and the actual rent paid by the lower-income families, which equals 30% of adjusted household gross income. Housing Assistance Payments made to landlords and some participants are funded through Annual Contributions Contracts. At September 30, 2013, HACSA administered approximately 2,832 vouchers including 123 Veterans Administration Supportive Housings vouchers that provide housing assistance for homeless veterans.
- Affordable Housing and Special Needs Housings – In addition to the 708 units of Public Housing, HACSA manages an additional 907 affordable housing units of which 419 are owned directly by HACSA in 10 different multifamily properties; 98 are owned by three limited partnerships in which HACSA has 100% ownership interest, and 310 units are owned by eight limited partnerships/limited liability corporations in which HACSA is either the general partner or managing member. Of the 907 affordable housing units, there are 106 units in four different multifamily properties that have been developed to serve special needs of residents as follows:
 - Roosevelt Crossing - Transitional housing targeted to ex-offenders who have just been released from incarceration.
 - Heeran Center - Residential mental health treatment facility.
 - Signpost House and Family Shelter House - residential housing for individuals and families with psychiatric disabilities.
- Weatherization – This program provides weatherization services to low-income home owners including replacement windows, insulation, heating, cooling, etc. Funding is received through grants and sub-grants from Lane County and directly from private utility companies.
- Development – HACSA pursues development projects that augment the supply of low-cost housing, provide essential services to residents and revitalizes overall communities. These projects include renovation of older/existing housing and new construction.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents - For purposes of the Statement of Cash Flows, HACSA considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents. At September 30, 2013, the HACSA's cash and cash equivalents are deposited with various banks and financial institutions, some in excess of the federally insured amount of \$250,000. Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, HACSA will not be able to recover its deposits. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at qualified depositories for public funds and therefore considered to be fully collateralized.

Inventories - Inventories are stated at cost, on a first-in, first-out basis.

Accounts Receivable - Accounts receivable are shown at net realizable value. A provision for uncollectible amounts has been established in an amount determined by management.

Capital Assets - Capital assets are assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Purchased or constructed capital assets are recorded at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	7 to 40 Years
Furniture and Equipment	3 to 7 Years
Vehicles	5 Years

HACSA reviews its capital assets for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. As of September 30, 2013, there has been no impairment of the capital assets.

Intangible Assets - Intangible assets consist of loan costs and are recorded at cost at the date of acquisition. Amortization is charged to the Statement of Revenues, Expenses and Changes in Net Position over the term of the related debt using the straight line method from the date they are available for use.

Compensated Absences - Employees of HACSA are entitled to paid leave of absence from work, depending on job classification, length of service and other factors. All absences from work, including vacation, sick leave, family emergency or bereavement are charged against accrued earned leave. In accordance with the provisions of GASB Statement No, 16, "Accounting for Compensated Absences," the estimated liability for vested leave benefits is recorded when it is earned as an expense and the cumulative unpaid amount is reported as a liability.

Eliminations - In the normal course of operations, certain programs may pay for common costs or advance funds for operational shortfalls that create inter-program receivables or payables. The inter-program receivables and payables net to zero and are eliminated for presentation of HACSA as a whole. For the year ended September 30, 2013, offsetting amounts of \$2,678,727 were eliminated.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Internal Charges - HACSA internally charges its costs of support service, indirect costs allocations and rent provided by one department to other departments on a cost-reimbursement basis. For financial reporting purposes, \$1,385,413 of internal charges for services has been eliminated for the year ended September 30, 2013.

Net Position - Net position includes the various net earnings from operating income, non-operating revenues and expenses, and special items. Net position is classified in the following three components:

- **Net investment in Capital Assets** - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt.
- **Restricted** - This represents resources for which HACSA is legally or contractually obligated to spend resources in accordance with restrictions imposed by third parties.
- **Unrestricted** - This represents resources used for HACSA's general operations, which are not restricted by third parties. When an expense is incurred that can be paid using either restricted or unrestricted resources, HACSA's policy is to first apply the expense toward restricted resources.

Budgets - A budget is prepared by the administrative and fiscal staff for each of the separate programs within each division and for the total operation of HACSA after coordination, consultation, and receipt of approvals of service levels from the various grantor's agencies. A consolidated budget is submitted to the Board of Commissioners for approval, modification and adoption. HACSA is not required to and does not adapt a legally appropriated budget as defined by GASB and therefore budgetary comparisons are not reported in these financial statements.

Income Taxes - HACSA is exempt from Federal income taxes under Internal Revenue Code Section 115. The limited partnerships which are shown as discretely presented are taxable entities, however, each of the entities have elected to be treated as a pass-through entity for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its partners on their respective income tax returns. Each partnership's federal tax status is based on their legal status as a partnership. Consequently, the partnerships are not required to take any tax positions in order to qualify as a pass-through entity. Accordingly, the discretely presented financial statements do not reflect a provision for income taxes and the partnerships have no other tax positions which must be considered for disclosure. The partnerships are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities. Income tax returns filed by each of the entities are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2010 remain open and subject to examination.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Other Post-Employment Benefits Obligation - HACSA 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 HACSA's group health insurance plans which cover both active and retired participants. HACSA 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. HACSA pays none of the premium of health insurance coverage for eligible retirees who are not yet eligible Medicare. HACSA's regular health care benefit providers underwrite the retirees' policies and retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

During 2014, HACSA engaged an independent actuary to determine its Other Postemployment Benefits Obligation ("OPEB") and by letter dated May 15, 2014 the independent actuary concluded that as of February 1, 2014 HACSA has no OPEB liability under GASB 45. HACSA has concluded that if there was no OPEB as of February 1, 2014, then there should not be a OPEB reported for prior periods.

GASB provides for an exemption from measuring an implicit subsidy for employers participating in community-rated health care coverages provided that the employer's active and retired members comprise a sufficiently small portion of the entire community-rated premium pool. Because the Citycounty Insurance Services rating criteria start at 100 subscribers, the independent actuary concluded that the 100 subscriber threshold as a reasonable cutoff for the implicit subsidy exemption.

3. CASH AND CASH EQUIVALENTS

Total cash and cash equivalents at September 30, 2013 was \$5,243,263, of which \$2,790,809 was unrestricted and \$2,452,454 was restricted. Restricted cash and cash equivalents at September 30, 2013 includes the following:

Family self-sufficiency program reserves	\$ 332,188
Replacement reserves	1,382,353
Residual receipts reserves	10,340
Mortgage escrow deposits	79,280
Tenant security deposits	351,185
Bond reserves	206,000
Operating reserves	77,928
Other	<u>13,180</u>
Total restricted cash and cash equivalent	<u>\$2,452,454</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2013

3. CASH AND CASH EQUIVALENTS - Continued

Family self-sufficiency reserves consist of amounts deposited under the Family Self-Sufficiency (“FSS”) program. Under the FSS program, if the income of a tenant enrolled in the program increases, instead of decreasing the subsidy amount, the original subsidy continues to be paid and the difference between the original and new subsidy amount is deposited into an escrow account. If the tenant enrolled in the program attains certain target goals related to self-sufficiency, the tenant is awarded money from the escrow account to use for various purposes stated in the tenant’s self-sufficiency plan such as college tuition or a down payment for the purchase of a home.

Replacement reserves consist of funds held in trust for properties owned and operated by HACSA and to be used for the replacement or repair of capital assets.

Residual receipts reserves are excess funds remaining after payment of authorized disbursements of HUD regulated properties owned and operated by HACSA. The funds can be used for property purposes in the event that operating receipts are not sufficient to pay for operating expenses.

Mortgage escrow deposits are required by certain loan and regulatory agreements of properties owned and operated by HACSA. The funds are used to pay annual property taxes and insurance when due.

Tenant security deposits represent the refundable deposits received from tenants and held in trust to secure the performance of a rental agreement. Tenant security deposits in excess of any outstanding damage or rent charges must be returned to the departing tenants within 31 days after the termination of the tenancy. The funds are typically held in segregated bank accounts since these funds may not be used for operations. The funds are, however, allowed to earn interest that may be retained for operations.

Bond reserves include externally restricted funds on deposit with various trustees relating to the servicing of debt.

Operating reserves were established for certain entities to pay operating costs and expense to the extent collected gross receipts are insufficient for such purpose.

4. INVESTMENTS

Investments at September 30, 2013 consists the following:

Oregon Treasurer’s Local Government Investment Pool (LGIP)	\$1,776,987
Federal Home Loan Mortgage Corporation Bond, coupon rate 0.5%, maturity date 11/27/2015, rated AAA by Moody and AA+ by S & P	799,256
Money Market fund	<u>2,000</u>
Total investments	<u>\$2,578,243</u>
Short-term investments - unrestricted	\$1,670,968
Short-term investment – restricted	108,019
Long-term investments	<u>799,256</u>
Total	<u>\$2,578,243</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2013

4. INVESTMENTS - Continued

The investment in the LGIP is stated at fair value, which approximates cost and is the same as the value of its pool shares. 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 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.

The Federal Home Loan Mortgage Corporation Bond is valued at the closing price reported on the active market on which the individual security is traded.

Money market fund trades at one dollar (\$1.00) per share on active market which is equal to cost.

Investment Risk Disclosures

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. HACSA follows HUD Notice 96-33 as its investment policy and limits investment maturities to three years as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – HACSA does not have its own credit risk policy, and follows the HUD guidelines which minimize credit risk by: limiting exposure to poor credits and concentrating the investments in the safest types of securities; prequalifying the financial institutions, broker/dealers/ intermediaries, and advisors with which HACSA 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, HACSA will not be able to recover the value of its investments that are in the possession of an outside party. As of September 30, 2013, none of the HACSA's investments are exposed to custodial credit risk.

5. ACCOUNTS RECEIVABLES

Receivables are reported in the following major categories:

HUD – This represents annual settlement with HUD for amounts expended by HACSA in excess of funds received from HUD.

Grants – Amounts due from other government agencies and utility companies for amounts expended in the Weatherization and various other grant programs.

Tenants – These amounts represent charges to tenants for damages, rent and other miscellaneous items.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

5. **ACCOUNTS RECEIVABLES** - Continued

Other Receivables at September 30, 2013 include the following:

Other government grants	\$ 472,252
Receivables from component unit	860,923
Housing Plus	61,940
Other receivables	<u>51,833</u>
	<u>\$1,446,948</u>

All of the other government grants are expected to be collected within one year.

Fraud Recovery – HACSA has recorded accounts receivable of \$198,178 at September 30, 2013 from tenants for retroactive rent billings due to the failure of tenants to properly report income or other demographic information. An allowance for doubtful accounts equal to the receivable balance has been established at September 30, 2013.

6. **INVESTMENT IN LIMITED PARTNERSHIPS**

Investments in affiliated limited partnerships as of September 30, 2013 include the following:

Jacob's Lane Limited Partnership ("Jacob's Lane")	\$ 445,399
Hawthorn-at-29th LLC ("Hawthorn-at-29 th ")	96
New Winds Apartments Limited Partnership ("New Winds")	47
Roosevelt Crossing Limited Partnership ("Roosevelt Crossing")	803,408
Sheldon Village I Limited Partnership ("Sheldon Village I")	65,172
Sheldon Village II Limited Partnership ("Sheldon Village II")	16,568
Munsel Park Limited Partnership ("Munsel Park")	(10,482)
Turtle Creek Limited Partnership ("Turtle Creek")	<u>23</u>
Total	<u>\$1,320,231</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

7. RELATED PARTIES

Notes and interest receivable as of September 30, 2013 and interest income for the year then ended from related partnerships and others are as follows:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Outstanding Note Balance</u>	<u>Interest Receivable</u>	<u>Interest Income</u>
Jacob's Lane	01/01/29	1% - 6%	\$ 506,440	\$ 6,347	\$ 25,386
Hawthorn-at-29th	03/31/62	6%	975,682	11,096	60,696
New Winds	08/01/47	3.25% - 5.15%	876,611	199,812	33,781
Sheldon Village I	01/01/33	3% - 5.57%	384,195	302,044	32,842
Sheldon Village II	01/01/35	3% - 5.7%	390,805	133,314	26,413
Munsel Park	12/31/39	1.50%	770,726	32,203	11,910
Turtle Creek	11/01/47	5.01%	867,000	347,956	58,486
Laurel Gardens	Paid off	n/a	-	-	13,831
Total limited partnerships			4,771,459	1,032,772	<u>\$ 263,345</u>
Sponsors, Inc.			15,168	-	
Other interest			-	1,368	
			<u>\$ 4,786,627</u>	<u>\$ 1,034,140</u>	
Interest receivable - short-term				\$ 6,347	
Interest receivable - long-term				1,027,793	
				<u>\$ 1,034,140</u>	

Other receivable (payable) balances due from (to) the affiliated limited partnerships as of September 30, 2013 are as follows:

	<u>Operating Advance</u>	<u>Development Advance</u>	<u>Developer Fee Receivable</u>	<u>Partnership Management Fee Receivable</u>	<u>Ground Lease</u>	<u>Total Receivable</u>
Jacob's Lane	\$ -	\$ -	\$ -	\$ 1,299	\$ -	\$ 1,299
Hawthorn-at-29th	-	194,529	322,023	-	-	516,552
New Winds	864	-	102,199	25,875	-	128,938
Roosevelt Crossing	-	-	-	(7,734)	-	(7,734)
Sheldon Village I	-	-	-	1,155	1,844	2,999
Sheldon Village II	-	-	-	2,960	1,651	4,611
Munsel Park	-	60,193	-	152,065	-	212,258
Turtle Creek	-	-	-	2,000	-	2,000
	<u>\$ 864</u>	<u>\$ 254,722</u>	<u>\$ 424,222</u>	<u>\$ 177,620</u>	<u>\$ 3,495</u>	<u>\$ 860,923</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2013

7. RELATED PARTIES - Continued

Amounts payable by HACSA to the affiliated limited partnerships at September 30, 2013 are as follows:

Hawthorn-at-29 th	\$335,063
Roosevelt Crossing	<u>16,451</u>
	<u>\$351,514</u>

Fees earned from the affiliated limited partnerships for the year ended September 30, 2013 are as follows:

	Developer Fee	Partnership Management Fee	Ground Lease	Total
Jacob's Lane	\$ -	\$ 5,145	\$ -	\$ 5,145
Hawthorn-at-29 th	322,023	-		322,023
New Winds	-	4,500	-	4,500
Roosevelt Crossing	-	6,326	-	6,326
Sheldon Village I	-	4,574	139	4,713
Sheldon Village II	-	11,728	135	11,863
Munsel Park	-	19,429	-	19,429
Turtle Creek	-	8,000	-	8,000
Laurel Gardens	-	1,126	-	1,126
	<u>\$ 322,023</u>	<u>\$ 60,828</u>	<u>\$ 274</u>	<u>\$ 383,125</u>

Land Lease - HACSA entered into an operating lease for the land on which the projects of Sheldon Village I and II are situated. The lease agreements provide for annual payments of \$100 per year commencing on September 1, 2001 and August 1, 2002, respectively, and increasing by 3% per annum each year thereafter. Any unpaid rent shall accrue interest at the rate of 5.50% per annum compounded annually and all rent then due, together with all accrued interest, shall be paid no later than March 15, 2017 and March 15, 2019, respectively. The lease terms run through September 12, 2100 and August 1, 2101, respectively, however the limited partnerships shall only continue through December 31, 2055 and December 31, 2063, respectively.

Guarantees – HACSA, as general partner, has guaranteed certain obligations of the affordable housing entities that comprise the discretely presented component units. These obligations include operating deficit guarantees and delivery of low income housing tax credit guarantees. At September 30, 2013, HACSA guarantees operating deficit of Hawthorn-at-29th LLC of up to \$253,153.

Lease Heeran Center - HACSA leases the premise for the Heeran Center to Lane County under the terms of an operating lease that is renewable annually and provides for annual rent of \$89,256 for the period July 1, 2013 to June 30, 2014. On June 16, 2014, the lease was renewed for a one year period at an annual rental rate of \$74,256.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2013

8. FIXED ASSETS

Land, buildings and equipment are accounted for in the individual programs in which the assets were purchased. The following is a summary of fixed asset activity for the year ended September 30, 2013:

	Balance September 30, 2012	Increases	Decreases	Transfers	Balance September 30, 2013
Capital assets not being depreciated:					
Land	\$ 8,643,089	\$ 97,235	\$ -	\$ -	\$ 8,740,324
Construction in progress	<u>2,554,321</u>	<u>1,118,064</u>	<u>-</u>	<u>(3,057,152)</u>	<u>615,233</u>
Total capital assets not being depreciated	<u>11,197,410</u>	<u>1,215,299</u>	<u>-</u>	<u>(3,057,152)</u>	<u>9,355,557</u>
Capital assets being depreciated:					
Building and improvements	54,144,307	4,375,465	-	2,962,706	61,482,478
Furniture and equipment	<u>2,788,631</u>	<u>73,156</u>	<u>-</u>	<u>94,446</u>	<u>2,956,233</u>
Total capital assets being depreciated	<u>56,932,938</u>	<u>4,448,621</u>	<u>-</u>	<u>3,057,152</u>	<u>64,438,711</u>
Less accumulated depreciation:					
Buildings and improvements	(27,878,871)	(2,338,088)	-	-	(30,216,959)
Furniture and equipment	<u>(2,389,329)</u>	<u>(168,886)</u>	<u>-</u>	<u>-</u>	<u>(2,558,215)</u>
Total accumulated depreciation	<u>(30,268,200)</u>	<u>(2,506,974)</u>	<u>-</u>	<u>-</u>	<u>(32,775,174)</u>
Total capital assets being depreciated, net	<u>26,664,738</u>	<u>1,941,647</u>	<u>-</u>	<u>3,057,152</u>	<u>31,663,537</u>
Total capital assets, net	<u>\$ 37,862,148</u>	<u>\$ 3,156,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,019,094</u>

Depreciation expense was charged to functions as follows:

Agency	\$ 14,100
Public Housing	675,547
Housing Choice Voucher	239
Affordable housing and special needs housing	443,641
Blended component units	153,669
COCC	<u>38,070</u>
Total	<u>\$ 1,325,266</u>

The increase in accumulated depreciation includes current year depreciation expense of \$1,325,266 and accumulated depreciation of \$1,181,708 on the fixed assets of Laurel Gardens that has been included as a component unit effective September 19, 2013.

HACSA reviews its capital assets for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. As of September 30, 2013, there has been no impairment of the capital assets.

Interest incurred and capitalized interest for the year ended September 30, 2013 were \$244,428 and \$20,657, respectively.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

9. LONG-TERM LIABILITIES

HACSA's long-term debt is comprised of bonds and notes payable which were incurred to purchase or rehabilitate low income housing and are payable from net cash flow from operations.

	Interest Rates	Monthly Payment	Maturity	Balance 09/30/12	Additions	Retirements	Balance 09/30/13	Current Portion
BONDS PAYABLE:								
Firwood Apartments Series A	6.6 - 6.7%	\$ 5,990	11/01/20	\$ 525,000	\$ -	\$ 45,000	\$ 480,000	\$ 45,000
Firwood Apartments Series B	6.700%	2,466	11/01/20	110,000	-	20,000	90,000	25,000
Unamortized bond discount	-	-	-	(7,806)	-	(1,992)	(5,814)	(1,992)
Total bonds payable				627,194	-	63,008	564,186	68,008
NOTES PAYABLE:								
State of Oregon:								
Abbie Lane Apartments	0.250%	288	05/15/25	43,094	-	3,353	39,741	3,361
Heeran Center	3.690%	6,199	04/15/27	837,921	-	44,207	793,714	45,866
Heeran Center - forgivable loan	-	-	11/17/40	959,728	-	33,094	926,634	33,094
City of Eugene:								
Abbie Lane Apartments	2.000%	1,845	04/01/34	377,650	-	14,927	362,723	15,023
Firwood Apartments	3.250%	1,004	08/01/21	93,211	-	4,657	88,554	-
Firwood Apartments	2.000%	1,262	01/01/29	211,505	-	5,648	205,857	-
Fourteen Pines Apartments	3.500%	3,368	07/01/15	107,520	-	37,335	70,185	38,573
Signpost House	5.000%	926	02/01/32	58,427	-	8,458	49,969	8,814
Orchards	-	-	-	111,001	-	-	111,001	-
USDA Rural Development:								
Canas Apartments - 1	6.875%	992	09/01/35	302,668	-	5,680	296,988	5,989
Canas Apartments 2	6.875%	592	11/01/32	161,908	-	3,617	158,291	4,128
Norsemen Village Apartments - 2	5.375%	5,254	05/11/36	923,617	155,321	-	1,078,938	24,340
Norsemen Village Apartments - 3	5.375%	621	05/11/36	172,185	-	2,983	169,202	3,955
Norsemen Village Apartments - 4	5.750%	1,022	05/11/36	342,719	-	7,025	335,694	7,436
Norsemen Village Apartments - 5	5.375%	976	05/11/36	271,851	-	5,891	265,960	6,188
Greenhoot Charitable Remainder Unitrust-								
Firwood Apartments	5.000%	2,087	03/04/25	232,427	-	13,734	218,693	14,437
Umpqua Bank:								
Family Shelter	7.750%	990	06/01/17	44,450	-	6,878	37,572	9,261
Walnut Park	6.150%	3,716	03/01/26	408,251	-	20,047	388,204	21,315
JPMorgan Chase:								
Laurel Gardens	4.930%	2,496	02/01/28	-	308,226	-	308,226	15,099
Orchards	6.040%	2,510	10/01/26	406,240	-	5,743	400,497	6,100
Total notes payable				6,066,373	463,547	223,277	6,306,643	262,979
Total long-term debt				\$ 6,693,567	\$ 463,547	\$ 286,285	\$ 6,870,829	\$ 330,987
Long-term portion								\$ 6,539,842

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

9. LONG-TERM LIABILITIES – Continued

The bonds and notes payable are collateralized by fixed assets owned by the entities listed for each individual obligation except for the note payable to the Greenhoot Charitable Remainder Unitrust which is unsecured. The monthly payment includes principal and interest. The monthly payments on the bonds are adjusted semi-annually based on bond maturities; the monthly payments listed for the notes payable to USDA Rural Development (“RD”) are net of interest credits to be received from RD.

Bonds Payable – In 1994 HACSA issued revenue bonds to pay for the purchase of the Firwood Apartments buildings. Of the Series A Bonds outstanding at September 30, 2013, \$150,000 provides for interest at 6.600% per annum and \$330,000 provide for interest at 6.700% per annum.

State of Oregon – The notes payable by Abbie Lane Apartments and the Heeran Center are payable to the Housing and Community Services Department – State of Oregon.

The forgivable note payable by the Heeran Center was originated by the Department of Human Resources - State of Oregon. The note is non interest bearing that is forgivable on a pro-rata basis over a thirty year period provided that HACSA operates Heeran Center in conformance with the terms of the trust deed and related promissory note agreements.

City of Eugene – The notes payable collateralized by Firwood Apartments were modified during 2013 to make interest only payments beginning on April 1, 2013 and ending on March 1, 2016. The maturity dates were not extended which will result in balloon payments at maturity.

The note payable collateralized by Orchards is non-interest bearing and has no required payments or maturity date provided that HACSA does not sell the property and complies with the terms of the note and related agreements.

USDA Rural Development – The mortgage notes payable to RD have stated interest rates however each property has entered Interest Credit and Rental Assistance Agreements with RD that will reduce the effective interest rate over the term of the notes to one percent per annum. In addition, when the properties charge rent in excess of the basic rent approved by RD, such excess rent (“overages”) is remitted to RD as additional interest.

Loan 2 for the Norsemen Village Apartments is a construction loan that was converted to a permanent loan in January 2014. At the time of conversion, accrued interest of \$177,211 was added to the principal balance.

Other – Walnut Park, Laurel Gardens and Orchards have outstanding loans for which the interest rate has been reduced during the 20 year period that Oregon Affordable Housing Tax Credits (“OAHTC”) are available with respect to the loan. The expiration of the OAHTC with respect to these loans are as follows; Walnut Park, April 1, 2016 interest rate will increase from 6.15% to 10.15%; Laurel Gardens, December 31, 2017 interest rate will increase from 4.93% to 8.93% and Orchards, November 1, 2016 interest rate will increase from 6.04% to 8.62%.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

9. **LONG-TERM LIABILITIES – Continued**

Future maturities of total long-term debt at September 30, 2013 are as follows:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 330,987	\$ 208,320
2015	350,342	206,658
2016	344,920	195,543
2017	359,733	188,645
2018	346,993	179,808
2019-2023	1,817,213	631,002
2024-2028	1,838,748	83,394
2029-2033	912,539	(134,543)
2034-2038	359,071	(65,133)
2039-2043	99,282	-
Undetermined	<u>111,001</u>	<u>-</u>
Total	<u>\$6,870,829</u>	<u>\$1,493,694</u>

The Interest Credit and Rental Assistance Agreements (“Interest Agreements”) with RD that have been entered into in conjunction with each of the notes payable to RD provide for a fixed interest credit each month during the term of each note. The effect of the Interest Agreements is to reduce the effective interest rate to 1% during the term of the mortgage. Although the Interest Agreements will reduce the effective interest rate to one percent over the term of the mortgages, the effective interest rate will approximate 2.30% during the initial years of the mortgages. Interest expense, as a percentage of the outstanding mortgage balances will decline over the term of the mortgages as gross interest paid, based on the stated interest rate, declines and the Interest Credit amount remains constant. This results in negative interest as the notes near maturity.

Changes in long-term liabilities

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 415,408	\$484,354	\$ 510,583	\$ 389,179	\$ 297,180
Bonds payable	627,194	-	63,008	564,186	68,008
Loans payable	<u>6,066,373</u>	<u>463,547</u>	<u>223,277</u>	<u>6,306,643</u>	<u>262,979</u>
	<u>\$7,108,975</u>	<u>\$947,901</u>	<u>\$ 796,868</u>	<u>\$7,260,008</u>	<u>\$ 628,167</u>

10. **RISK MANAGEMENT**

HACSA is exposed to various risks of loss related to errors and omissions, automobiles, damage to and destruction of assets, bodily injury, and workers’ compensation. HACSA has obtained insurance from the Housing Authorities Risk Retention Pool to cover all risks except for workers’ compensation and flood coverage. Workers compensation and flood coverage are covered by commercial insurance. There has been no significant reduction to coverage from the prior year, and settled claims have not exceeded the level of coverage in the past three years.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2013

11. COMMITMENT AND CONTINGENCY

Lease Commitment - In 2005, HACSA entered into a ground lease and concurrently purchased the improvements situated on the site which was a 90-unit multi-family apartment complex known as Firwood Apartments. The initial term of the ground lease is from March 23, 1995 through January 31, 2014 with options to extend for three additional five year periods. In addition to the scheduled rents HACSA is required to pay all taxes, insurance, maintenance and utility costs.

The lease agreement provides for increase in scheduled rents every five years which were \$39,638 per year for the period February 1, 2009 to January 31, 2014; \$47,565 per year for the first option period from February 1, 2014 to January 31, 2019; \$57,078 per year for the second option period from February 1, 2019 to January 31, 2024; and \$68,494 per year for the third option period from February 1, 2024 to January 31, 2029.

On January 27, 2014, HACSA exercised its option to extend the term of the lease for the period from February 1, 2014 to January 31, 2019.

The lease agreement provides that at the termination of the lease, HACSA shall surrender and deliver up the premises and all improvements situated on the site to the Lessor. The lease agreement also grants HACSA the right of first refusal to purchase the site and improvements.

Construction Commitment - HACSA has the outstanding construction commitment of \$202,392 at September 30, 2013.

Grant and Property Use Restrictions - Certain of the properties operated by HACSA and affiliated limited partnerships were developed using funds provided by grants and low interest rate loans. The terms of these grants and loans restrict the use of the property and generally require the property to be rented to low-income qualified tenants for the period of the grant or related loan term. Failure to comply with the terms of the grants or the loans may result in a requirement to repay a portion or all of the proceeds received.

12. PENSION PLAN

HACSA has a defined contribution plan established under Section 401(k) of the Internal Revenue Code, covering all eligible employees working 20 hours or more a week and who elect to be in the Plan after six months of service. HACSA makes a contribution of twelve percent of employee's gross monthly salary, of which six percent employer contributions are vested over 4 years and six percent pick-up contributions are 100% vested when made. Employees have the option of making voluntary salary deferral contributions up to twenty-five percent of their monthly gross salary, subject to the dollar limits specified in the Internal Revenue Code. The employer contribution for the year ended September 30, 2013 was \$432,690.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

13. **CONDENSED FINANCIAL STATEMENTS OF BLENDED COMPONENT UNITS**

CONDENSED STATEMENT OF NET POSITION

	Walnut Park	Orchards	Laurel Gardens
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Current assets	\$ 14,255	\$ 38,725	\$ 78,949
Tenant security deposits	21,172	19,126	17,263
Other restricted deposits	76,433	116,313	185,973
Other assets	8,182	5,486	6,205
Capital assets - net	<u>925,703</u>	<u>905,957</u>	<u>834,862</u>
Total assets	<u>1,045,745</u>	<u>1,085,607</u>	<u>1,123,252</u>
Liabilities:			
Current liabilities	88,733	145,203	38,257
Noncurrent liabilities	<u>366,889</u>	<u>505,399</u>	<u>293,127</u>
Total liabilities	<u>455,622</u>	<u>650,602</u>	<u>331,384</u>
Net Position:			
Net investment in capital assets	461,066	278,146	340,663
Restricted	76,433	116,313	185,973
Unrestricted	<u>52,624</u>	<u>40,546</u>	<u>265,232</u>
Total net position	<u>\$ 590,123</u>	<u>\$ 435,005</u>	<u>\$ 791,868</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2013

13. CONDENSED FINANCIAL STATEMENTS OF BLENDED COMPONENT UNITS - Cont'd

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

	Walnut Park	Orchards	Laurel Gardens
Revenues - Rental income	\$ 190,343	\$ 180,157	\$ -
Total operating revenue	<u>190,343</u>	<u>180,157</u>	<u>-</u>
Expenses:			
Operating expenses	165,033	120,968	-
Depreciation and amortization	<u>84,326</u>	<u>69,344</u>	<u>-</u>
Total operating expenses	<u>249,359</u>	<u>190,312</u>	<u>-</u>
Nonoperating revenue (expense):			
Interest income	99	150	-
Interest expense	<u>(26,538)</u>	<u>(26,396)</u>	<u>-</u>
Total nonoperating revenue (expense)	<u>(26,439)</u>	<u>(26,246)</u>	<u>-</u>
Change in net position	(85,455)	(36,401)	-
Net position September 30, 2012	<u>675,578</u>	<u>471,406</u>	<u>-</u>
Net position September 30, 2013	<u>\$ 590,123</u>	<u>\$ 435,005</u>	<u>\$ -</u>

CONDENSED STATEMENT OF CASH FLOWS

	Walnut Park	Orchards	Laurel Gardens
Net cash provided by:			
Operating activities	\$ 17,641	\$ 32,419	\$ -
Capital and related financing activities	3,267	(5,339)	-
Investing activities	<u>(20,047)</u>	<u>(5,743)</u>	<u>-</u>
Net increase	861	21,337	-
Cash - beginning of year	<u>10,702</u>	<u>15,231</u>	<u>-</u>
Cash - end of year	<u>\$ 11,563</u>	<u>\$ 36,568</u>	<u>\$ -</u>

The Limited Partner in the Laurel Gardens Limited Partnership assigned its partnership interest to HACSA Partners LLC on September 19, 2013. For reporting purposes, revenues and expenses were cutoff as of September 30, 2013 so there are no revenues or expenses reported for the period from September 19 through September 30, 2013 in the condensed statement of revenues, expenses, and changes in net position shown above.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

14. DISCRETELY PRESENTED COMPONENT UNITS

Combining financial information for the discretely presented component units at December 31, 2012 is as follows:

ASSETS	Jacob's Lane	Hawthorn-at-29th	New Winds	Roosevelt Crossing	Sheldon Village I	Sheldon Village II	Munsel Park	Turtle Creek	Total
Current assets									
Cash and cash equivalents	\$ 157,676	\$ 200,481	\$ 19,165	\$ 8,945	\$ 27,580	\$ 24,269	\$ 81,189	\$ 19,105	\$ 538,410
Accounts receivable:									
Tenants	-	-	1,503	-	285	265	2,367	-	4,420
Others	-	10,000	-	41,620	-	-	-	-	51,620
Prepaid expenses	3,580	1,770	1,902	1,489	6,046	5,095	3,241	1,802	24,925
Tenant deposits held in trust	25,985	4,477	8,241	-	16,715	14,195	17,033	21,560	108,206
Restricted deposits	209,044	67,159	111,834	336,182	184,857	136,355	149,395	110,169	1,304,995
Total current assets	396,285	283,887	142,645	388,236	235,483	180,179	253,225	152,636	2,032,576
Noncurrent assets									
Capital assets									
Nondepreciable	449,963	418,014	116,026	641,454	-	-	120,000	201,414	1,946,871
Depreciable	2,348,897	3,927,582	1,981,839	4,845,637	2,595,584	2,095,729	1,129,514	2,941,057	21,865,839
Total capital assets	2,798,860	4,345,596	2,097,865	5,487,091	2,595,584	2,095,729	1,249,514	3,142,471	23,812,710
Discount on ground lease - net	-	-	-	-	178,731	141,291	-	-	320,022
Deferred costs, net	7,576	25,980	6,496	154,780	18,357	27,522	1,309	20,987	263,007
Total noncurrent assets	2,806,436	4,371,576	2,104,361	5,641,871	2,792,672	2,264,542	1,250,823	3,163,458	24,395,739
Total assets	\$ 3,202,721	\$4,655,463	\$ 2,247,006	\$ 6,030,107	\$ 3,028,155	\$ 2,444,721	\$ 1,504,048	\$ 3,316,094	\$ 26,428,315

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

14. DISCRETELY PRESENTED COMPONENT UNITS - Continued

	Jacob's Lane	Hawthorn-at-29th	New Winds	Roosevelt Crossing	Sheldon Village I	Sheldon Village II	Munsel Park	Turtle Creek	Total
LIABILITIES									
Current liabilities									
Accounts payable	\$ 3,761	\$ 7,115	\$ 1,730	\$ -	\$ 7,169	\$ 6,188	\$ 1,428	\$ 6,837	\$ 34,228
Accrued interest	2,181	5,024	154,962	-	-	940	3,854	-	166,961
Due to HACSA	1,249	-	23,316	18,000	43,410	3,889	137,387	2,000	229,251
Due to other related parties	-	-	2,318	7,500	-	-	3,637	2,318	15,773
Prepaid rents	-	-	-	-	307	886	-	-	1,193
Refundable security deposits	25,985	4,477	8,324	4,900	16,715	14,195	17,278	21,560	113,434
Current portion of mortgages payable	20,077	578,458	-	-	11,055	9,605	14,057	7,437	640,689
Total current liabilities	53,253	595,074	190,650	30,400	78,656	35,703	177,641	40,152	1,201,529
Noncurrent liabilities									
Mortgages payable	497,923	1,177,692	-	3,137,976	307,057	291,281	495,433	300,151	6,207,513
Notes payable - HACSA	506,440	1,675,682	876,611	-	384,195	390,805	770,726	867,000	5,471,459
Accrued interest - HACSA	6,347	89,140	102,200	-	226,651	102,482	23,122	263,032	812,974
Developer fee payable - HACSA	-	322,023	-	-	-	-	-	-	322,023
Due to HACSA	-	186,174	-	-	-	-	58,770	-	244,944
Total noncurrent liabilities	1,010,710	3,450,711	978,811	3,137,976	917,903	784,568	1,348,051	1,430,183	13,058,913
Total liabilities	1,063,963	4,045,785	1,169,461	3,168,376	996,559	820,271	1,525,692	1,470,335	14,260,442
NET POSITION									
Net investment in capital assets	1,774,420	405,567	1,221,254	2,349,115	1,893,277	1,404,038	(89,472)	1,967,883	10,926,082
Restricted	209,044	67,159	111,834	336,182	184,857	136,355	149,395	110,169	1,304,995
Unrestricted	155,294	136,952	(255,543)	176,434	(46,538)	84,057	(81,567)	(232,293)	(63,204)
Total net position	2,138,758	609,678	1,077,545	2,861,731	2,031,596	1,624,450	(21,644)	1,845,759	12,167,873
Total liabilities and net position	\$3,202,721	#####	\$2,247,006	\$6,030,107	\$3,028,155	\$2,444,721	\$1,504,048	\$3,316,094	\$26,428,315

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

14. DISCRETELY PRESENTED COMPONENT UNITS - Continued

	Jacob's Lane	Hawthorn-at-29th	New Winds	Roosevelt Crossing	Sheldon Village I	Sheldon Village II	Munsel Park	Turtle Creek	Total
OPERATING REVENUES									
Rental revenue	\$ 267,812	\$ 184,503	\$ 100,492	\$ 92,294	\$ 206,775	\$ 175,290	\$ 247,374	\$ 151,478	\$ 1,426,018
Grant income	-	-	-	23,441	-	-	-	-	23,441
Other rental income	3,777	1,267	1,875	948	6,365	5,373	1,673	1,630	22,908
Total revenues	271,589	185,770	102,367	116,683	213,140	180,663	249,047	153,108	1,472,367
OPERATING EXPENSES									
Administrative	50,076	62,078	35,927	39,255	49,260	47,536	68,708	38,407	391,247
Utilities	39,234	21,493	11,593	38,378	23,127	23,153	40,079	20,434	217,491
Operations and maintenance	60,143	28,166	25,950	15,793	36,212	32,752	66,950	34,729	300,695
Depreciation and amortization	175,932	22,140	103,505	185,265	195,625	137,593	61,127	156,601	1,037,788
Taxes and insurance	5,205	6,039	5,478	2,571	15,042	13,434	5,250	2,670	55,689
Total operating expenses	330,590	139,916	182,453	281,262	319,266	254,468	242,114	252,841	2,002,910
OPERATING INCOME (LOSS)	(59,001)	45,854	(80,086)	(164,579)	(106,126)	(73,805)	6,933	(99,733)	(530,543)
NONOPERATING REVENUES (EXPENSES)									
Interest income	188	124	139	780	200	104	170	104	1,809
Interest expenses	(51,986)	(16,398)	(29,915)	-	(31,430)	(31,019)	(25,165)	(53,779)	(239,692)
Other nonoperating expenses	(4,995)	(67,632)	(6,818)	(8,500)	(5,785)	(13,521)	(20,901)	(10,319)	(138,471)
Total nonoperating revenues (expenses)	(56,793)	(83,906)	(36,594)	(7,720)	(37,015)	(44,436)	(45,896)	(63,994)	(376,354)
Change in net position	(115,794)	(38,052)	(116,680)	(172,299)	(143,141)	(118,241)	(38,963)	(163,727)	(906,897)
Net position at beginning of the year	2,254,552	579,730	1,194,225	3,034,030	2,174,737	1,742,691	17,319	2,009,486	13,006,770
Capital contributions	-	68,000	-	-	-	-	-	-	68,000
Net position at end of the year	\$ 2,138,758	\$ 609,678	\$ 1,077,545	\$ 2,861,731	\$ 2,031,596	\$ 1,624,450	\$ (21,644)	\$ 1,845,759	\$ 12,167,873

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

14. DISCRETELY PRESENTED COMPONENT UNITS - Continued

	Interest Rates	Monthly Payment	Maturity	Balance 12/31/11	Additions	Retirements	Balance 12/31/12	Current Portion
MORTGAGES PAYABLE:								
Jacob's Lane Limited Partnership								
Bank of America	3.830%	2,338	11/1/2029	\$ 363,231	\$ -	\$ 14,259	\$ 348,972	\$ 14,955
Bank of America	7.580%	1,480	11/1/2029	173,911	-	4,883	169,028	5,122
Hawthorn-at-29th LLC								
Siuslaw Bank*	4.000%	6,385	01/10/33	-	1,756,150	-	1,756,150	578,458
Roosevelt Crossing Limited Partnership								
City of Eugene**	0.000%	-	05/11/29	550,000	-	-	550,000	-
State of Oregon***	0.000%	-	12/31/46	2,587,976	-	-	2,587,976	-
Sheldon Village I Limited Partnership								
Siuslaw Bank	3.890%	1,936	07/01/32	328,746	-	10,634	318,112	11,055
Sheldon Village II Limited Partnership								
Siuslaw Bank	3.750%	1,727	12/01/33	310,137	-	9,251	300,886	9,605
Munsel Park Apartments Limited Partnership								
USDA Rural Development	1.000%	1,146	06/16/38	165,860	-	3,568	162,292	4,477
USDA Rural Development	1.000%	2,201	06/16/38	318,605	-	6,856	311,749	8,602
USDA Rural Development	1.000%	250	06/16/38	36,228	-	779	35,449	978
Turtle Creek Limited Partnership								
Siuslaw Bank	3.320%	1,461	04/01/39	314,782	-	7,194	307,588	7,437
Total long-term debt				<u>\$ 5,149,476</u>	<u>\$ 1,756,150</u>	<u>\$ 57,424</u>	<u>\$ 6,848,202</u>	<u>\$ 640,689</u>
Long-term portion							<u>\$ 6,207,513</u>	

* Hawthorn-at-29th entered into a loan agreement with Siuslaw Bank that provided for construction financing of up to \$2,000,000 of which \$1,197,317 was converted to a permanent loan on June 10, 2013.

** Provided that the Roosevelt Crossing has complied with the terms of the HOME Agreement during the twenty year HOME affordability period, the City of Eugene agrees to release the trust deed or other security and the HOME loan promissory note shall be deemed to be paid and discharged.

*** Provided the loan is in compliance for the full period from January 1, 2011 through December 31, 2025, the loan balance payable shall be deemed to have been reduced ratably each year commencing January 1, 2011, at the rate of 6.67% per year but not to less than the minimum amount of \$258,797. The minimum amount payable of \$258,797 is payable in monthly installments beginning January 1, 2026 and is payable in full on or before December 31, 2046.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2013

15. PRIOR PERIOD ADJUSTMENTS

The Net Position of HACSA at September 30, 2012 has been restated to adjust prior year's financial statements for the following changes:

Balance Sheet Account Adjusted	Nature	Increase (Decrease)
Cash and cash equivalent	Eliminated general ledger cash account that is not supported by a bank statement and has had no general ledger activity since 2005.	\$ (50,851)
Restricted cash	Adjusted restricted cash balance to actual at September 30, 2012.	(2,500)
Accounts receivable - HUD	Correct HUD grants accrued in error.	(89,266)
Accounts receivable - other	Correct other grants accrued in error.	(61,783)
Accounts receivable - other	Write-off uncollectable developer fee.	(20,726)
Accounts receivable - other	Write-off uncollectable insurance claims.	(65,813)
Accounts receivable - other	Adjusted miscellaneous receivable accounts to actual.	(28,810)
Prepaid expense	Adjusted prepaid expenses to actual at September 30, 2012.	(21,548)
Interest receivable	Adjusted interest receivable on the notes due from limited partnerships to actual at September 30, 2012.	(43,145)
Interest receivable	Adjusted accrued interest receivable on investments to actual at September 30, 2012.	(41,688)
Notes receivable from limited partnerships	Record grant proceeds received by HACSA that were loaned to Hawthorn-at-29th LLC.	860,682
Investment in limited partnerships	Convert investments in limited partnerships from initial cost of investments to the equity method.	(20,597)
Investment in limited partnerships	Record grant proceeds received by HACSA that were contributed to capital of Roosevelt Crossing.	646,827
Investment in limited partnerships	Adjusted unreconciled portion of the investments in limited partnerships.	(736,721)
Accumulated depreciation	Adjusted accumulated depreciation on AMP 100 to actual.	(18,365)
Accrued interest	Adjusted accrued interest on construction loan for Norseman Apartments to actual at September 30, 2012.	(62,216)
Accrued interest	Reconciliation of other miscellaneous interest payable.	(8,908)
Deferred revenue	Eliminate deferred revenue on weatherization grant as of September 30, 2012 as there was no deferred revenue.	136,064
Deferred revenue	Adjusted other miscellaneous deferred revenue to actual.	58,711
Notes payable	Record the of forgiveness of debt through September 30, 2012 on forgivable loan balances.	57,594
Notes payable	Adjusted balance on a note payable by Norseman Apartments to actual at September 30, 2012.	(11,863)
	Total	475,078
	Change in reporting entity	483,337
	Net adjustments to beginning equity	958,415
	Net Position at 9/30/2012 as previously reported	45,194,559
	Net Position at 9/30/2012 as adjusted	<u>\$ 46,152,974</u>

The discretely presented component units discussed in Note 1 were not included in the basic financial statements in prior years. The effect of inclusion of the discretely presented component units in the 2013 financial statements increased beginning net position of the discretely presented component units by \$13,006,770 and decreased the change in net position for the immediately preceding prior year by \$266,166.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2013

16. REISSUED FINANCIAL STATEMENTS

HACSA's financial statements as of and for the year ended September 30, 2013 are being reissued to reflect the following changes:

- \$138,210 of restricted net position was reclassified as unrestricted net position.
- \$95,000 of HUD capital grants were reclassified as HUD operating subsidies.
- Restricted cash and cash equivalents were added to the beginning and ending cash and cash equivalents in the statements of cash flows.
- Unrestricted cash and cash equivalents were added to Note 3.
- The change in reporting entity amount was combined with other prior period adjustments. In addition, the effect of the inclusion of discretely presented component units in the 2013 financial statements was added to Note 15.

17. SUBSEQUENT EVENTS

Management has evaluated events and transactions occurring after September 30, 2013 through August 29, 2014, the date the financial statements were available for issuance, and through October 17, 2014, the date the financial statements were available for reissuance, for potential recognition or disclosure in the financial statements and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

SUPPLEMENTARY INFORMATION

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HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

FINANCIAL DATA SCHEDULE - COMBINING SCHEDULE OF NET POSITION
SEPTEMBER 30, 2013

	Low Rent Public Housing	Housing Choice Vouchers	Resident Opportunity and Supportive Services	Weatherization Assistance for Low-income Persons	Shelter Care Plus	Rural Rental Assistance Payments
111 Cash - Unrestricted	\$ -	\$1,687,838	\$ -	\$ -	\$ -	\$ 52,764
113 Cash - Other Restricted	205,795	126,393	-	-	-	235,414
114 Cash - Tenant Security Deposits	167,865	-	-	-	-	29,887
100 Total Cash	373,660	1,814,231	-	-	-	318,065
122 Accounts Receivable - HUD Other Projects	122,939	-	24,634	-	121,155	-
124 Accounts Receivable - Other Government	-	-	-	174,324	-	121,196
125 Accounts Receivable - Miscellaneous	18,157	77	-	-	-	-
126 Accounts Receivable - Tenants	24,342	-	-	-	-	3,514
127 Notes, Loans, & Mortgages Receivable - Current	14,501	-	-	-	-	-
128 Fraud Recovery	-	198,178	-	-	-	-
128.1 Allowance for Doubtful Accounts - Fraud	-	(198,178)	-	-	-	-
129 Accrued Interest Receivable	1,028	-	-	-	-	-
120 Total Receivables, Net of Allowances for Doubtful Accounts	180,967	77	24,634	174,324	121,155	124,710
131 Investments - Unrestricted	601,846	-	-	-	-	-
132 Investments - Restricted	-	-	-	-	-	-
142 Prepaid Expenses and Other Assets	-	-	-	-	-	9,915
143 Inventories	20,745	-	-	-	-	-
144 Inter Program Due From	1,159,095	-	-	-	-	-
150 Total Current Assets	1,781,686	-	-	-	-	9,915
161 Land	4,294,268	-	-	-	-	470,406
162 Buildings	34,984,261	-	-	-	-	5,020,375
163 Furniture, Equipment & Machinery - Dwellings	-	-	-	-	-	-
164 Furniture, Equipment & Machinery - Administration	1,354,895	88,393	-	-	-	-
166 Accumulated Depreciation	(21,166,342)	(79,434)	-	-	-	(454,497)
167 Construction in Progress	612,596	-	-	-	-	-
160 Total Capital Assets, Net of Accumulated Depreciation	20,079,678	8,959	-	-	-	5,036,284
171 Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	-
174 Other Assets	-	-	-	-	-	-
176 Investments in Joint Ventures	-	-	-	-	-	-
180 Total Non-Current Assets	20,079,678	8,959	-	-	-	5,036,284
190 Total Assets	\$22,415,991	\$1,823,267	\$ 24,634	\$ 174,324	\$ 121,155	\$ 5,488,974
312 Accounts Payable <= 90 Days	\$ 175,402	\$ 671	\$ 105	\$ 186	\$ 1,186	\$ 146,160
321 Accrued Wage/Payroll Taxes Payable	12,748	21,556	-	-	-	-
322 Accrued Compensated Absences - Current Portion	71,484	97,952	-	-	-	-
325 Accrued Interest Payable	-	-	-	-	-	157,876
331 Accounts Payable - HUD PHA Programs	-	9,231	-	-	-	-
333 Accounts Payable - Other Government	235,836	-	-	-	-	-
341 Tenant Security Deposits	167,865	-	-	-	-	30,337
342 Deferred Revenues	-	500	-	-	-	130
343 Current Portion of Long-term Debt - Capital Projects / Mortgage Revenue Bonds	-	-	-	-	-	52,036
345 Other Current Liabilities	3,079	-	-	-	-	-
346 Accrued Liabilities - Other	-	-	-	-	-	-
347 Inter Program - Due To	273,605	38,554	24,529	174,138	110,355	297,660
348 Loan Liability - Current	-	-	-	-	-	-
310 Total Current Liabilities	940,019	168,464	24,634	174,324	111,541	684,199
351 Long-Term Debt, Net of Current - Capital Projects / Mortgage Revenue	-	-	-	-	-	2,253,036
353 Non-Current Liabilities - Other	205,795	126,393	-	-	-	-
354 Accrued Compensated Absences - Non Current	22,572	30,932	-	-	-	-
350 Total Non-Current Liabilities	228,367	157,325	-	-	-	2,253,036
300 Total Liabilities	1,168,386	325,789	24,634	174,324	111,541	2,937,235
508.1 Invested In Capital Assets, Net of Related Debt	20,079,678	8,959	-	-	-	2,731,212
511.1 Restricted Net Assets	-	834,724	-	-	-	235,414
512.1 Unrestricted Net Assets	1,167,927	653,795	-	-	9,614	(414,887)
513 Total Equity/Net Assets	21,247,605	1,497,478	-	-	9,614	2,551,739
600 Total Liabilities and Equity/Net Assets	\$22,415,991	\$1,823,267	\$ 24,634	\$ 174,324	\$ 121,155	\$ 5,488,974

N/C S/R Section 8 Programs	Interest Reduction Payments	Low-Income Home Emergency Assistance	Supportive Housing Program	Other Federal Program I	1. Business Activities	Central Office Cost Center	Component Unit - Discretely Presented	Subtotal	Eliminations	Total
\$ 104,079	\$ -	\$ -	\$ -	\$ -	\$ 157,969	\$ 788,159	\$ 538,410	\$ 3,329,219	\$ -	\$ 3,329,219
199,641	555,580	-	-	11,726	766,720	-	1,413,201	3,514,470	-	3,514,470
4,180	42,206	-	-	-	107,047	-	-	351,185	-	351,185
307,900	597,786	-	-	11,726	1,031,736	788,159	1,951,611	7,194,874	-	7,194,874
-	-	-	-	-	-	-	-	268,728	-	268,728
-	-	98,595	20,667	-	57,470	-	-	472,252	-	472,252
-	-	-	-	-	928,057	28,405	51,620	1,026,316	-	1,026,316
739	6,810	-	-	-	7,856	-	4,420	47,681	-	47,681
-	-	-	-	-	-	-	-	14,501	-	14,501
-	-	-	-	-	-	-	-	198,178	-	198,178
-	-	-	-	-	-	-	-	(198,178)	-	(198,178)
-	-	-	-	-	1,032,771	341	-	1,034,140	-	1,034,140
739	6,810	98,595	20,667	-	2,026,154	28,746	56,040	2,863,618	-	2,863,618
-	-	-	-	-	1,668,967	199,411	-	2,470,224	-	2,470,224
-	-	-	-	-	108,019	-	-	108,019	-	108,019
1,845	3,368	-	-	-	89,585	4,691	24,925	134,329	-	134,329
1,010	8,904	-	-	-	1,870	128,391	-	160,920	-	160,920
22,140	-	-	-	-	943,178	554,314	-	2,678,727	(2,678,727)	-
24,995	12,272	-	-	-	2,811,619	886,807	24,925	5,552,219	(2,678,727)	2,873,492
214,386	1,363,547	-	-	-	2,232,172	165,394	3,946,137	12,686,310	-	12,686,310
1,682,335	5,406,840	-	-	20,229	13,212,418	1,156,265	27,935,651	89,418,374	-	89,418,374
17,034	-	-	-	-	270,986	-	506,635	794,655	-	794,655
-	33,013	-	-	-	730,614	458,772	-	2,665,687	-	2,665,687
(877,331)	(1,922,813)	-	-	(4,623)	(7,051,259)	(1,216,594)	(8,575,713)	(41,348,606)	-	(41,348,606)
-	-	-	-	-	-	2,788	-	615,384	-	615,384
1,036,424	4,880,587	-	-	15,606	9,394,931	566,625	23,812,710	64,831,804	-	64,831,804
-	-	-	-	-	4,786,627	-	-	4,786,627	-	4,786,627
-	-	-	-	-	19,873	1,144	583,029	604,046	-	604,046
-	-	-	-	-	1,320,231	-	-	1,320,231	-	1,320,231
1,036,424	4,880,587	-	-	15,606	15,521,662	567,769	24,395,739	71,542,708	-	71,542,708
\$ 1,370,058	\$ 5,497,455	\$ 98,595	\$ 20,667	\$ 27,332	\$ 21,391,171	\$ 2,271,481	\$ 26,428,315	\$ 87,153,419	\$ (2,678,727)	\$ 84,474,692
\$ 6,438	\$ 13,926	\$ 9,189	\$ -	\$ -	\$ 181,074	\$ 52,082	\$ 34,228	\$ 620,647	\$ -	\$ 620,647
451	2,612	-	-	-	7,985	23,587	-	68,939	-	68,939
-	-	-	-	-	66,956	60,788	-	297,180	-	297,180
170	-	-	-	-	25,800	-	166,961	350,807	-	350,807
-	-	-	-	-	-	-	-	9,231	-	9,231
-	-	-	-	-	-	-	-	235,836	-	235,836
4,516	42,206	-	-	-	107,262	-	113,434	465,620	-	465,620
-	-	-	-	-	3,326	-	1,193	5,149	-	5,149
18,384	38,573	-	-	-	221,994	-	640,689	971,676	-	971,676
-	-	-	-	-	10,667	-	245,024	258,770	-	258,770
-	-	-	-	-	-	-	-	-	-	-
39,322	209,766	89,406	24,396	27,219	813,890	555,887	-	2,678,727	(2,678,727)	-
-	-	-	-	-	-	-	-	-	-	-
69,281	307,083	98,595	24,396	27,219	1,438,954	692,344	1,201,529	5,962,582	(2,678,727)	3,283,855
384,080	31,612	-	-	-	3,871,114	-	6,207,513	12,747,355	-	12,747,355
-	-	-	-	-	-	351,514	6,851,400	7,535,102	-	7,535,102
-	-	-	-	-	21,144	17,351	-	91,999	-	91,999
384,080	31,612	-	-	-	3,892,258	368,865	13,058,913	20,374,456	-	20,374,456
453,361	338,695	98,595	24,396	27,219	5,331,212	1,061,209	14,260,442	26,337,038	(2,678,727)	23,658,311
633,960	4,810,401	-	-	15,606	5,520,515	566,625	10,926,082	45,293,038	-	45,293,038
199,641	555,580	-	-	11,726	874,739	-	1,304,995	4,016,819	-	4,016,819
83,096	(207,221)	-	(3,729)	(27,219)	9,664,705	643,647	(63,204)	11,506,524	-	11,506,524
916,697	5,158,760	-	(3,729)	113	16,059,959	1,210,272	12,167,873	60,816,381	-	60,816,381
\$ 1,370,058	\$ 5,497,455	\$ 98,595	\$ 20,667	\$ 27,332	\$ 21,391,171	\$ 2,271,481	\$ 26,428,315	\$ 87,153,419	\$ (2,678,727)	\$ 84,474,692

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

FINANCIAL DATA SCHEDULE - COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
 YEAR ENDED SEPTEMBER 30, 2013

	Low Rent Public Housing	Housing Choice Vouchers	Resident Opportunity and Supportive Services	Weatherization Assistance for Low-income Persons	Shelter Care Plus	Rural Rental Assistance Payments
70300 Net Tenant Rental Revenue	\$ 1,723,603	\$ -	\$ -	\$ -	\$ -	\$ 194,033
70400 Tenant revenue - Other	11,397	-	-	-	-	-
70500 Total tenant revenue	1,735,000	-	-	-	-	194,033
70600 HUD PHA Operating Grants	1,855,319	16,943,709	164,437	-	424,918	-
70610 Capital Grants	1,118,212	-	-	-	-	-
70710 Management Fee	-	-	-	-	-	-
70720 Asset Management Fee	-	-	-	-	-	-
70730 Bookkeeping Fee	-	-	-	-	-	-
70740 Front Line Service Fee	-	-	-	-	-	-
70750 Other Fees	-	-	-	-	-	-
70700 Total Fee Revenue	-	-	-	-	-	-
70800 Other Government Grants	-	-	-	338,544	-	2,230,046
71100 Investment Income - Unrestricted	8,007	-	-	-	-	-
71200 Mortgage Interest Income	-	-	-	-	-	-
71400 Fraud Recovery	211	23,239	-	-	-	1,295
71500 Other Revenue	89,339	113,879	-	-	-	8,628
72000 Investment Income - Restricted	-	448	-	-	-	68
70000 Total Revenue	4,806,088	17,081,275	164,437	338,544	424,918	2,434,070
91100 Administrative Salaries	433,995	1,089,286	95,438	23,881	16,732	66,782
91200 Auditing Fees	9,017	6,264	-	318	-	1,248
91300 Management Fee	498,060	-	-	-	-	36,421
91310 Bookkeeping Fee	61,981	-	-	-	-	-
91400 Advertising and Marketing	1,469	2,498	-	723	-	197
91500 Employee Benefit Contributions - Administrative	272,115	619,010	61,242	10,433	10,367	25,988
91600 Office Expenses	26,388	85,129	4,450	10,712	-	14,380
91700 Legal Expense	231	277	-	8	-	122
91800 Travel	2,754	4,327	1,178	2,840	713	278
91900 Other	6,706	119,445	2,129	16,779	2,023	5,588
91000 Total Operating - Administrative	1,312,716	1,926,236	164,437	65,694	29,835	151,004
92000 Asset Management Fee	84,480	-	-	-	-	-
92100 Tenant Services - Salaries	38,519	-	-	-	-	-
92300 Employee Benefit Contributions - Tenant Services	23,617	-	-	-	-	-
92400 Tenant Services - Other	880	-	-	-	-	-
92500 Total Tenant Services	63,016	-	-	-	-	-
93100 Water	123,482	-	-	-	-	15,407
93200 Electricity	101,802	-	-	-	-	14,988
93300 Gas	61,027	-	-	-	-	430
93600 Sewer	218,552	-	-	-	-	24,172
93000 Total Utilities	504,863	-	-	-	-	54,997
94100 Ordinary Maintenance and Operations - Labor	364,685	-	-	127,096	-	53,148
94200 Ordinary Maintenance and Operations - Materials and Other	121,226	2	-	50,786	-	31,854
94300 Ordinary Maintenance and Operations Contracts	778,341	10,246	-	48,926	-	33,880
94500 Employee Benefit Contributions - Ordinary Maintenance	288,143	-	-	73,659	-	12,704
94000 Total Maintenance	1,552,395	10,248	-	300,467	-	131,586
95100 Protective Services - Labor	15,756	-	-	-	-	-
95200 Protective Services - Other Contract Costs	-	-	-	-	-	-
95500 Employee Benefit Contributions - Protective Services	2,545	-	-	-	-	-
95000 Total Protective Services	18,301	-	-	-	-	-
96110 Property Insurance	58,095	-	-	-	-	6,747
93120 Liability Insurance	-	-	-	-	-	-
96140 All Other Insurance	-	14,953	-	4,267	-	-
96100 Total Insurance Premiums	58,095	14,953	-	4,267	-	6,747

N/C S/R Section 8 Programs	Interest Reduction Payments	Low-Income Home Emergency Assistance	Supportive Housing Program	Other Federal Program I	1. Business Activities	Central Office Cost Center	Component Unit - Discretely Presented	Subtotal	Eliminations	Total
\$ 44,770	\$ 411,851	\$ -	\$ -	\$ -	\$ 1,276,620	\$ -	\$ 1,426,018	\$ 5,076,895	\$ -	\$ 5,076,895
-	6,443	-	-	-	-	-	-	17,840	-	17,840
44,770	418,294	-	-	-	1,276,620	-	1,426,018	5,094,735	-	5,094,735
212,951	398,103	-	63,177	-	-	87,856	-	20,150,470	-	20,150,470
-	-	-	-	-	-	-	-	1,118,212	-	1,118,212
-	-	-	-	-	-	410,205	-	410,205	(410,205)	-
-	-	-	-	-	-	84,480	-	84,480	(84,480)	-
-	-	-	-	-	-	61,980	-	61,980	(61,980)	-
-	-	-	-	-	-	225,290	-	225,290	(225,290)	-
-	-	-	-	-	-	603,458	-	603,458	(603,458)	-
-	-	-	-	-	-	1,385,413	-	1,385,413	(1,385,413)	-
-	-	450,477	-	-	245,130	-	23,441	3,287,638	-	3,287,638
-	-	-	-	-	298,835	4,519	1,809	313,170	-	313,170
-	-	-	-	-	230	-	-	230	-	230
-	-	-	-	-	-	-	-	24,745	-	24,745
1,761	14,167	-	-	-	1,248,184	1,442	90,908	1,568,308	-	1,568,308
137	476	-	-	-	152	-	-	1,281	-	1,281
259,619	831,040	450,477	63,177	-	3,069,151	1,479,230	1,542,176	32,944,202	(1,385,413)	31,558,789
24,115	92,440	24,866	-	-	263,037	684,117	146,306	2,960,995	(291,141)	2,669,854
760	1,380	393	-	-	10,997	5,016	35,400	70,793	-	70,793
-	78,930	-	-	-	39,530	-	110,007	762,948	(410,204)	352,744
-	-	-	-	-	-	-	-	61,981	(61,981)	-
41	2,266	628	-	-	851	1,081	8,603	18,357	-	18,357
14,244	96,772	13,901	-	-	128,947	314,032	46,061	1,613,112	(205,517)	1,407,595
2,215	29,833	12,009	-	4,232	51,855	44,143	33,044	318,390	(106,800)	211,590
2	17	14	-	-	6,762	77	162	7,672	-	7,672
51	441	2,231	-	-	4,913	2,309	-	22,035	-	22,035
3,299	452	15,151	-	-	71,681	27,315	42,973	313,541	-	313,541
44,727	302,531	69,193	-	4,232	578,573	1,078,090	422,556	6,149,824	(1,075,643)	5,074,181
-	-	-	-	-	-	-	-	84,480	(84,480)	-
-	-	-	-	-	-	-	-	38,519	-	38,519
-	-	-	-	-	-	-	-	23,617	-	23,617
11	166	-	-	-	1,245	382	-	2,684	-	2,684
11	166	-	-	-	1,245	382	-	64,820	-	64,820
10,376	25,149	-	-	-	37,263	2,846	57,468	271,991	-	271,991
2,370	16,772	-	-	-	19,116	19,324	64,278	238,650	-	238,650
-	12,506	-	-	-	275	-	-	74,238	-	74,238
18,776	38,481	-	-	-	43,118	4,599	60,009	407,707	-	407,707
31,522	92,908	-	-	-	99,772	26,769	181,755	992,586	-	992,586
3,780	108,529	129,900	-	-	157,235	162,179	60,737	1,167,289	-	1,167,289
5,430	72,224	80,606	-	-	400,493	3,053	138,819	904,493	-	904,493
28,007	168,148	86,661	-	-	373,078	69,533	136,875	1,733,695	(225,290)	1,508,405
2,895	36,348	81,461	-	-	105,292	116,709	-	717,211	-	717,211
40,112	385,249	378,628	-	-	1,036,098	351,474	336,431	4,522,688	(225,290)	4,297,398
-	-	-	-	-	-	-	-	15,756	-	15,756
-	2,783	-	-	-	-	-	-	2,783	-	2,783
-	449	-	-	-	-	-	-	2,994	-	2,994
-	3,232	-	-	-	-	-	-	21,533	-	21,533
-	13,833	-	-	-	13,633	22,933	12,190	127,431	-	127,431
-	-	-	-	-	-	-	12,190	12,190	-	12,190
2,545	-	2,656	-	-	14,070	-	-	38,491	-	38,491
2,545	13,833	2,656	-	-	27,703	22,933	24,380	178,112	-	178,112

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

**FINANCIAL DATA SCHEDULE - COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2013**

	Low Rent Public Housing	Housing Choice Vouchers	Resident Opportunity and Supportive Services	Weatherization Assistance for Low-income Persons	Shelter Care Plus	Rural Rental Assistance Payments
96200 Other General Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96300 Payments in Lieu of Taxes	123,121	-	-	-	-	-
96400 Bad Debt - Tenant Rents	19,074	-	-	-	-	-
96000 Total Other General Expenses	142,195	-	-	-	-	-
96710 Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	64,124
96700 Total Interest Expense and Amortization Cost	-	-	-	-	-	64,124
96900 Total Operating Expenses	3,736,061	1,951,437	164,437	370,428	29,835	408,458
97000 Excess of Operating Revenue Over Operating Expenses	1,070,027	15,129,838	-	(31,884)	395,083	2,025,612
97100 Extraordinary Maintenance	16,773	-	-	-	-	-
97300 Housing Assistance Payments	-	15,350,710	-	-	385,469	-
97350 HAP Portability-In	-	106,147	-	-	-	-
97400 Depreciation Expense	675,546	239	-	-	-	81,505
90000 Total Expenses	4,428,380	17,408,533	164,437	370,428	415,304	489,963
10010 Operating Transfer In	229,094	-	-	-	-	-
10020 Operating transfer Out	(229,094)	-	-	-	-	-
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	377,708	(327,258)	-	(31,884)	9,614	1,944,107
Memo Account Information						
11020 Required Annual Debt Principal Payments	-	-	-	-	-	52,036
11030 Beginning Equity	20,941,161	1,882,496	-	-	-	681,711
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	(71,264)	(57,760)	-	31,884	-	(74,079)
11170 Administrative Fee Equity	-	662,754	-	-	-	-
11180 Housing Assistance Payments Equity	-	834,724	-	-	-	-
11190 Unit Months Available	8,484	35,175	-	-	1,056	836
11210 Number of Unit Months Leased	8,310	34,666	-	-	939	828
11270 Excess Cash	866,335	-	-	-	-	-
11620 Building Purchases	1,040,870	-	-	-	-	-
11630 Furniture & Equipment - Dwelling Purchases	77,343	-	-	-	-	-

N/C S/R Section 8 Programs	Interest Reduction Payments	Low-Income Home Emergency Assistance	Supportive Housing Program	Other Federal Program 1	1. Business Activities	Central Office Cost Center	Component Unit - Discretely Presented	Subtotal	Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,221	\$ -	\$ 138,471	\$ 348,692	\$ -	\$ 348,692
12,496	-	-	-	-	-	-	-	135,617	-	135,617
2,025	3,388	-	-	-	9,638	-	-	34,125	-	34,125
14,521	3,388	-	-	-	219,859	-	138,471	518,434	-	518,434
7,316	3,080	-	-	-	149,250	-	239,692	463,462	-	463,462
7,316	3,080	-	-	-	149,250	-	239,692	463,462	-	463,462
140,754	804,387	450,477	-	4,232	2,112,500	1,479,648	1,343,285	12,995,939	(1,385,413)	11,610,526
118,865	26,653	-	63,177	(4,232)	956,651	(418)	198,891	19,948,263	-	19,948,263
-	-	-	-	-	2,567	-	-	19,340	-	19,340
-	-	-	66,906	-	-	-	-	15,803,085	-	15,803,085
-	-	-	-	-	-	-	-	106,147	-	106,147
37,853	121,374	-	-	455	370,224	38,070	1,037,788	2,363,054	-	2,363,054
178,607	925,761	450,477	66,906	4,687	2,485,291	1,517,718	2,381,073	31,287,565	(1,385,413)	29,902,152
-	-	-	-	-	-	-	-	229,094	-	229,094
-	-	-	-	-	-	-	-	(229,094)	-	(229,094)
-	-	-	-	-	-	-	-	-	-	-
81,012	(94,721)	-	(3,729)	(4,687)	583,860	(38,488)	(838,897)	1,656,637	-	1,656,637
18,384	38,573	-	-	-	-	-	640,689	749,682	-	749,682
835,685	5,262,922	-	-	37,576	14,252,738	1,300,270	-	45,194,559	-	45,194,559
-	(9,441)	-	-	(32,776)	1,223,361	(51,510)	13,006,770	13,965,185	-	13,965,185
-	-	-	-	-	-	-	-	662,754	-	662,754
-	-	-	-	-	-	-	-	834,724	-	834,724
300	1,584	-	-	-	7,484	-	3,720	58,639	-	58,639
300	1,568	-	-	-	6,787	-	3,646	57,044	-	57,044
-	-	-	-	-	-	-	-	866,335	-	866,335
-	-	-	-	-	-	28,255	-	1,069,125	-	1,069,125
-	-	-	-	-	-	-	-	77,343	-	77,343

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

**FINANCIAL DATA SCHEDULE - COMBINING SCHEDULE OF NET POSITION -
LOW RENT PUBLIC HOUSING DETAIL
SEPTEMBER 30, 2013**

	AMP 1 <u>OR006000100</u>	AMP 2 <u>OR006000200</u>
113 Cash - Other Restricted	\$ 1,567	\$ 79,709
114 Cash - Tenant Security Deposits	<u>8,730</u>	<u>62,735</u>
100 Total Cash	<u>10,297</u>	<u>142,444</u>
122 Accounts Receivable - HUD Other Projects	134	89,153
125 Accounts Receivable - Miscellaneous	15,147	3,010
126 Accounts Receivable - Tenants	40	10,652
127 Notes, Loans, & Mortgages Receivable - Current	74	8,636
129 Accrued Interest Receivable	<u>49</u>	<u>272</u>
120 Total Receivables, Net of Allowances for Doubtful Accounts	<u>15,444</u>	<u>111,723</u>
131 Investments - Unrestricted	28,841	159,296
143 Inventories	593	1,929
144 Inter Program Due From	<u>124,128</u>	<u>235,404</u>
150 Total Current Assets	<u>153,562</u>	<u>396,629</u>
161 Land	299,209	1,312,541
162 Buildings	3,728,775	9,569,058
164 Furniture, Equipment & Machinery - Administration	55,795	461,018
166 Accumulated Depreciation	(1,326,841)	(7,167,228)
167 Construction in Progress	<u>9,782</u>	<u>283,948</u>
160 Total Capital Assets, Net of Accumulated Depreciation	<u>2,766,720</u>	<u>4,459,337</u>
180 Total Non-Current Assets	<u>2,766,720</u>	<u>4,459,337</u>
190 Total Assets	<u>\$ 2,946,023</u>	<u>\$ 5,110,133</u>
312 Accounts Payable <= 90 Days	\$ 56,789	\$ 56,067
321 Accrued Wage/Payroll Taxes Payable	299	3,653
322 Accrued Compensated Absences - Current Portion	967	26,367
333 Accounts Payable - Other Government	6,430	76,670
341 Tenant Security Deposits	8,730	62,735
345 Other Current Liabilities	-	-
347 Inter Program - Due To	<u>44,604</u>	<u>112,588</u>
310 Total Current Liabilities	<u>117,819</u>	<u>338,080</u>
353 Non-Current Liabilities - Other	1,567	79,709
354 Accrued Compensated Absences - Non Current	<u>306</u>	<u>8,326</u>
350 Total Non-Current Liabilities	<u>1,873</u>	<u>88,035</u>
300 Total Liabilities	<u>119,692</u>	<u>426,115</u>
508.1 Invested In Capital Assets, Net of Related Debt	2,766,720	4,459,337
512.1 Unrestricted Net Assets	<u>59,611</u>	<u>224,681</u>
513 Total Equity/Net Assets	<u>2,826,331</u>	<u>4,684,018</u>
600 Total Liabilities and Equity/Net Assets	<u>\$ 2,946,023</u>	<u>\$ 5,110,133</u>

AMP 3 OR006000300	AMP 4 OR006000400	AMP 5 OR006000500	AMP 6 OR006000600	Total
\$ 78,934	\$ 14,329	\$ 31,256	\$ -	205,795
54,875	16,075	16,425	9,025	167,865
133,809	30,404	47,681	9,025	373,660
11,480	10,457	-	11,715	122,939
-	-	-	-	18,157
10,804	1,889	957	-	24,342
4,411	-	1,120	260	14,501
336	123	117	131	1,028
27,031	12,469	2,194	12,106	180,967
196,413	72,135	68,506	76,655	601,846
711	4,272	3,945	9,295	20,745
-	432,237	248,022	119,304	1,159,095
197,124	508,644	320,473	205,254	1,781,686
1,024,218	687,758	450,796	519,746	4,294,268
7,135,606	5,317,519	3,520,622	5,712,681	34,984,261
360,424	162,463	146,914	168,281	1,354,895
(3,707,961)	(4,035,261)	(2,197,946)	(2,731,105)	(21,166,342)
90,626	51,723	68,507	108,010	612,596
4,902,913	2,184,202	1,988,893	3,777,613	20,079,678
4,902,913	2,184,202	1,988,893	3,777,613	20,079,678
\$ 5,260,877	\$ 2,735,719	\$ 2,359,241	\$ 4,003,998	\$ 22,415,991
\$ 27,539	\$ 12,056	\$ 7,470	\$ 15,481	\$ 175,402
3,225	1,851	1,986	1,734	12,748
13,270	13,017	8,650	9,213	71,484
46,329	57,335	19,944	29,128	235,836
54,875	16,075	16,425	9,025	167,865
-	-	2,431	648	3,079
35,443	10,384	12,688	57,898	273,605
180,681	110,718	69,594	123,127	940,019
78,934	14,329	31,256	-	205,795
4,190	4,110	2,731	2,909	22,572
83,124	18,439	33,987	2,909	228,367
263,805	129,157	103,581	126,036	1,168,386
4,902,913	2,184,202	1,988,893	3,777,613	20,079,678
94,159	422,360	266,767	100,349	1,167,927
4,997,072	2,606,562	2,255,660	3,877,962	21,247,605
\$ 5,260,877	\$ 2,735,719	\$ 2,359,241	\$ 4,003,998	\$ 22,415,991

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

FINANCIAL DATA SCHEDULE - COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION - LOW RENT PUBLIC HOUSING DETAIL
YEAR ENDED SEPTEMBER 30, 2013

	AMP 1 OR006000100			AMP 2 OR006000200		
	Low Rent	Capital Fund	Total	Low Rent	Capital Fund	Total
70300 Net Tenant Rental Revenue	\$ 71,647	\$ -	\$ 71,647	\$ 532,969	\$ -	\$ 532,969
70400 Tenant revenue - Other	-	-	-	-	-	-
70500 Total tenant revenue	71,647	-	71,647	532,969	-	532,969
70600 HUD PHA Operating Grants	63,204	708	63,912	458,504	25,696	484,200
70610 Capital Grants	-	8,239	8,239	-	308,221	308,221
71100 Investment Income - Unrestricted	386	-	386	2,422	-	2,422
71400 Fraud Recovery	211	-	211	-	-	-
71500 Other Revenue	2,308	-	2,308	53,982	-	53,982
70000 Total Revenue	137,756	8,947	146,703	1,047,877	333,917	1,381,794
91100 Administrative Salaries	19,009	-	19,009	166,596	-	166,596
91200 Auditing Fees	654	-	654	1,572	1,082	2,654
91300 Management Fee	16,428	655	17,083	125,486	23,762	149,248
91310 Bookkeeping Fee	2,483	-	2,483	18,960	-	18,960
91400 Advertising and Marketing	26	-	26	148	-	148
91500 Employee Benefit Contributions - Administrative	10,232	-	10,232	109,743	-	109,743
91600 Office Expenses	4,549	-	4,549	6,447	-	6,447
91700 Legal Expense	-	-	-	161	-	161
91800 Travel	43	-	43	875	-	875
91900 Other	548	53	601	500	852	1,352
91000 Total Operating - Administrative	53,972	708	54,680	430,488	25,696	456,184
92000 Asset Management Fee	3,600	-	3,600	25,680	-	25,680
92100 Tenant Services - Salaries	1,574	-	1,574	11,763	-	11,763
92300 Employee Benefit Contributions - Tenant Services	942	-	942	7,244	-	7,244
92400 Tenant Services - Other	44	-	44	(22)	-	(22)
92500 Total Tenant Services	2,560	-	2,560	18,985	-	18,985
93100 Water	16,326	-	16,326	36,165	-	36,165
93200 Electricity	2,866	-	2,866	1,730	-	1,730
93300 Gas	-	-	-	-	-	-
93600 Sewer	24,785	-	24,785	91,781	-	91,781
93000 Total Utilities	43,977	-	43,977	129,676	-	129,676
94100 Ordinary Maintenance and Operations - Labor	1,318	-	1,318	126,992	-	126,992
94200 Ordinary Maintenance and Operations - Materials and Other	2,082	-	2,082	16,836	-	16,836
94300 Ordinary Maintenance and Operations Contracts	62,827	-	62,827	192,543	-	192,543
94500 Employee Benefit Contributions - Ordinary Maintenance	1,002	-	1,002	101,424	-	101,424
94000 Total Maintenance	67,229	-	67,229	437,795	-	437,795
95100 Protective Services - Labor	-	-	-	9,952	-	9,952
95500 Employee Benefit Contributions - Protective Services	-	-	-	1,605	-	1,605
95000 Total Protective Services	-	-	-	11,557	-	11,557
96110 Property Insurance	2,861	-	2,861	16,858	-	16,858
96300 Payments in Lieu of Taxes	3,162	-	3,162	40,477	-	40,477
96400 Bad Debt - Tenant Rents	-	-	-	2,920	-	2,920
96000 Total Other General Expenses	3,162	-	3,162	43,397	-	43,397
96900 Total Operating Expenses	177,361	708	178,069	1,114,436	25,696	1,140,132
97000 Excess of Operating Revenue Over Operating Expenses	(39,605)	8,239	(31,366)	(66,559)	308,221	241,662
97100 Extraordinary Maintenance	-	-	-	8,757	-	8,757
97400 Depreciation Expense	52,983	-	52,983	190,295	-	190,295
90000 Total Expenses	230,344	708	231,052	1,313,488	25,696	1,339,184
10010 Operating Transfer In	-	-	-	-	-	-
10020 Operating transfer Out	-	-	-	-	-	-
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (92,588)	\$ 8,239	\$ (84,349)	\$ (265,611)	\$ 308,221	\$ 42,610

AMP 3 OR006000300			AMP 4 OR006000400			AMP 5 OR006000500		
Low Rent	Capital Fund	Total	Low Rent	Capital Fund	Total	Low Rent	Capital Fund	Total
\$ 273,472	\$ -	\$ 273,472	\$ 434,855	\$ -	\$ 434,855	\$ 201,033	\$ -	\$ 201,033
-	-	-	7,615	-	7,615	1,755	-	1,755
273,472	-	273,472	442,470	-	442,470	202,788	-	202,788
356,687	25,550	382,237	274,270	16,211	290,481	416,869	5,883	422,752
-	297,518	297,518	-	188,767	188,767	-	68,507	68,507
1,404	-	1,404	1,765	-	1,765	967	-	967
-	-	-	-	-	-	-	-	-
18,639	-	18,639	2,922	-	2,922	6,036	-	6,036
650,202	323,068	973,270	721,427	204,978	926,405	626,660	74,390	701,050
56,316	-	56,316	84,033	-	84,033	63,846	-	63,846
504	1,076	1,580	1,572	683	2,255	372	248	620
73,962	23,627	97,589	87,744	15,304	103,048	52,369	5,440	57,809
11,175	-	11,175	13,305	-	13,305	7,913	-	7,913
100	-	100	1,029	-	1,029	82	-	82
35,301	-	35,301	54,808	-	54,808	37,808	-	37,808
3,327	-	3,327	555	-	555	1,643	-	1,643
10	-	10	30	-	30	-	-	-
355	-	355	899	-	899	124	-	124
1,617	847	2,464	-	224	224	1,796	195	1,991
182,667	25,550	208,217	243,975	16,211	260,186	165,953	5,883	171,836
15,480	-	15,480	17,880	-	17,880	10,680	-	10,680
7,098	-	7,098	8,261	-	8,261	4,725	-	4,725
4,298	-	4,298	5,097	-	5,097	2,947	-	2,947
584	-	584	65	-	65	96	-	96
11,980	-	11,980	13,423	-	13,423	7,768	-	7,768
10,083	-	10,083	13,605	-	13,605	27,605	-	27,605
3,065	-	3,065	62,671	-	62,671	11,675	-	11,675
-	-	-	46,741	-	46,741	13,119	-	13,119
14,564	-	14,564	25,552	-	25,552	36,499	-	36,499
27,712	-	27,712	148,569	-	148,569	88,898	-	88,898
96,614	-	96,614	36,336	-	36,336	54,864	-	54,864
32,206	-	32,206	27,177	-	27,177	19,610	-	19,610
244,692	-	244,692	94,003	-	94,003	95,172	-	95,172
72,983	-	72,983	30,636	-	30,636	44,020	-	44,020
446,495	-	446,495	188,152	-	188,152	213,666	-	213,666
-	-	-	2,400	-	2,400	1,075	-	1,075
-	-	-	389	-	389	175	-	175
-	-	-	2,789	-	2,789	1,250	-	1,250
13,859	-	13,859	10,326	-	10,326	6,994	-	6,994
24,554	-	24,554	28,629	-	28,629	11,371	-	11,371
4,757	-	4,757	1,293	-	1,293	3,198	-	3,198
29,311	-	29,311	29,922	-	29,922	14,569	-	14,569
727,504	25,550	753,054	655,036	16,211	671,247	509,778	5,883	515,661
(77,302)	297,518	220,216	66,391	188,767	255,158	116,882	68,507	185,389
-	-	-	2,358	-	2,358	5,658	-	5,658
171,043	-	171,043	83,725	-	83,725	63,742	-	63,742
898,547	25,550	924,097	741,119	16,211	757,330	579,178	5,883	585,061
-	-	-	-	-	-	229,094	-	229,094
-	-	-	-	-	-	(229,094)	-	(229,094)
-	-	-	-	-	-	-	-	-
\$ (248,345)	\$ 297,518	\$ 49,173	\$ (19,692)	\$ 188,767	\$ 169,075	\$ 47,482	\$ 68,507	\$ 115,989

(Continued)

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

FINANCIAL DATA SCHEDULE - COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION - LOW RENT PUBLIC HOUSING DETAIL
YEAR ENDED SEPTEMBER 30, 2013

	AMP 6 OR006000600			Total	Total	Total
	Low Rent	Capital Fund	Total	Low Rent	Capital Fund	Total
70300 Net Tenant Rental Revenue	\$ 209,627	\$ -	\$ 209,627	\$1,723,603	\$ -	\$1,723,603
70400 Tenant revenue - Other	2,027	-	2,027	11,397	-	11,397
70500 Total tenant revenue	211,654	-	211,654	1,735,000	-	1,735,000
70600 HUD PHA Operating Grants	190,778	20,959	211,737	1,760,312	95,007	1,855,319
70610 Capital Grants	-	246,960	246,960	-	1,118,212	1,118,212
71100 Investment Income - Unrestricted	1,063	-	1,063	8,007	-	8,007
71400 Fraud Recovery	-	-	-	211	-	211
71500 Other Revenue	5,452	-	5,452	89,339	-	89,339
70000 Total Revenue	408,947	267,919	676,866	3,592,869	1,213,219	4,806,088
91100 Administrative Salaries	44,195	-	44,195	433,995	-	433,995
91200 Auditing Fees	371	883	1,254	5,045	3,972	9,017
91300 Management Fee	53,281	19,381	72,662	409,270	88,169	497,439
91310 Bookkeeping Fee	8,145	-	8,145	61,981	-	61,981
91400 Advertising and Marketing	84	-	84	1,469	-	1,469
91500 Employee Benefit Contributions - Administrative	24,223	-	24,223	272,115	-	272,115
91600 Office Expenses	9,867	-	9,867	26,388	-	26,388
91700 Legal Expense	30	-	30	231	-	231
91800 Travel	458	-	458	2,754	-	2,754
91900 Other	-	695	695	4,461	2,866	7,327
91000 Total Operating - Administrative	140,654	20,959	161,613	1,217,709	95,007	1,312,716
92000 Asset Management Fee	11,160	-	11,160	84,480	-	84,480
92100 Tenant Services - Salaries	5,098	-	5,098	38,519	-	38,519
92300 Employee Benefit Contributions - Tenant Services	3,089	-	3,089	23,617	-	23,617
92400 Tenant Services - Other	113	-	113	880	-	880
92500 Total Tenant Services	8,300	-	8,300	63,016	-	63,016
93100 Water	19,698	-	19,698	123,482	-	123,482
93200 Electricity	19,795	-	19,795	101,802	-	101,802
93300 Gas	1,167	-	1,167	61,027	-	61,027
93600 Sewer	25,371	-	25,371	218,552	-	218,552
93000 Total Utilities	66,031	-	66,031	504,863	-	504,863
94100 Ordinary Maintenance and Operations - Labor	48,561	-	48,561	364,685	-	364,685
94200 Ordinary Maintenance and Operations - Materials and Other	23,315	-	23,315	121,226	-	121,226
94300 Ordinary Maintenance and Operations Contracts	89,104	-	89,104	778,341	-	778,341
94500 Employee Benefit Contributions - Ordinary Maintenance	38,078	-	38,078	288,143	-	288,143
94000 Total Maintenance	199,058	-	199,058	1,552,395	-	1,552,395
95100 Protective Services - Labor	2,329	-	2,329	15,756	-	15,756
95500 Employee Benefit Contributions - Protective Services	376	-	376	2,545	-	2,545
95000 Total Protective Services	2,705	-	2,705	18,301	-	18,301
96110 Property Insurance	7,197	-	7,197	58,095	-	58,095
96300 Payments in Lieu of Taxes	14,928	-	14,928	123,121	-	123,121
96400 Bad Debt - Tenant Rents	6,906	-	6,906	19,074	-	19,074
96000 Total Other General Expenses	21,834	-	21,834	142,195	-	142,195
96900 Total Operating Expenses	456,939	20,959	477,898	3,641,054	95,007	3,736,061
97000 Excess of Operating Revenue Over Operating Expenses	(47,992)	246,960	198,968	(48,185)	1,118,212	1,070,027
97100 Extraordinary Maintenance	-	-	-	16,773	-	16,773
97400 Depreciation Expense	113,758	-	113,758	675,546	-	675,546
90000 Total Expenses	570,697	20,959	591,656	4,333,373	95,007	4,428,380
10010 Operating Transfer In	-	-	-	229,094	-	229,094
10020 Operating transfer Out	-	-	-	(229,094)	-	(229,094)
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (161,750)	\$ 246,960	\$ 85,210	\$ (740,504)	\$ 1,118,212	\$ 377,708

(Concluded)

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

**SCHEDULE OF CAPITAL FUND PROGRAM
YEAR ENDED SEPTEMBER 30, 2013**

1. The actual Modernization Costs on Modernization Project No. OR16P00650109 and OR16P00650110 are as follows:

OR16P00650109	Funds	Funds	Excess	Funds	Funds	Excess
	Approved	Expended	of Funds Approved	Advanced	Expended	of Funds Advanced
Operations	\$ 14,045	\$ 14,045	\$ -	\$ 14,045	\$ 14,045	\$ -
Management improvement	1,005	1,005	-	1,005	1,005	-
Administration	126,809	126,809	-	126,809	126,809	-
Audit	2,000	2,000	-	2,000	2,000	-
Fees and costs	142,942	142,942	-	142,942	142,942	-
Dwelling structures	981,290	981,290	-	981,290	981,290	-
	<u>\$ 1,268,091</u>	<u>\$ 1,268,091</u>	<u>\$ -</u>	<u>\$ 1,268,091</u>	<u>\$ 1,268,091</u>	<u>\$ -</u>

OR16P00650110	Funds	Funds	Excess	Funds	Funds	Excess
	Approved	Expended	of Funds Approved	Advanced	Expended	of Funds Advanced
Operations	\$ 6,299	\$ 6,299	\$ -	\$ 6,299	\$ 6,299	\$ -
Management improvement	11,483	11,483	-	11,483	11,483	-
Administration	125,621	125,621	-	125,621	125,621	-
Audit	2,000	2,000	-	2,000	2,000	-
Fees and costs	61,685	61,685	-	61,685	61,685	-
Site improvements	154,260	154,260	-	154,260	154,260	-
Dwelling structures	606,817	606,817	-	606,817	606,817	-
Dwelling equipment	94,877	94,877	-	94,877	94,877	-
Non-dwelling structures	159,545	159,545	-	159,545	159,545	-
Non-dwelling equipment	18,169	18,169	-	18,169	18,169	-
Relocation costs	15,452	15,452	-	15,452	15,452	-
	<u>\$ 1,256,208</u>	<u>\$ 1,256,208</u>	<u>\$ -</u>	<u>\$ 1,256,208</u>	<u>\$ 1,256,208</u>	<u>\$ -</u>

2. All modernization work in conjunction with this Capital Fund Program has been completed.
3. All modernization costs or liabilities therefore incurred by the Housing Authority have been fully paid.
4. There are no undercharged mechanics, laborers, contractors or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.
5. The time in which such liens could be filed has expired.

SINGLE AUDIT SECTION

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

Board of Commissioners
Housing And Community Services Agency of Lane County
Eugene, 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 basic financial statements of the Housing And Community Services Agency of Lane County ("HACSA"), a component unit of Lane County, Oregon and its discretely presented component units, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise HACSA's basic financial statements, and have issued our report thereon dated August 29, 2014. Other auditors audited the financial statements of the aggregate discretely presented component units as described in our report on HACSA's basic financial statements. The financial statements of the discretely presented component units, except for Hawthorn-at-29th LLC, Munsel Park Limited Partnership, and Roosevelt Crossing Limited Partnership were not audited in accordance with Government Auditing Standards. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditors of Hawthorn-at-29th LLC, Munsel Park Limited Partnership, and Roosevelt Crossing Limited Partnership

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered HACSA'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 HACSA's internal control. Accordingly, we do not express an opinion on the effectiveness of HACSA'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (Finding No. 2013-01).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HACSA'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*.

HACSA's Response to Findings

HACSA's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. HACSA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Bjorklund & Montplaisir

Portland, Oregon
August 29, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Commissioners
Housing And Community Services Agency of Lane County
Eugene, Oregon

Report on Compliance for Each Major Federal Program

We have audited Housing And Community Services Agency of Lane County ("HACSA")'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of HACSA's major federal programs for the year ended September 30, 2013. HACSA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of HACSA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 HACSA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, HACSA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control over Compliance

Management of HACSA 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 HACSA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 HACSA'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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bjorklund & Montplaisir

Portland, Oregon
August 29, 2014

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2013**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Subgrant ID Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development:			
Direct Programs:			
Housing Choice Vouchers	* 14.871	N/A	\$ 16,805,709
Family Self Sufficiency Program	14.896	N/A	138,000
Public Housing	* 14.850	N/A	1,855,319
Public Housing Capital Fund Program	14.872	N/A	1,118,212
Shelter Plus Care	14.238	N/A	424,918
Resident Opportunity and Support Services - Service Coordinator	14.870	N/A	164,437
Supportive Housing Program - McKenzie Transitions	14.235	N/A	63,177
Low Income Housing Preservation and Resident Homeownership Act of 1990 - Capital Grant - Village Oaks	99.999	N/A	2,126,871
Interest Reduction Payments - Rental and Corporation Housing for Lower Income Families Village Oaks	14.103	N/A	82,915
Fourteen Pines	14.103	N/A	315,188
Passed through Oregon Housing and Community Services Dept. - Section 8 New Construction and Substantial Rehabilitation - Abbie Lane Apartments	14.182	N/A	212,951
Passed through City of Springfield - HOME Investment Partnership Program - Glendwood	14.239	888	53,868
Passed through state of Oregon: HOME Investment Partnership Program	14.239		
Camas Apartments		X001-265	634,318
Munsel Park		0000008	670,726
Passed through city of Eugene: HOME Investment Partnership Program	14.239		
Jacobs Lane		98-02018	451,600
Hawthorn-at-29th		2009-02052	700,000
Laurel Garden		96-02103	137,200
Sheldon Village I		2002-02009	284,195
Sheldon Village II		2002-02091	290,805
Turtle Creek		2006-02013	565,000
Walnut Park		9570643	515,000
Willakenzie			225,000
Total Department of Housing and Urban Development			<u>27,835,409</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2013**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Subgrant ID Number</u>	<u>Expenditures</u>
Under States Department of Agriculture			
Direct Programs:			
Rural Rental Housing Loan - Camas Apartments	10.415	N/A	\$ 455,279
Rural Rental Housing Loan - Norsemen Village	10.415	N/A	1,849,794
Rural Rental Assistance Payments - Camas Apartments	10.427	N/A	116,566
Rural Rental Assistance Payments - Norsemen Village	10.427	N/A	<u>160,569</u>
Total Department of Agriculture			<u>2,582,208</u>
U.S. Department of Energy			
Passed through Lane County, Oregon:			
Weatherization Assistance for Low Income Persons	81.042	25765	98,580
Weatherization Assistance for Low Income Persons - ARRA	81.042	25765	11,664
Bonneville Power Administration	81.042	25765	<u>431,629</u>
Total Department of Energy			<u>541,873</u>
U.S. Department of Health and Human Services			
Passed through Lane County, Oregon -			
Low Income Home Energy Assistance Program	93.568	25765	<u>535,943</u>
Total Department of Health and Human Services			<u>535,943</u>
Total expenditures of federal awards			<u>\$ 31,495,433</u>

* Denotes Major Program

See accompanying notes to Schedule of Expenditures of Federal Awards.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2013

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Housing And Community Services Agency of Lane County ("HACSA"), a component unit of Lane County, Oregon, under programs of the federal government for the year ended September 30, 2013. The information in this schedule is presented in accordance with the requirements of Office of management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of HACSA, it is not intended to and does not represent the statement of net position, statement of revenues, expenses and changes in net position or statement of cash flows of HACSA.

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 OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. HUD Interpretations

In accordance with Real Estate Assessment Center's Interpretation of federal awards expended as defined by OMB Circular A-133 Sections .205(a)-(d), Housing Choice Vouchers and Public and Indian Housing Programs federal awards expended equals the subsidy for HACSA's fiscal period under audit.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2013**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> No
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> No
Type of auditor's report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u> X </u> Yes	<u> </u> No

Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Housing Choice Vouchers	14.871
Public Housing	14.850
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$944,863</u>
Auditee qualified as low-risk auditee?	<u> </u> Yes <u> X </u> No

SECTION 2 - FINDINGS - FINANCIAL STATEMENT AUDIT

See Finding No. 2013-01

SECTION 3 - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM

None

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2013

SECTION 2 - FINDINGS - FINANCIAL STATEMENT AUDIT

Finding No. 2013-01

Criteria or Specific Condition – Management of Housing And Community Services Agency of Lane County (“HACSA”) is responsible for 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. Management of HACSA is also responsible for establishing and maintaining effective internal control over compliance with the compliance requirements for administrating Department of Housing and Urban Development (“HUD”) programs and for complying with the requirements of laws, regulations, contracts, and grants applicable to its HUD program.

Condition – Accounting systems and procedures appeared to have been established to enable HACSA to produce reliable financial information in a timely manner. However there has been an apparent lack of effective supervision in prior periods which has allowed the financial reporting function to become unreliable. In October 2013, HACSA hired a finance director who has been aggressively correcting many of the short comings in financial reporting including adjusting general ledger balances at September 30, 2013 and for the year then ended to actual supportable balances. The following observations collectively indicate that HACSA needs to focus greater attention on preparing reliable financial information.

1. Bank reconciliations – HACSA has procedures in place to reconcile bank statements to the general ledger on a monthly basis, however certain reconciling items that require adjustments to general ledger balances are not made on a timely basis. This results in reconciling items being carried forward from month to month.
2. Other reconciliations – Certain general ledger balances were not reconciled to detail records or other supporting documents or periodically reviewed for propriety as follows:
 - a. Certain grants receivable and deferred revenue account balances, particularly for the weatherization program, were not reconciled to detail records and assessed for collectability on a timely basis. This resulted in adjustments as of September 30, 2012 to eliminate grants receivable of \$151,049, deferred weatherization revenue of \$136,064, and other deferred revenue of \$58,711.
 - b. A general ledger cash account with a balance of \$50,851 was not supported by an actual bank deposit account and there had been no general ledger activity in this account since 2005.
 - c. Insurance claims receivable balances were not estimated or periodically assessed for collectability. This resulted in an adjustment of \$65,813 as of September 30, 2012 to write-off uncollectable insurance claims receivable.
3. Recurring journal entries – HACSA sets up recurring journal entries to record transactions that occur each month. However the recurring journal entries are not reviewed periodically to determine their continued applicability and certain journal entries continued to be recorded each month even after the underlying transactions ceased.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2013

Finding No. 2013-01 – Continued

4. Transactions with component units – HACSA’s investments in limited partnerships were financed in part through grants to HACSA for which the proceeds were then either loaned or contributed to capital of a limited partnership. The transactions were recorded in the accounting records of the limited partnerships but the transactions were not consistently recorded in the financial records of HACSA resulting in differences as follows:
 - a. Grant proceeds that were loaned to Hawthorn-at-29th LLC were not recorded in the general ledger of HACSA requiring an adjustment of \$860,682 as of September 30, 2012.
 - b. Grant proceeds to HACSA of \$646,827 were contributed to capital of Roosevelt Crossing Limited Partnership; however the grant proceeds and the related investment in limited partnership were not recorded in the financial records of HACSA.
 - c. The investments in limited partnerships balance was recorded on the initial costs basis and was not reconcilable to the capital accounts of the limited partnerships. An adjustment of \$736,721 was made as of September 30, 2012 to reduce the investments in limited partnerships to agree with the amounts reflected in the accounting records of the limited partnerships. In addition, an adjustment of \$20,597 was made to convert the accounting for investments in limited partnerships to the equity method. This resulted in a further reduction in the investments in limited partnerships.
5. Chart of accounts – The chart of accounts was originally designed to produce reliable financial information by program, however the chart of accounts has not been updated for changes in HACSA’s operations and accurate account coding has not been enforced. As a result, the preparation of accurate and complete financial statements by program is a lengthy and difficult process. For example, Fund 03 is frequently being used for various programs when separate fund codes have not been set up in general ledger chart of accounts. This results in the financial information for various programs being accumulated in Fund 03 which then requires detailed analysis to sort out information by program.
6. REAC submissions – HACSA is required to submit annual financial statements electronically to HUD through REAC. To facilitate the preparation of financial statements in the format required by HUD, each general ledger account should be assigned a proper FDS code. We noted several general ledger accounts that were coded incorrectly and some general ledger accounts that were not coded.
7. Inter-fund balances – Other than restricted deposits and a bank account for the housing choice voucher program, HACSA has one operating cash account within the central office costs center that is used to account for transactions in the various programs. Cash transactions in the various programs are recorded through inter-fund receivables and payables; however there are no procedures in place to reconcile the inter-fund receivable and payable balances on a monthly basis.
8. Weatherization grants – Other than bank statements that show the receipt of funds from Lane County, detail supporting records for the weatherization program were not available. The predecessor responsible for preparing draw requests is no longer with HACSA and current agency personnel were not able to retrieve the records created by their predecessor.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2013

Finding No. 2013-01 – Continued

9. Depreciation – HACSA uses Excel spreadsheets to track capital assets and depreciation. Due to formula errors, certain additions to fixed assets were not being depreciated.
10. Development costs – In connection with HACSA's development activities, certain transactions have been recorded on the cash basis that required adjustment to the accrual basis. This includes the recording of retainage payable on construction contracts and the recoding of development fees earned by HACSA which should be recorded when earned rather than when payment is received.
11. Long-term debt – There were several differences related to long-term debt that required adjustment including the following:
 - a. Forgivable loans that are forgivable on a pro-rata basis over the term of the loan were not adjusted to recognize the portion forgiven each year.
 - b. Certain loan balances at September 30, 2012 were not reconciled to the actual loan balance as reported by the lender and required adjustment as of September 30, 2012.
 - c. Interest accruing on a construction loan was not recorded and required an adjustment of \$65,741 as of September 30, 2012 and additional adjustment of \$57,181 for the year ended September 30, 2013.
 - d. HACSA received development grants of \$2,188,165 for the Norseman Village Apartments of which \$1,880,429 was received during the year ended September 30, 2013. The amount received by HACSA in the year ended September 30, 2013 was recorded as a long-term note payable. An adjustment was required to recognize grant income.

Effect – HACSA is not able to produce reliable financial information on a timely basis. Extensive analysis of general ledger accounts by the current finance director was necessary to correct balances for preparation of the financial statements for the year ended September 30, 2013.

Cause – There was not an effective manager in the finance department in prior periods to adapt to changes in reporting requirements or to effectively supervise personnel who are responsible for maintaining detail records and initiating general ledger transactions.

Recommendations – With the change in management personnel in October 2013, many of the problems encountered in connection with the preparation of the financial statements for the year ended September 30, 2013 have been identified and are being corrected. However, since the current finance director had to expend so much time and effort to prepare reliable financial statements for the year ended September 30, 2013 some of the observations noted above continued into the current year. Comments related to the individual observations noted above are as follows:

1. Bank reconciliations – Supervisory personnel should review and approve the monthly bank reconciliations. Reconciling items that require adjustment to general ledger balances should be adjusted in the period that the required adjustments are determined.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2013

Finding No. 2013-01 – Continued

2. Other reconciliations – Significant general ledger balances should be reconciled to detail records monthly and balances should be reviewed for proper accounting treatment as well as collectability.
3. Recurring journal entries – Recurring journal entries should be reviewed periodically to determine their continued applicability.
4. Transactions with component units – Many of the significant transactions with the component units are initiated in the development phase and require thorough review of the legal documents to determine proper accounting treatment. These documents should be reviewed by the finance department in conjunction with personnel responsible for development to determine proper accounting. Transactions that are recorded by the component unit may also require recognition by HACSA.
5. Chart of accounts – The chart of accounts should be updated to reflect all programs that are being managed by HACSA. In addition, the importance of properly coding all transactions should be stressed to all personnel who initiate general ledger transactions.
6. REAC submissions – Each general ledger account should be assigned a proper FDS code and importance of entering the correct FDS code should be stressed to all personnel who initiate general ledger transactions.
7. Inter-fund balance – Inter-fund balances should be reconciled on a monthly basis and corrections, if any, should be recorded in the period they are determined.
8. Weatherization grants – Procedures should be adopted to ensure that all detail records supporting general ledger transactions be maintained and that other agency personnel have access to such records in the event of employee turnover.
9. Depreciation – Depreciation computations should be reviewed by supervisory personnel, including the review of formulas that relate to changes from the prior year such as property additions, retirements or assets that may have become fully depreciated.
10. Development costs – Development costs should be recorded when the costs are incurred. This includes recording construction retainage that may not be payable until after construction is completed and development fees that are earned on the accrual basis as projects are completed.
11. Long-term debt – Loan documents should be reviewed at the time a loan is originated to determine the proper accounting treatment. A determination should be made as to whether the legal documents indicate a loan or a development grant that should be recognized as income. Income from forgivable loans should be recognized during the period that the loans are forgiven. This can be accomplished by establishing recurring journal entries to record income on loans that are forgivable on a pro-rata basis over the term of the loan. Periodically general ledger loan balances should be agreed or reconciled to monthly or annual statements received from the lender.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2013

Finding No. 2013-01 – Continued

Response - HACSA management concurs with the auditor's observations regarding the condition of the accounting systems and also with the auditor's recommendations. Many of the recommended actions were already implemented during the fiscal year ending September 30, 2014. Additional work will be done during the remaining months of calendar 2014.

Bank reconciliations continue to be done timely and reconciling items are booked promptly. We are ramping up monthly reconciliation of general ledger balances. Recurring journal entries were reviewed in mid-2014 and will be reviewed annually as part of the budget process. Recurring transactions with component units were reviewed as part of the component unit year-end process at December 31, 2013. One-time transactions with component units will be recorded as they occur. Chart-of-accounts overhaul is on the work-plan for the last quarter of calendar 2014. Appropriate staff members have received training on proper selection of account codes. FDS codes have been added/corrected in the current chart of accounts. Inter-fund balances were reviewed several times during fiscal year 2014 and will be reviewed monthly going forward. Weatherization accounting has been completely redesigned and there are two staff members trained and familiar with the location of all weatherization financial records. Errors in depreciation schedules have been corrected and in the future, the supervisory review will include a review of spreadsheet formulas. New staff in finance, development and asset management will work in closer communication so that development transactions can be recorded timely and correctly, including retainage on contracts. Long-term debt accounts were all adjusted to actual as of September 30, 2013, and in the future, the book balances will be agreed to the bank statement balances regularly. Recurring entries will be created to record scheduled loan forgiveness.

Management is committed to maintaining the financial records for all HACSA programs in a fashion that is timely, accurate and reflective of sound internal controls over financial activity.

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

Board of Commissioners
Housing And Community Services Agency of Lane County
Eugene, Oregon

We have audited the basic financial statements of the Housing And Community Services Agency of Lane County ("HACSA"), a component unit of Lane County, Oregon and its discretely presented component units, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise HACSA's basic financial statements, and have issued our report thereon dated August 29, 2014. Our report includes a reference to other auditors and an emphasis of a matter paragraph indicating that HACSA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61.

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, and the Minimum Standards for Audits of Oregon Municipal Corporations. Other auditors audited the financial statements of the aggregate discretely presented component units as described in our report on HACSA's basic financial statements. The financial statements of the discretely presented component units, except for Hawthorn-at-29th LLC, Munsel Park Limited Partnership, and Roosevelt Crossing Limited Partnership were not audited in accordance with Government Auditing Standards. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditors of Hawthorn-at-29th LLC, Munsel Park Limited Partnership, and Roosevelt Crossing Limited Partnership.

Compliance

As part of obtaining reasonable assurance about whether HACSA'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 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 statements amounts. However, providing an opinion on compliance with those provisions were not an objective of our audit, and accordingly, we do not express such an opinion.

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

- The use of approved depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirement 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 requirement pertaining to the awarding of public contracts and the construction of public improvements.

In connection with our testing, nothing came to our attention that caused us to believe HACSA was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant, including the provisions of Oregon Revised Statutes as specified in OAR 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except Finding No. 2013-01 as described in the accompanying schedule of findings and questioned costs.

Internal Control over Financial Reporting

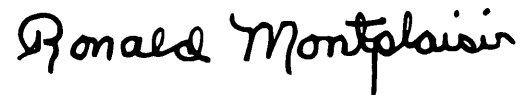
In planning and performing our audit, we considered HACSA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HACSA's internal control. Accordingly, we do not express an opinion on the effectiveness of HACSA'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (Finding No. 2013-01).

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and internal control and the results of that testing, and not to provide an opinion on the effectiveness of the entity's compliance or internal control. 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 compliance and internal control. Accordingly, this communication is not suitable for any other purpose.



For Bjorklund & Montplaisir
Portland, Oregon
August 29, 2014