

HACSA T. B. C.

HACSA MEMORADUM

TO: HACSA Board of Commissioners

FROM: Larry A Abel, Acting Executive Director
Laurie Larson-Lewis, Finance Manager

AGENDA ITEM TITLE: REPORT/Review of Audit Report and Discussion of Future Funding

I MOTION

None required

II ISSUE

Each year the Board is presented with the Agency's audited financial statements for review. This year the Board has also asked for a discussion about future funding.

III DISCUSSION

A. Background/Analysis

Review of Audit Report

Chapter 297 (Audits of Public Funds and Financial Records) of Oregon Revised Statutes and Office of Management and Budget Circular A-133 require an annual organization-wide audit of the Agency's financial statements, accounting systems, and compliance with financial requirements of our various grants.

The organization-wide audit for the year ended September 30, 2008 has been completed. There were no findings and the report has been submitted to the State of Oregon.

Since five of the seven members of HACSA's Board of Commissioners are also Lane County Commissioners, HACSA is considered a component unit of Lane County. Therefore, HACSA's financial statements will be blended with those of Lane County for its fiscal year ended June 30, 2009 by including them in the appropriate statements, notes and schedules of Lane County's Comprehensive Annual Financial Report

The Agency's basic (combined) financial statements and related notes are included on pages 12 through 34 of the report. Supplementary information, which includes the financial statements of HACSA's various programs, begins on page 35.

Ordinarily this audit report would have been submitted to HUD several months ago. However, the required conversion of public housing to asset management has resulted in delays, on HUD's part, in finalizing the system for electronic submission of our financial statements.

Discussion of Future Funding

The budget for the fiscal year ending September 30, 2009 was approved by the HACSA Board on September 10, 2008. Federal funding accounts for approximately 83% of HACSA's revenues;

HUD alone comprises 78%. HACSA's three largest programs are Section 8 Housing Choice Vouchers, Public Housing and Weatherization.

Section 8 Housing Choice Vouchers Program (HCV)

In May 2009 we received this (calendar) year's funding allocation for HCV housing assistance payments (HAP). To date we have received HUD's calculation of HCV administrative fees only through March 2009. Due to funding limitations, HUD has prorated HAP and administrative fees at 99% and 91.5%, respectively. This compares with last year's prorations of 101.5% and 87.7%. We expect that this year's funding will enable us to lease 100% (currently 2,659 per month) of the vouchers that have been allocated to us by HUD. In 2008 our lease rate was 99.97%. In June 2009 we applied for and expect to receive funding for an additional 35 vouchers under the HUD-Veterans Affairs Supportive Housing (VASH) program. HUD rental assistance for homeless veterans, administered by HACSA, will be combined with case management and clinical services provided by the Department of Veterans Affairs. Although funding for next fiscal year has not yet been appropriated, the President's proposed budget fully funds the HCV program.

Public Housing Program

The year ended September 20, 2008 was HACSA's first complete fiscal year under the new HUD project-based/asset management model. The Agency's 708 public housing units have been divided into six asset management projects (AMPs) and a central office cost center. When HUD first introduced this model, they also revised the calculations of public housing operating subsidies, nation-wide. 75% of all public housing authorities (PHAs) received increases, while 25% (including all Oregon PHAs) received decreases. HUD approved HACSA's early (the deadline is September 30, 2011) conversion to asset management. This "stopped our loss" of operating subsidy at \$96,000 per year. Had we waited until the deadline, our loss would have been \$400,000 per year.

The Agency's \$96,000 reduction in operating subsidy has been compounded because, nation-wide, overall subsidy eligibility exceeds appropriations and, therefore, the subsidy is subject to proration. In (calendar year) 2009 the proration estimate (subject to revisions) is 88.4%. The proration in 2008 was 88.96%. Even with these reductions, HACSA has been able to manage and maintain our public housing without decreasing the quality and quantity of services. The President's proposed budget for next fiscal year purports to fund public housing operations at 100% of need. However, industry associations estimate that there would still be a 92% proration.

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 2008 was about \$1,272,000. The comparable amount in fiscal year 2007 was \$1,205,000. The President's proposed budget for next fiscal year projects a 25% decrease. However, in March 2009, under the American Recovery and Reinvestment Act (ARRA), HACSA was awarded \$1,600,000 in additional capital improvement funding. This grant has stringent timelines and plans are well underway to issue much of the ARRA work this summer. All work items will be fully obligated by the required deadline of March 17, 2010. HACSA has also applied for about \$385,000 of competitive ARRA improvement funding. We will continue to evaluate future ARRA opportunities.

Weatherization Program

Cost effective measures are installed by private contractors and are paid for with public and private funds from federal grants and participating electric and national gas utilities. Funding aggregated approximately \$1,500,000 during the fiscal years ended September 30, 2007 and September 30, 2008. We anticipate a similar amount through this and the next fiscal year. Eleven separate funding sources make up this year's budget. HACSA expects to receive about \$2,750,000 in Department of Energy (DOE) ARRA funding (we have already received a small amount of start-up funds) that will be accessible through March 2012. The Agency plans to hire four additional FTEs to help administer this program.

B. Recommendation

None required

IV IMPLEMENTATION/FOLLOW-UP

None required

V Attachments

A copy of the Audited Financial Statements can be accessed in the Office of the Management Services Supervisor

HOUSING AND COMMUNITY SERVICES
AGENCY OF LANE COUNTY

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2008



WILLIAM E. MAAS, P.C.
CERTIFIED PUBLIC ACCOUNTANT

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

September 30, 2008

BOARD OF COMMISSIONERS

Bill Dwyer	5558 Thurston Road Springfield, OR 97478
Joseph Inman	840 Holly Street #218 Junction City, OR 97448
Bobby Green, Sr.	1754 N. Danebo Avenue Eugene, OR 97402
Bill Fleenor	09359 Highway 126 Mapleton, OR 97453
Dewanda McKinley	925 W. Main Street #507 Cottage Grove, OR 97424
C. Peter Sorenson	3780 Emerald Eugene, OR 97405
Faye Stewart	34234 Garoutte Road Cottage Grove, OR 97424

ADMINISTRATION

Chris Todis	Executive Director
Larry A. Abel	Deputy Director

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

For the Year Ended September 30, 2008

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying basic financial statements of the Housing and Community Services Agency of Lane County (HACSA) as of and for the year ended September 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standard applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HACSA as of September 30, 2008, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 29, 2009, on my consideration of the HACSA's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide the opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information, and accordingly, express no opinion on it.

My audit was made for the purpose of forming an opinion on the basic financial statements of HACSA. The accompanying financial statements and schedules listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of federal awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in my opinion, is fairly stated in all material respects in relation to the financial statements referred to above.

Tim E. Meas, PC

Eugene, Oregon
June 29, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis 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, 2008. Please read it in conjunction with the Agency's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- The Agency reported combined net assets (assets less liabilities) of \$43,102,036 as of September 30, 2008. This represents an increase of \$2,123,212 or 5.2% over the prior year.
- 34.5% (\$14,886,125) of combined net assets was unrestricted and, therefore, had no constraints on future use. This compares to 32% (\$13,119,320) last year.
- Total combined revenue for the year ended September 30, 2008 aggregated \$25,768,252, a decrease of \$838,865, or 3.2% under the prior year. This was due primarily to a decrease of \$972,000 in HOME capital grants.
- Revenues exceeded expenses by \$1,994,711, as compared to \$2,402,210 last 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 present the financial position, results of operations and cash flows of HACSA, as a whole, as of and for the year ended September 30, 2008. The supplemental information reflects the combining financial statements of the Agency's major programs.

Reporting the Agency as a Whole

One of the most important questions about the Agency's financial status is, "Is the Agency as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets, the Statement of Revenue, Expenses and Changes in Net Assets and the Statement of Cash Flows report information about HACSA, as a whole, in a way that helps answer this question.

The Statement of Net Assets presents HACSA's financial position as of September 30, 2008. It is as if someone took a snapshot of the Agency's accounts on that specific date and said "this is how it looks, right now." Assets are defined as what the Agency owns and liabilities are what it owes. Therefore, net assets are simply what is owned less what is owed. While the Statement of Net Assets presents the financial position as of a specific date, the Statement of Revenue, Expenses and Changes in Net Assets measures the Agency's results and change in net assets for a period of time; in this case the year ended September 30, 2008. The Statement of Cash Flows is an analysis of the increase or decrease in the Agency's cash balances during the year.

Reporting the Agency's Most Significant Programs

Our analysis of HACSA's major programs begins on page 35. Each major program is a self-balancing set of accounts, which is segregated for the purpose of carrying on specific activities. 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

All of HACSA's activities are accounted for in Public Housing, Section 8 Housing Choice Vouchers, Section 8 New Construction and Section 236 Housing, and Community Development programs. The details of each program are set forth in the supplemental information beginning on page 35. The following analysis pertains to the Agency as a whole.

Net Assets

Net assets increased by \$2,123,210, or 5.2%, over last year. The increase is comprised of net income of \$1,994,711 and prior period adjustment of \$128,499. The prior period adjustments are for HOME grants and depreciation that should have been recorded in prior years.

**TABLE 1
NET ASSETS**

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
Current Assets	\$ 9,956,144	\$ 8,963,642
Restricted Assets	2,665,988	2,554,157
Capital Assets, Net	32,491,433	32,516,119
Other Assets	<u>6,869,566</u>	<u>6,264,843</u>
	<u>51,983,131</u>	<u>50,298,761</u>
Current Liabilities	2,333,237	2,506,727
Noncurrent Liabilities	<u>6,547,858</u>	<u>6,813,208</u>
	<u>8,881,095</u>	<u>9,319,935</u>
Net Assets	<u>\$43,102,036</u>	<u>\$40,978,826</u>
Classification of Net Assets:		
Investment in Capital Assets, Net of Related Debt	\$25,963,365	\$25,681,657
Restricted Net Assets	2,252,546	2,177,847
Unrestricted Net Assets	<u>14,886,125</u>	<u>13,119,322</u>
Total Net Assets	<u>\$43,102,036</u>	<u>\$40,978,826</u>

**TABLE 2
CHANGES IN NET ASSETS**

	Year Ended	
	September 30	
	<u>2008</u>	<u>2007</u>
Revenues:		
Dwelling Rent	\$ 2,884,870	\$ 2,709,142
Federal Operating Grants	20,347,853	20,204,819
Federal Capital Grants	1,029,109	2,104,203
Interest	461,586	378,321
Other	<u>1,044,834</u>	<u>1,210,632</u>
	<u>25,768,252</u>	<u>26,607,117</u>
Expenses:		
Administration	4,147,022	4,496,628
Resident Services	86,221	101,346
Utilities	638,265	646,248
Maintenance	3,615,553	3,543,009
Protective Services	30,316	28,889
General Expense	299,978	296,885
Interest	288,172	308,110
Housing Assistance Payments	13,569,831	13,750,970
Depreciation	<u>1,098,183</u>	<u>1,032,822</u>
	<u>23,773,541</u>	<u>24,204,907</u>
Net Income	\$ 1,994,711	\$ 2,402,210
Prior Period Adjustments	<u>128,499</u>	
Increase in Net Assets	<u>\$ 2,123,210</u>	<u>\$ 2,402,210</u>

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 resident satisfaction. Financial condition is assessed for the agency as a whole. All other indicators are applied only to the public housing program. An aggregate score of 90 or above designates the PHA as a "high performer." HACSA received a high performer designation in all ten years that PHAS has been in place. Due to changes in HUD's financial reporting, they will not be scoring our financial data for 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

This year's additions of \$1,252,897 are primarily due to comprehensive modernization at Laurelwood Homes, a public housing development.

**TABLE 4
CAPITAL ASSETS**

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 8,300,797	\$ 8,082,679
Buildings and improvements	43,702,987	42,634,399
Equipment	2,189,407	2,173,159
Construction in progress	<u>1,047,096</u>	<u>1,097,153</u>
Total	55,240,287	53,987,390
Less: Accumulated depreciation	<u>(22,748,854)</u>	<u>(21,471,271)</u>
Net Capital Assets	<u>\$32,491,433</u>	<u>\$ 32,516,119</u>

Long-term Debt

Long-term debt aggregated \$6,528,067 on September 30, 2008. The decrease of \$306,395 from the balance on September 30, 2007, represents the amount of principal paid during the year.

BUDGETS, SIGNIFICANT CHANGES AND ECONOMIC FACTORS

The Agency's budget for the year ended September 30, 2008 was approved by the HACSA Board of Commissioners on September 26, 2007. HACSA's Board of Commissioners includes two 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.

HACSA's actual expenditures for the year ended September 30, 2008 aggregated \$24,566,296, \$1,261,704 less than the original budget. This difference is due primarily to over budgeted rent increases to Section 8 landlords (\$700,000). The balance is primarily due to delays in the budgeted rehabilitation of the Norsemen Village Apartments.

TABLE 5
VARIATIONS BETWEEN BUDGET AND ACTUAL AMOUNTS

	<u>Actual</u>	<u>Budget</u>	<u>Actual Over (Under) Budget</u>
Personal Services	\$ 5,319,697	\$ 5,395,038	\$ (75,341)
Materials and Services	17,355,660	17,977,185	(621,525)
Capital Outlay	1,252,897	1,748,607	(495,710)
Debt Service	<u>638,042</u>	<u>707,170</u>	<u>(69,128)</u>
Total Expenditures	<u>\$24,566,296</u>	<u>\$25,828,000</u>	<u>\$ (1,261,704)</u>

The budget for the fiscal year ending September 30, 2009 was approved by the HACSA Board on September 10, 2008. Federal funding accounts for approximately 83% of HACSA's revenues; HUD alone comprises 78%.

HACSA's three largest programs are Section 8 Housing Choice Vouchers, Public Housing and Weatherization.

Section 8 Housing Choice Vouchers Program (HCV)

In May 2009 we received this (calendar) year's funding allocation for HCV housing assistance payments (HAP). To date we have received HUD's calculation of HCV administrative fees only through March 2009. Due to funding limitations, HUD has prorated HAP and administrative fees at 99% and 91.5%, respectively. This compares with last year's prorations of 101.5% and 87.7%. We expect that this year's funding will enable us to lease 100% (currently 2,659 per month) of the vouchers that have been allocated to us by HUD. In 2008 our lease rate was 99.97%. In June 2009 we applied for and expect to receive funding for an additional 35 vouchers under the HUD-Veterans Affairs Supportive Housing (VASH) program. HUD rental assistance for homeless veterans, administered by HACSA, will be combined with case management and clinical services provided by the Department of Veterans Affairs. Although funding for next fiscal year has not yet been appropriated, the President's proposed budget fully funds the HCV program.

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Weatherization

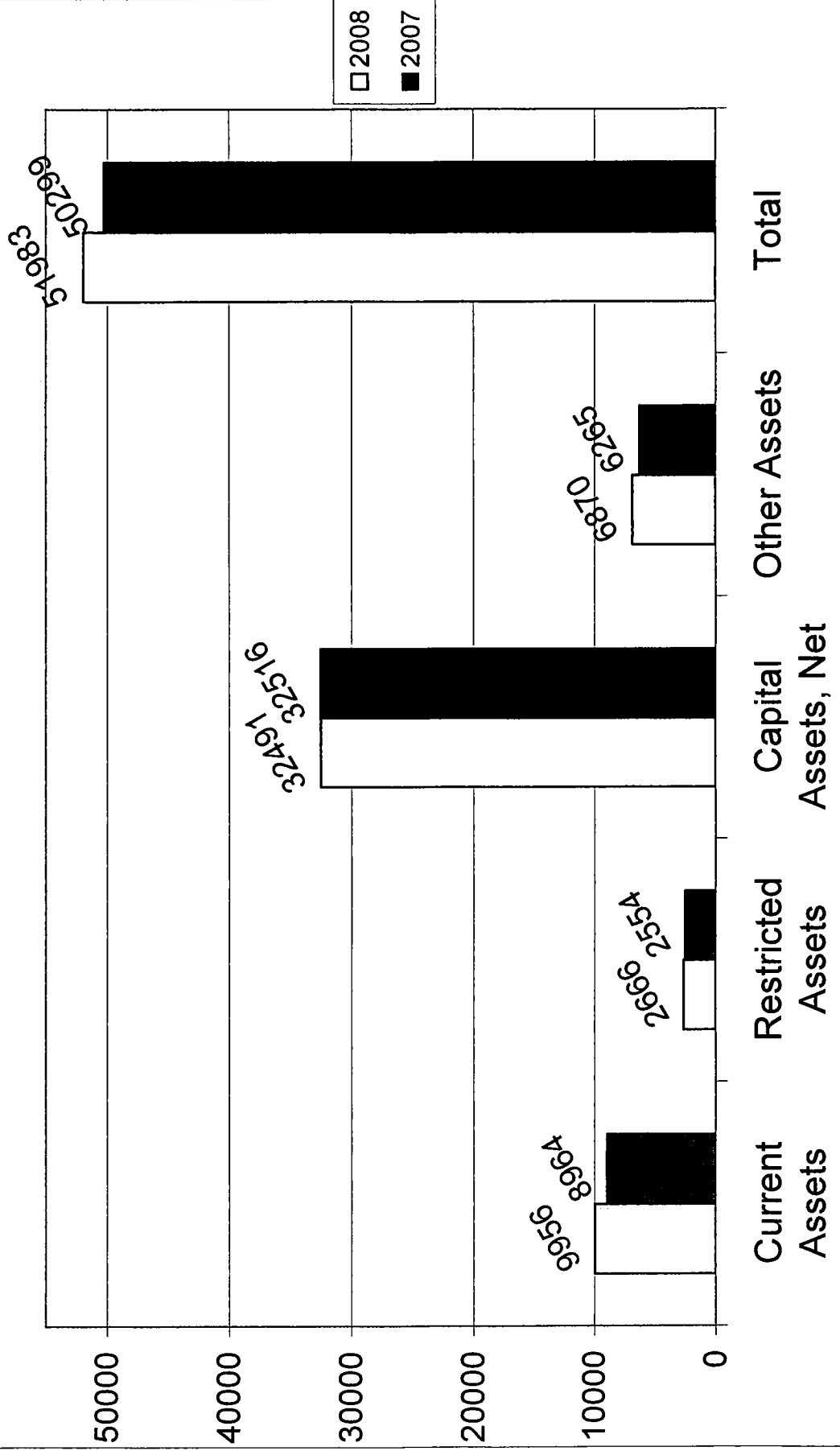
Cost effective measures are installed by private contractors and are paid for with public and private funds from federal grants and participating electric and national gas utilities. Funding aggregated approximately \$1,500,000 during the fiscal years ended September 30, 2007 and September 30, 2008. We anticipate a similar amount through this and the next fiscal year. Eleven separate funding sources make up this year's budget. HACSA expects to receive about \$2,750,000 in Department of Energy (DOE) ARRA funding (we have already received a small amount of start-up funds) that will be accessible through March 2012. The Agency plans to hire four additional FTEs to help administer this program.

CONTACTING HACSA'S FINANCIAL MANAGEMENT

This financial report is intended to provide its readers 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 Larry Abel, Acting Executive Director, Housing and Community Services Agency of Lane County, 177 Day Island Road, Eugene, OR, 97401; email: label@hacsa.us; telephone: (541) 682-2503.

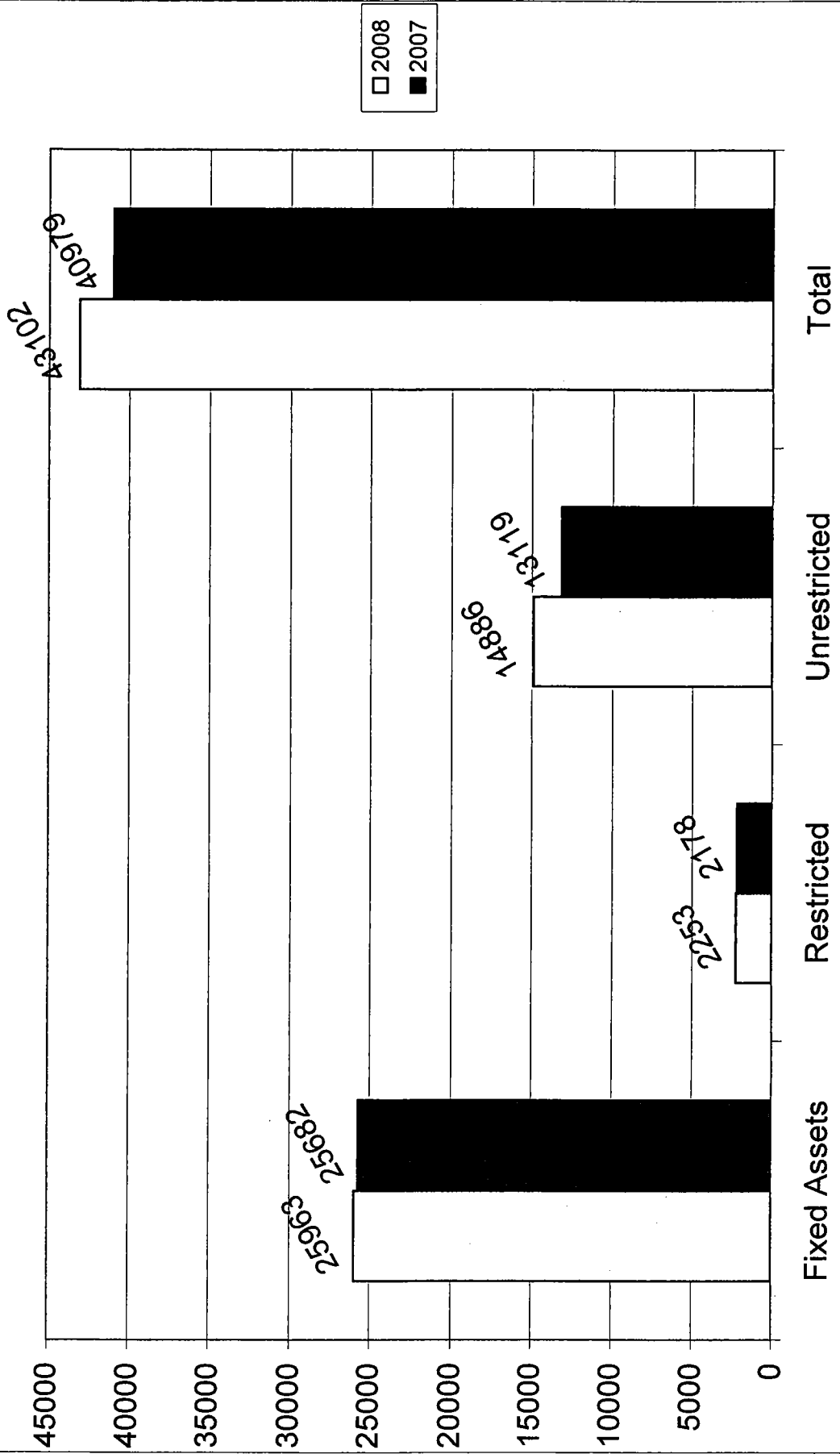
~ TOTAL ASSETS ~

(in thousands of dollars)

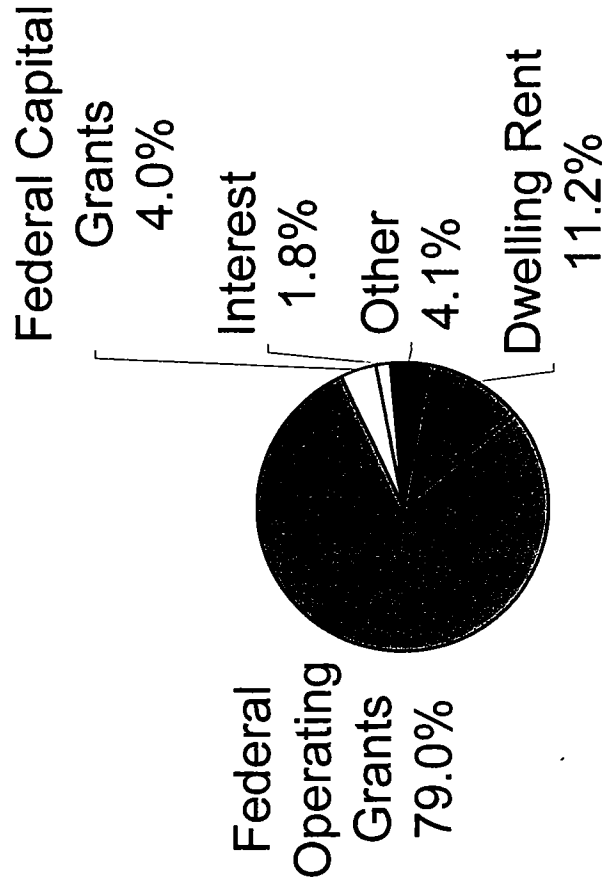


~ NET ASSETS ~

(in thousands of dollars)



**REVENUE Year Ended
September 30, 2008**



BASIC FINANCIAL STATEMENTS

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

STATEMENT OF NET ASSETS

September 30, 2008

ASSETS:	
Current Assets:	
Cash and cash equivalents	2,591,291
Accounts receivable:	
HUD	193,175
Grants	379,574
Tenants	25,191
Other	2,660,004
Investments	3,921,881
Prepaid expenses	130,920
Inventory	54,108
	<hr/>
Total Current Assets	9,956,144
	<hr/>
Restricted Assets:	
Cash and cash equivalents	67,359
Investments	2,248,259
FSS escrow deposits	350,370
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Total Restricted Assets	2,665,988
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Fixed Assets, Net of Depreciation	32,491,433
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Other Assets:	
Loans receivable	4,783,424
Investments in limited partnerships	2,069,223
Deposits	1,144
Unamortized bond discount	15,775
	<hr/>
Total Other Assets	6,869,566
	<hr/>
Total Assets	<u>\$ 51,983,131</u>
LIABILITIES:	
Current Liabilities:	
Accounts payable and accrued liabilities	1,052,458
Tenant security deposits	252,865
Deferred revenue	697,335
Current portion of long-term liabilities	330,579
	<hr/>
Total Current Liabilities	2,333,237
	<hr/>
Long-Term Liabilities:	
FSS escrow deposits	350,370
Loans and bonds payable	6,197,488
	<hr/>
Total Long-Term Liabilities	6,547,858
	<hr/>
Total Liabilities	8,881,095
	<hr/>
NET ASSETS:	
Invested in capital assets, net of related debt	25,963,365
Restricted	2,252,546
Unrestricted	14,886,125
	<hr/>
Total Net Assets	43,102,036
	<hr/>
Total Liabilities and Net Assets	<u>\$ 51,983,131</u>

The accompanying notes are an integral part of the financial statements

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended September 30, 2008

OPERATING INCOME:

Dwelling rent	2,884,870
Housing assistance grants	14,018,390
Operating grants	5,804,350
HUD subsidy income	525,113
Other income	1,044,834

Total operating income	24,277,557
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OPERATING EXPENSES:

Administration	4,147,022
Tenant services	86,221
Utilities	638,265
Ordinary maintenance	3,551,333
Protective services	30,316
General expense	299,978
Non-routine maintenance	64,220
Housing assistance payments	13,569,831
Depreciation	1,098,183

Total operating expenses	23,485,369
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Net operating income	792,188
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NON-OPERATING INCOME (EXPENSE):

Interest income	461,586
Interest expense	(288,172)
Capital grants	1,029,109

Net non-operating income (expense)	1,202,523
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Net income	1,994,711
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Net assets, beginning of year	40,978,826
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Prior period adjustments	128,499
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Net assets, end of year	\$ 43,102,036
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The accompanying notes are an integral part of the financial statements

HOUSING AUTHORITY AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Dwelling rent	2,882,495
Housing assistance grants	14,047,390
Operating grants	5,739,194
Other operating receipts	1,322,438
Payments to employees and related benefits	(5,423,166)
Payments to vendors and others for operations	(3,677,773)
Housing assistance payments	<u>(13,569,831)</u>
Net cash provided (used) by operating activities	<u>1,320,747</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment purchases	(1,450,259)
Investment maturities	1,200,000
Investment in limited partnerships	(40,760)
Loans to limited partnerships	(258,118)
Interest income	<u>273,598</u>
Net cash provided (used) by investing activities	<u>(275,539)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants	1,000,491
Purchase of fixed assets	(1,252,897)
Principal payments on long-term debt	(306,395)
Interest on long-term debt	<u>(273,131)</u>
Net cash provided (used) by capital and related financing activities	<u>(831,932)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Change in FSS escrow deposits	<u>33,199</u>
Increase (decrease) in cash and cash equivalents	246,475
Beginning cash and cash equivalents	<u>2,762,545</u>
Ending cash and cash equivalents	<u>\$ 3,009,020</u>
REPORTED ON STATEMENT OF NET ASSETS:	
Unrestricted	2,591,291
Restricted	67,359
FSS escrow deposits	<u>350,370</u>
Ending cash and cash equivalents	<u>\$ 3,009,020</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Net operating income (loss)	792,188
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,098,183
Amortization of bond discount	2,055
(Increase) decrease in receivables	(315,041)
(Increase) decrease in inventory	(11,312)
(Increase) decrease in prepaid expenses	(64,641)
Increase (decrease) in accounts payable and accrued liabilities	(195,355)
Increase (decrease) in tenant security deposits	9,602
Increase (decrease) in deferred revenue	<u>5,068</u>
Net cash provided (used) by operating activities	<u>\$ 1,320,747</u>

The accompanying notes are an integral part of the financial statements

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The Housing and Community Services Agency (HACSA) of Lane County, Oregon was created by resolution of the County Board of Commissioners, pursuant to ORS 456.085. Its primary functions are planning, development, and operation of low-income housing projects funded by the U.S. Department of Housing and Urban Development (HUD), and the administration and operation of other programs related to low-income housing assistance. These include weatherization, community development, and community service programs. Funding for these programs is primarily provided by HUD and other federal agencies, including the Department of Energy.

The seven-member Board of Commissioners acts as the governing body under the provisions of ORS 456.085.

Day-to-day management of HACSA is the responsibility of an Executive Director appointed by the Board of Commissioners.

The accounting system of HACSA is designed to generate that information necessary to prepare financial statements based on principles applicable to reports required by the various federal agencies, and state, county and Agency requirements. The accounting policies of HACSA conform to generally accepted accounting principles of the United States of America.

Reporting Entity

All significant activities and organization over which HACSA exercises oversight responsibility have been included in the financial statements. Our evaluation of the reporting entity was in accordance with Statement No. 14 of the Governmental Accounting Standards Board (GASB). Based on the criteria contained therein, HACSA is a component unit of Lane County. The Agency does not have any entities considered to be component units of HACSA for the fiscal year 2008.

Program Accounting

The accounts of HACSA are organized on the basis of programs, each of which is a separate accounting entity. The operations of each program are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenue, and expenditures as appropriated.

Government resources are allocated to and accounted for in individual programs based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various programs are combined into agency-wide financial statements, which are reported as basic financial statements. The individual programs are reported in the supplemental information as follows:

PUBLIC HOUSING:

This program accounts for properties owned by HACSA, financed through long-term debt, and rented to low-income families.

SECTION 8 HOUSING CHOICE VOUCHER PROGRAM:

This program accounts for rent subsidy payments to landlords for low-income families who locate their own rental units and negotiate the monthly rent.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED:

Program Accounting – Continued

SECTION 8 NEW CONSTRUCTION AND SECTION 236 HOUSING:

Abbie Lane Apartments

This program accounts for twenty five units of affordable housing owned by HACSA and subsidized with Section 8 housing assistance payments from HUD. Purchase of these units was funded with loans from various public and private sources.

Village Oaks Apartments

This program accounts for a project financed by HUD with loans of \$465,874 and contributed capital of \$2,126,871 for the acquisition and operation of housing for low-income families.

14 Pines Apartments

This program accounts for a project financed by HUD with loans of \$577,996 and contributed capital of \$2,329,638 for the acquisition and operation of housing for low-income families.

COMMUNITY DEVELOPMENT:

Agency Program

The Agency program is used to account for financial resources except those otherwise required by grant terms to be accounted for in a separate program. The primary source of revenue is from rental fees charged and interest earned.

CSA Programs

This program accounts for the various community development projects funded through various federal, state and local sources. These projects include affordable housing, weatherization, and resident programs.

Firwood Apartments

This program accounts for an affordable housing project funded with revenue bonds issued by HACSA and being retired over a period of thirty years.

Heeran Center

This program accounts for the operation of a sixteen-bed residential mental health treatment facility. The project was funded with loans of \$1,372,849 and contributed capital \$245,000.

Signpost House

This program accounts for sixteen units purchased with a City of Eugene “HOME” grant of \$516,170 to provide housing for clients enrolled in the Shelter + Care program.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Program Accounting - Continued

Camas Apartments

This program accounts for thirty-six units of affordable housing financed by the U.S. Department of Agriculture (USDA) with loans of \$536,186 and a State of Oregon "HOME" grant of \$574,584.

Norsemen Village Apartments

This program accounts for forty-four units of affordable housing financed by the USDA with loans of \$1,952,583 and a grant of \$20,000.

Budgets and Budgetary Accounting

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 agencies. A consolidated budget is submitted to the Board of Commissioners for approval, modification and adoption. The Authority is not subject to Oregon Local Budget Law under ORS 294.316 (8).

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied.

The accrual basis of accounting is used in all programs of HACSA. Under the accrual basis of accounting, revenues are recorded when susceptible to accrual, that is, both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

Expenditures are recorded at the time liabilities are incurred except for principal and interest on general obligation bonds which are recorded when due.

The basis of accounting is in accordance with accounting principles generally accepted in the United States of America.

Investments

Investments are stated at cost and consist of federally insured investments, investments in the State of Oregon Local Government Investment Pool, and low-income housing tax credit limited partnerships. Cost of these investments approximates market value, therefore no adjustment for unrealized gain or loss has been made on these financial statements.

Inventories

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

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED:

Accounts Receivable

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

Land, Structures and Equipment

These assets are recorded at cost or estimated historical cost. Depreciation is recorded on the straight-line method over estimated useful lives ranging from three to forty years. The Capitalization threshold is \$5,000.

Income Taxes

The Agency is exempt from Federal income taxes under Internal Revenue Code Section 115.

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.

NOTE 2. CASH AND INVESTMENTS:

Cash

The cash balances at September 30, 2008 are as follows:

Petty Cash	\$	770
Cash with fiscal agent (management company)		46,970
Checking, savings and money market accounts		<u>2,961,280</u>
Total	\$	<u>3,009,020</u>

Cash balances are classified as follows:

Unrestricted	\$	2,591,291
Restricted		<u>417,729</u>
Total	\$	<u>3,009,020</u>

Custodial credit risk for deposits:

This is the risk that deposits may not be returned to the Agency in the event of a bank failure. There were no balances as of September 30, 2008 that were not covered by Federal depository insurance or collateral pledged by the depository institution.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

NOTE 2. CASH AND INVESTMENTS – CONTINUED:

Investments

Investments of HACSA consist of the following:

State of Oregon Local Government Investment Pool	\$ 2,923,960
Federal Agency Securities:	
Federal Home Loan Bank note, 4.75%, matures 12/12/08	600,000
Federal National Mortgage Association, 4%, matures 1/26/09	600,000
Investments with fiscal agents	<u>2,046,180</u>
 Total	 <u>\$ 6,170,140</u>

Investments are classified as follows:

Unrestricted	\$ 3,921,881
Restricted	<u>2,248,259</u>
 Total	 <u>\$ 6,170,140</u>

Oregon Revised Statutes authorize HACSA to participate in the following types of investments:

Obligations of the United States, agencies or instrumentalities of the United States and the States of Oregon, Washington, Idaho and California, certificates of deposit, savings accounts or share accounts held in banks, savings and loan association, or credit unions, fixed or variable life insurance or annuity contracts, banker's acceptances, commercial paper, repurchase and reverse repurchase agreements, and the State of Oregon Local Government Investment Pool.

The State of Oregon Local Government Investment Pool (Pool) is not registered with the U.S. Securities and Exchange Commission as an investment company and is not rated. Oregon Revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer for the Pool. These funds must be invested and managed as a prudent investor would, exercising reasonable care, skill, and caution. Investments of the Pool are further governed by portfolio guidelines issued by the Oregon Short Term Funds Board, which establish diversification rules and specify the types and maturities of investments.

Restrictions on cash balances are as follows:

Family Self-Sufficiency (FSS) escrow deposits	\$ 350,370
Tenant security deposit accounts:	
Abbie Lane Apartments	4,106
Village Oaks Apartments	23,794
Fourteen Pines Apartments	13,783
Camas Apartments	13,969
Norsemen Village Apartments	<u>11,707</u>
 Total	 <u>\$ 417,729</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

NOTE 2. CASH AND INVESTMENTS – CONTINUED:

Restrictions on investment balances are as follows:

Replacement reserve accounts:	
Abbie Lane Apartments	\$ 138,247
Village Oaks Apartments	161,591
Fourteen Pines Apartments	392,182
Heeran Center	69,040
Camas Apartments	48,718
Norsemen Village Apartments	57,611
Tax and insurance reserves:	
Abbie Lane Apartments	9,883
Village Oaks Apartments	(796)
Fourteen Pines Apartments	2,937
Neighborhood Network reserves – CSA	13,717
Residual receipts reserve – Fourteen Pines Apartments	427
Rehabilitation reserve – Norsemen Village Apartments	151,495
USDA rehabilitation reserve – Norsemen Village Apartments	796,320
Firwood Apartments bonded debt funds:	
Lease payment fund	5,771
Principal and interest fund	72,055
Bond reserve fund	114,330
Note payment fund	12,652
Agency Program:	
Walnut Park reserve	98,022
Deposit in lieu of performance bond	<u>104,057</u>
Total	<u>\$ 2,248,259</u>

NOTE 3. 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 governmental 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.

Other – These include amounts due from limited partnerships, and all other miscellaneous receivables.

NOTE 4. LOANS RECEIVABLE:

Loans receivable of HACSA consist of low interest loans made to limited partnerships to develop low-income housing projects.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

NOTE 5. 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, 2008:

	Balance September 30, 2007	Additions	Deletions	Balance September 30, 2008
Capital assets not being depreciated				
Land	\$ 8,082,679	\$ 218,118	\$	\$ 8,300,797
Construction in progress	<u>1,097,153</u>	<u>727,108</u>	<u>777,165</u>	<u>1,047,096</u>
Total capital assets not being depreciated	<u>9,179,832</u>	<u>945,226</u>	<u>777,165</u>	<u>9,347,893</u>
Capital assets being depreciated:				
Buildings and improvements	42,634,399	1,068,588		43,702,987
Furniture and equipment	1,521,673	16,248		1,537,921
Vehicles	<u>651,486</u>			<u>651,486</u>
Total capital assets being depreciated	<u>44,807,558</u>	<u>1,084,836</u>	<u>0</u>	<u>45,892,394</u>
Less accumulated depreciation for:				
Buildings and improvements	19,657,271	1,041,607		20,698,878
Furniture and equipment	1,381,838	44,510		1,426,348
Vehicles	<u>611,562</u>	<u>12,066</u>		<u>623,628</u>
Total accumulated depreciation	<u>21,650,671</u>	<u>1,098,183</u>	<u>0</u>	<u>22,748,854</u>
Total capital assets being depreciated, net	<u>23,156,887</u>	<u>(13,347)</u>	<u>0</u>	<u>23,143,540</u>
Total capital assets, net	<u>\$ 32,336,719</u>	<u>\$ 931,879</u>	<u>\$ 777,165</u>	<u>\$ 32,491,433</u>

Depreciation expense is charged to the programs as follows:

Public Housing	\$ 760,669
Section 8 Housing Choice Vouchers	7,665
Abbie Lane Apartments	36,231
Village Oaks Apartments	59,035
Fourteen Pines Apartments	67,786
Agency Program	11,326
CSA Programs	15,242
Firwood Apartments	64,435
Heeran Center	29,509
Signpost House	14,209
Camas Apartments	21,070
Norsemen Village Apartments	<u>11,006</u>
Total	<u>\$ 1,098,183</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

NOTE 6. LONG TERM DEBT:

For the year ending September 30, 2008 the Agency completed the following long-term debt transactions:

	<u>Balance September 30, 2007</u>	<u>Principal Retirement</u>	<u>Balance September 30, 2008</u>
Bonds Payable:			
Firwood Apartments - Series A Revenue Bonds			
Original amount \$965,000, interest at 5.0% - 6.7%	\$ 705,000	\$ 30,000	\$ 675,000
Firwood Apartments - Series B Revenue Bonds			
Original amount \$470,000, interest at 6.7%	<u>200,000</u>	<u>15,000</u>	<u>185,000</u>
Total Bonds Payable	<u>905,000</u>	<u>45,000</u>	<u>860,000</u>
Notes Payable:			
Abbie Lane Apartments:			
Oregon Housing and Community Services Department			
Original amount \$759,000, interest at 7.75%, annual payment \$62,174, secured by property	207,536	48,725	158,811
Oregon Housing and Community Services Department			
Original amount \$99,000, interest at .25%, annual payment \$3,457, secured by property	59,734	3,311	56,423
City of Eugene Rehabilitation Loan			
Original amount \$487,881, interest at 2.0%, annual payment \$22,140, secured by property	<u>449,567</u>	<u>13,270</u>	<u>436,297</u>
Total	<u>716,837</u>	<u>65,306</u>	<u>651,531</u>
Firwood Apartments:			
Ralph Greenhoot			
Original amount \$388,760, interest at 5.0%, annual payment \$25,043, secured by property	292,553	11,570	280,983
City of Eugene Rehabilitation Loan			
Original amount \$206,000, interest at 3.5%, annual payment \$12,046, secured by property	134,714	7,784	126,930
City of Eugene Rehabilitation Loan			
Original amount \$250,000, interest at 2.0%, annual payment \$15,144, secured by property	<u>250,000</u>	<u>-</u>	<u>250,000</u>
	<u>677,267</u>	<u>19,354</u>	<u>657,913</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

NOTE 6. LONG TERM DEBT - CONTINUED:

	<u>September 30, 2007</u>	<u>Retirement</u>	<u>September 30, 2008</u>
Notes Payable - Continued:			
CSA Program:			
Umpqua Bank, original amount \$120,000, interest at 7.75%, annual payment \$11,882, secured by property	\$ 78,383	\$ 3,490	\$ 74,893
Village Oaks Apartments:			
Siuslaw Bank, original amount \$465,874, interest at 7.5%, annual payment \$50,437, secured by property	197,401	40,148	157,253
Fourteen Pines Apartments:			
Capmark Finance, Inc.			
Original amount \$806,600, interest at 7.5%, annual payment \$60,150, secured by property	253,130	43,819	209,311
City of Eugene Rehabilitation Loan			
Original amount \$750,000, interest at 3.5%, annual payment \$40,414, secured by property	412,921	24,960	387,961
Total	<u>666,051</u>	<u>68,779</u>	<u>597,272</u>
Heeran Center:			
Oregon Housing and Community Services Department			
Original amount \$1,348,349, interest at 3.69%, annual payment \$74,383, secured by property	1,036,093	36,769	999,324
Oregon Department of Human Resources			
Original amount \$24,500, terms not yet determined	24,500	-	24,500
Total	<u>1,060,593</u>	<u>36,769</u>	<u>1,023,824</u>
Signpost House:			
City of Eugene Rehabilitation Loan			
Original amount \$127,678, interest at 5.0%, annual payment \$11,112, secured by property	95,000	6,538	88,462
Camas Apartments:			
USDA Rural Development			
Original amount \$191,239, interest at 6.875%, annual payment \$14,882, secured by property	325,514	3,965	321,549
USDA Rural Development			
Original amount \$191,239, interest at 6.875%, annual payment \$14,882, secured by property	177,743	2,748	174,995
Total	<u>503,257</u>	<u>6,713</u>	<u>496,544</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

NOTE 6. LONG TERM DEBT - CONTINUED:

	<u>September 30, 2007</u>	<u>Retirement</u>	<u>September 30, 2008</u>
Notes Payable - Continued:			
Norsemen Village Apartments:			
USDA Rural Development			
Original amount \$1,079,937, interest at 5.375%, annual payment not yet determined, secured by property	\$ 1,079,037	\$ -	\$ 1,079,037
USDA Rural Development			
Original amount \$191,997, interest at 5.375%, annual payment \$12,953, secured by property	188,366	2,899	185,467
USDA Rural Development			
Original amount \$378,003, interest at 5.375%, annual payment \$26,579, secured by property	369,368	6,894	362,474
USDA Rural Development			
Original amount \$1,191,997, interest at 5.375%, annual payment \$12,953, secured by property	297,002	4,505	292,497
Total	1,933,773	14,298	1,919,475
Total	\$ 6,834,462	\$ 306,395	\$ 6,528,067

The annual requirements to amortize all long-term debt outstanding as of September 30, 2008 are as follows:

Firwood Apartments Revenue Bonds, Series A

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2009	\$ 35,000	\$ 43,584	\$ 78,584
September 30, 2010	35,000	41,329	76,329
September 30, 2011	40,000	38,910	78,910
September 30, 2012	40,000	36,300	76,300
September 30, 2013	45,000	33,495	78,495
September 30, 2014-2018	270,000	118,020	388,020
September 30, 2019-2023	210,000	21,725	231,725
Total	\$ 675,000	\$ 333,363	\$ 1,008,363

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

NOTE 6. LONG TERM DEBT - CONTINUED:

Firwood Apartments Revenue Bonds, Series B

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2009	\$ 15,000	\$ 13,400	\$ 28,400
September 30, 2010	20,000	12,060	32,060
September 30, 2011	20,000	10,720	30,720
September 30, 2012	20,000	9,380	29,380
September 30, 2013	20,000	8,040	28,040
September 30, 2014-2018	<u>90,000</u>	<u>14,073</u>	<u>104,073</u>
Total	<u>\$ 185,000</u>	<u>\$ 67,673</u>	<u>\$ 252,673</u>

Abbie Lane Apartments - OHCS

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2009	\$ 3,320	\$ 137	\$ 3,457
September 30, 2010	3,328	129	3,457
September 30, 2011	3,336	121	3,457
September 30, 2012	3,345	112	3,457
September 30, 2013	3,353	104	3,457
September 30, 2014-2018	16,891	393	17,284
September 30, 2019-2023	17,103	181	17,284
September 30, 2025-2028	<u>5,747</u>	<u>15</u>	<u>5,762</u>
Total	<u>\$ 56,423</u>	<u>\$ 1,192</u>	<u>\$ 57,615</u>

Abbie Lane Apartments - OHCS

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2009	\$ 52,378	\$ 9,796	\$ 62,174
September 30, 2010	56,304	5,870	62,174
September 30, 2011	<u>50,129</u>	<u>1,681</u>	<u>51,810</u>
Total	<u>\$ 158,811</u>	<u>\$ 17,347</u>	<u>\$ 176,158</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

NOTE 6. LONG TERM DEBT - CONTINUED:

Abbie Lane Apartments – City of Eugene Rehabilitation Loan

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2009	\$ 13,538	\$ 8,602	\$ 22,140
September 30, 2010	13,811	8,329	22,140
September 30, 2011	14,090	8,050	22,140
September 30, 2012	14,374	7,766	22,140
September 30, 2013	14,664	7,476	22,140
September 30, 2014-2018	77,882	32,818	110,700
September 30, 2019-2023	86,066	24,634	110,700
September 30, 2024-2028	95,110	15,590	110,700
September 30, 2029-2033	105,104	5,596	110,700
September 30, 2034-2038	<u>1,658</u>	<u>3</u>	<u>1,661</u>
Total	<u>\$ 436,297</u>	<u>\$ 118,864</u>	<u>\$ 555,161</u>

Firwood Apartments – Ralph Greenhoot

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2009	\$ 11,202	\$ 13,841	\$ 25,043
September 30, 2010	11,825	13,208	25,043
September 30, 2011	12,430	12,613	25,043
September 30, 2012	13,066	11,977	25,043
September 30, 2013	13,735	11,308	25,043
September 30, 2014-2018	79,961	45,256	125,217
September 30, 2019-2023	102,618	22,599	125,217
September 30, 2025-2028	<u>36,146</u>	<u>1,397</u>	<u>37,543</u>
Total	<u>\$ 280,983</u>	<u>\$ 132,209</u>	<u>\$ 413,192</u>

Firwood Apartments – City of Eugene Rehabilitation Loan

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2009	\$ 7,604	\$ 4,442	\$ 12,046
September 30, 2010	8,002	4,044	12,046
September 30, 2011	8,287	3,759	12,046
September 30, 2012	8,581	3,465	12,046
September 30, 2013	8,886	3,160	12,046
September 30, 2014-2018	49,404	10,828	60,232
September 30, 2019-2023	<u>36,166</u>	<u>1,322</u>	<u>37,543</u>
Total	<u>\$ 126,930</u>	<u>\$ 31,075</u>	<u>\$ 158,005</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

NOTE 6. LONG TERM DEBT - CONTINUED:

Firwood Apartments – City of Eugene Rehabilitation Loan

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2009	\$ 6,802	\$ 3,294	\$ 10,096
September 30, 2010	10,375	4,769	15,144
September 30, 2011	10,584	4,560	15,144
September 30, 2012	10,798	4,346	15,144
September 30, 2013	11,016	4,128	15,144
September 30, 2014-2018	58,505	17,215	75,720
September 30, 2019-2023	64,653	11,067	75,720
September 30, 2024-2028	71,447	4,273	75,720
September 30, 2029-2033	<u>5,820</u>	<u>28</u>	<u>5,848</u>
Total	<u>\$ 250,000</u>	<u>\$ 53,680</u>	<u>\$ 303,680</u>

CSA Program – Umpqua Bank

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2009	\$ 5,992	\$ 5,890	\$ 11,882
September 30, 2010	6,804	5,078	11,882
September 30, 2011	7,350	4,532	11,882
September 30, 2012	7,941	3,941	11,882
September 30, 2013	8,579	3,303	11,882
September 30, 2014-2018	<u>38,227</u>	<u>5,477</u>	<u>43,704</u>
Total	<u>\$ 74,893</u>	<u>\$ 28,221</u>	<u>\$ 103,114</u>

Village Oaks Apartments – Siuslaw Bank

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2009	\$ 39,837	\$ 10,600	\$ 50,437
September 30, 2010	43,105	7,332	50,437
September 30, 2011	46,451	3,986	50,437
September 30, 2012	<u>27,860</u>	<u>515</u>	<u>28,375</u>
Total	<u>\$ 157,253</u>	<u>\$ 22,433</u>	<u>\$ 179,686</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

NOTE 6. LONG TERM DEBT - CONTINUED:

Of the above amounts, the Department of Housing and Urban Development provides the annual interest subsidy which reduces the net payment the Agency is required to make on the above loan. The subsidies provided by HUD over the life of the loan are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$ 31,548
2010	31,326
2011	31,132
2012	<u>20,706</u>
Total	<u>\$ 114,712</u>

Fourteen Pines Apartments – Capmark Finance, Inc.

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2009	\$ 46,986	\$ 13,164	\$ 60,150
September 30, 2010	50,383	9,767	60,150
September 30, 2011	54,025	6,125	60,150
September 30, 2012	<u>57,917</u>	<u>1,619</u>	<u>59,536</u>
Total	<u>\$ 209,311</u>	<u>\$ 30,675</u>	<u>\$ 239,986</u>

Of the above amounts, the Department of Housing and Urban Development provides the annual interest subsidy which reduces the net payment the Agency is required to make on the above loan. The subsidies provided by HUD over the life of the loan are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$ 36,352
2010	35,810
2011	35,810
2012	<u>35,675</u>
Total	<u>\$ 143,647</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

NOTE 6. LONG TERM DEBT - CONTINUED:

Fourteen Pines Apartments – City of Eugene Rehabilitation Loan

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2009	\$ 25,848	\$ 14,566	\$ 40,414
September 30, 2010	28,240	12,174	40,414
September 30, 2011	29,244	11,170	40,414
September 30, 2012	30,285	10,129	40,414
September 30, 2013	31,362	9,052	40,414
September 30, 2014-2018	175,777	26,293	202,070
September 30, 2019-2023	<u>67,205</u>	<u>2,138</u>	<u>69,343</u>
Total	<u>\$ 387,961</u>	<u>\$ 85,522</u>	<u>\$ 473,483</u>

Heeran Center – Oregon Housing and Community Services Department

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2009	\$ 38,149	\$ 36,234	\$ 74,383
September 30, 2010	39,581	34,802	74,383
September 30, 2011	41,066	33,317	74,383
September 30, 2012	42,607	31,776	74,383
September 30, 2013	44,206	30,177	74,383
September 30, 2014-2018	247,201	124,715	371,916
September 30, 2019-2023	297,203	74,713	371,916
September 30, 2025-2028	<u>249,311</u>	<u>17,228</u>	<u>266,539</u>
Total	<u>\$ 999,324</u>	<u>\$ 382,962</u>	<u>\$ 1,382,286</u>

Signpost House – City of Eugene Rehabilitation Loan

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2009	\$ 6,682	\$ 4,430	\$ 11,112
September 30, 2010	7,195	3,917	11,112
September 30, 2011	7,563	3,549	11,112
September 30, 2012	7,950	3,162	11,112
September 30, 2013	8,356	2,756	11,112
September 30, 2014-2018	48,813	6,748	55,561
September 30, 2019-2023	<u>1,903</u>	<u>14</u>	<u>1,917</u>
Total	<u>\$ 88,462</u>	<u>\$ 24,576</u>	<u>\$ 113,038</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

NOTE 6. LONG TERM DEBT - CONTINUED:

Camas Apartments – USDA Rural Development

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2009	\$ 4,276	\$ 21,945	\$ 26,221
September 30, 2010	4,548	21,673	26,221
September 30, 2011	4,871	21,350	26,221
September 30, 2012	5,216	21,005	26,221
September 30, 2013	5,586	20,635	26,221
September 30, 2014-2018	34,471	96,633	131,104
September 30, 2019-2023	48,564	82,540	131,104
September 30, 2024-2028	68,419	62,685	131,104
September 30, 2029-2033	96,391	34,713	131,304
September 30, 2034-2038	<u>49,207</u>	<u>3,392</u>	<u>52,599</u>
Total	<u>\$ 351,549</u>	<u>\$ 356,841</u>	<u>\$ 708,390</u>

Of the above amounts, Rural Development provides an annual interest subsidy which reduces the net payment the Agency is required to make on the above loan. The subsidies provided by RD over the life of the loan are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$ 14,322
2010	14,322
2011	14,322
2012	14,322
2013	14,322
Thereafter	<u>299,565</u>
Total	<u>\$ 371,175</u>

Camas Apartments – USDA Rural Development

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2009	\$ 2,947	\$ 11,935	\$ 14,882
September 30, 2010	3,152	11,730	14,882
September 30, 2011	3,376	11,506	14,882
September 30, 2012	3,615	11,267	14,882
September 30, 2013	3,872	11,010	14,882
September 30, 2014-2018	23,890	50,522	74,412
September 30, 2019-2023	33,658	40,754	74,412
September 30, 2024-2028	47,419	26,933	74,412
September 30, 2029-2033	<u>53,066</u>	<u>7,994</u>	<u>61,059</u>
Total	<u>\$ 174,995</u>	<u>\$ 183,710</u>	<u>\$ 358,705</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

NOTE 6. LONG TERM DEBT - CONTINUED:

Of the above amounts, Rural Development provides an annual interest subsidy which reduces the net payment the Agency is required to make on the above loan. The subsidies provided by RD over the life of the loan are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$ 7,782
2010	7,782
2011	7,782
2012	7,782
2013	7,782
Thereafter	<u>148,516</u>
Total	<u>\$ 187,426</u>

Norsemen Village Apartments – USDA Rural Development

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2009	\$ 3,045	\$ 9,908	\$ 12,953
September 30, 2010	3,227	9,726	12,953
September 30, 2011	3,405	9,548	12,953
September 30, 2012	3,592	9,361	12,953
September 30, 2013	3,790	9,163	12,953
September 30, 2014-2018	22,323	42,440	64,763
September 30, 2019-2023	29,188	35,575	64,763
September 30, 2024-2028	38,165	26,598	64,763
September 30, 2029-2033	49,903	14,860	64,763
September 30, 2034-2038	<u>28,829</u>	<u>1,929</u>	<u>30,758</u>
Total	<u>\$ 185,467</u>	<u>\$ 173,238</u>	<u>\$ 358,705</u>

Of the above amounts, Rural Development provides an annual interest subsidy which reduces the net payment the Agency is required to make on the above loan. The subsidies provided by RD over the life of the loan are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$ 5,503
2010	5,503
2011	5,503
2012	5,503
2013	5,503
Thereafter	<u>122,913</u>
Total	<u>\$ 150,428</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

NOTE 6. LONG TERM DEBT - CONTINUED:

Norsemen Village Apartments – USDA Rural Development

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2009	\$ 7,241	\$ 19,338	\$ 26,579
September 30, 2010	7,674	19,905	26,579
September 30, 2011	8,097	18,482	26,579
September 30, 2012	8,543	18,036	26,579
September 30, 2013	9,014	17,565	26,579
September 30, 2014-2018	53,090	79,806	132,896
September 30, 2019-2023	69,417	63,479	132,896
September 30, 2024-2028	90,765	42,131	132,896
September 30, 2029-2033	<u>108,633</u>	<u>14,264</u>	<u>122,897</u>
Total	<u>\$ 362,474</u>	<u>\$ 292,006</u>	<u>\$ 654,480</u>

Of the above amounts, Rural Development provides an annual interest subsidy which reduces the net payment the Agency is required to make on the above loan. The subsidies provided by RD over the life of the loan are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$ 11,910
2010	11,910
2011	11,190
2012	11,190
2013	11,190
Thereafter	<u>270,953</u>
Total	<u>\$ 330,503</u>

Norsemen Village Apartments – USDA Rural Development

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2009	\$ 4,732	\$ 15,628	\$ 20,360
September 30, 2010	5,016	15,344	20,360
September 30, 2011	5,292	15,068	20,360
September 30, 2012	5,584	14,776	20,360
September 30, 2013	5,891	14,469	20,360
September 30, 2014-2018	34,698	67,100	101,798
September 30, 2019-2023	45,369	56,429	101,798
September 30, 2024-2028	59,322	42,476	101,798
September 30, 2029-2033	77,566	24,232	101,798
September 30, 2034-2038	<u>49,027</u>	<u>3,5679</u>	<u>52,594</u>
Total	<u>\$ 292,497</u>	<u>\$ 269,089</u>	<u>\$ 561,586</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

NOTE 6. LONG TERM DEBT - CONTINUED:

Of the above amounts, Rural Development provides an annual interest subsidy which reduces the net payment the Agency is required to make on the above loan. The subsidies provided by RD over the life of the loan are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$ 8,651
2010	8,651
2011	8,651
2012	8,651
2013	8,651
Thereafter	<u>195,356</u>
Total	<u>\$ 238,611</u>

Total future requirements for all long-term debt are shown below:

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2009	\$ 330,579	\$ 260,734	\$ 591,313
September 30, 2010	357,570	241,186	598,756
September 30, 2011	369,596	219,047	588,643
September 30, 2012	311,274	198,933	510,207
September 30, 2013	237,310	185,841	423,151
September 30, 2014-2018	1,321,133	738,337	2,059,470
September 30, 2019-2023	1,109,113	437,170	1,546,283
September 30, 2024-2028	761,851	239,326	1,001,177
September 30, 2029-2033	496,483	101,687	598,170
September 30, 2034-2038	128,721	8,891	137,612
Undetermined	<u>1,104,437</u>	-	<u>1,104,437</u>
Total	<u>\$ 6,528,067</u>	<u>\$ 2,631,152</u>	<u>\$ 9,159,219</u>

NOTE 7. TENANT SECURITY DEPOSITS:

The following is a summary of deposits held by HACSA to tenants upon termination of rental contracts:

Public Housing	\$ 166,483
Abbie Lane Apartments	3,897
Village Oaks	23,794
Fourteen Pines	13,783
Firwood Apartments	21,025
Signpost House	1,010
Camas Apartments	13,969
Norsemen Village Apartments	<u>8,904</u>
Total	<u>\$ 252,865</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

NOTE 8. 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. Those risks are covered by commercial insurance. There has been no significant reduction in coverage from the prior year, and settled claims have not exceeded the level of coverage in the past three years.

NOTE 9. PENSION PLAN:

HACSA has a defined contribution plan established under Section 401(k) of the Internal Revenue Code, covering substantially all employees working half-time or more after six months of service. The Agency makes a contribution of twelve percent of covered compensation, and employees have the option of making salary deferral contributions up to fifty percent of compensation, subject to the dollar limits specified in the Internal Revenue Code. The employer contribution for the year ended September 30, 2008 was \$409,562.

NOTE 10. PRIOR PERIOD ADJUSTMENT:

A prior period adjustment was made to record amounts of prior year grants under the HOME Investment Partnerships Program passed through from the City of Eugene and loaned to limited partnerships for construction of low-income housing. In reconciling the records of the limited partnerships with the records of the Agency, it was determined that some amounts had not been recorded on the books of HACSA.

A prior period adjustment was also made to record accumulated depreciation on a portion of the Firwood Apartments building that had not been set up on the depreciation schedule at the time of the purchase.

The amounts of the adjustments are as follows:

HOME grants/loans to limited partnerships	\$ 307,898
Accumulated depreciation on Firwood Apartments	<u>(179,399)</u>
Total adjustment	<u>\$ 128,499</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

COMBINED STATEMENT OF NET ASSETS

September 30, 2008

	Public Housing	Section 8 Housing Choice Vouchers	Section 8 New Construction and Section 236 Housing	Community Development	Total
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$ 9,429	\$ 2,340,793	\$ 12,413	\$ 228,656	\$ 2,591,291
Accounts receivable:				60,643	193,175
HUD	132,532	-	-	379,574	379,574
Grants	-	-	-	6,318	25,191
Tenants	11,872	-	7,001	2,636,059	2,660,004
Other	17,283	4,647	2,015	2,721,881	3,921,881
Investments	1,200,000	-	-	36,527	130,920
Prepaid expenses	68,587	12,519	13,287	780	54,108
Inventories	49,825	-	3,503	670,717	3,106,748
Due from other programs	1,582,871	682,218	170,942	-	-
Total Current Assets	3,072,399	3,040,177	209,161	6,741,155	13,062,892
Restricted Assets:					
Cash and cash equivalents	-	-	41,683	25,676	67,359
Investments	-	-	704,471	1,543,788	2,248,259
FSS escrow deposits	148,012	202,358	-	-	350,370
Total Restricted Assets	148,012	202,358	746,154	1,569,464	2,665,988
Fixed Assets, Net of Depreciation	17,982,410	15,004	6,508,100	7,985,919	32,491,433
Other Assets:					
Loans receivable	-	-	-	4,783,424	4,783,424
Investments in limited partnerships	-	-	-	2,069,223	2,069,223
Deposits	1,144	-	-	-	1,144
Unamortized bond discount	-	-	-	15,775	15,775
Total Other Assets	1,144	-	-	6,868,422	6,869,566
Total Assets	\$ 21,203,965	\$ 3,257,539	\$ 7,463,415	\$ 23,164,960	\$ 55,089,879
LIABILITIES:					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 275,293	\$ 116,806	\$ 17,841	\$ 642,518	\$ 1,052,458
Tenant security deposits	166,483	-	41,474	44,908	252,865
Deferred revenue	28,618	29,000	-	639,717	697,335
Due to other programs	628,965	25,398	64,588	2,387,797	3,106,748
Current portion of long-term liabilities	-	-	181,907	148,672	330,579
Total current liabilities	1,099,359	171,204	305,810	3,863,612	5,439,985
Long-Term Liabilities:					
FSS escrow deposits	148,012	202,358	-	-	350,370
Loans and bonds payable	-	-	1,224,150	4,973,338	6,197,488
Total Long-Term Liabilities	148,012	202,358	1,224,150	4,973,338	6,547,858
Total Liabilities	1,247,371	373,562	1,529,960	8,836,950	11,987,843
NET ASSETS:					
Invested in capital assets, net of related debt	17,982,410	15,004	5,102,043	2,863,908	25,963,365
Restricted	-	-	704,471	1,548,075	2,252,546
Unrestricted	1,974,184	2,868,973	126,941	9,916,027	14,886,125
	19,956,594	2,883,977	5,933,455	14,328,010	43,102,036
Total liabilities and net assets	\$ 21,203,965	\$ 3,257,539	\$ 7,463,415	\$ 23,164,960	\$ 55,089,879

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

PUBLIC HOUSING

STATEMENT OF NET ASSETS

For the Year Ended September 30, 2008

ASSETS:	Projects						Central Office Cost Center	Total
	AMP 100	AMP 200	AMP 300	AMP 400	AMP 500	AMP 600		
Current Assets:								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,429	\$ 9,429
Accounts receivable:								
HUD	107	1,946	465	537	765	24,798	103,914	132,532
Tenants	-	2,204	7,904	815	949	-	-	11,872
Other	538	6,012	3,661	1,344	1,277	-	-	17,283
Investments	45,300	250,200	308,500	113,300	107,600	120,400	254,700	1,200,000
Prepaid expenses	2,621	17,792	11,046	13,241	8,843	8,017	7,027	68,587
Inventories	-	2,265	2,238	3,433	2,494	6,820	32,575	49,825
Due from other programs	-	-	-	-	-	-	1,582,871	1,582,871
Total Current Assets	48,566	280,419	333,814	132,670	121,928	161,464	1,993,538	3,072,399
Restricted Assets:								
FSS escrow deposits	498	46,059	66,169	8,772	26,514	-	-	148,012
Fixed Assets - Net of Depreciation	2,610,905	4,155,280	4,977,717	1,819,132	1,797,213	2,049,193	572,970	17,982,410
Other Assets:								
Deposits	-	-	-	-	-	-	1,144	1,144
Total Assets	\$ 2,659,969	\$ 4,481,758	\$ 5,377,700	\$ 1,960,574	\$ 1,945,655	\$ 2,210,657	\$ 2,567,652	\$ 21,203,965
LIABILITIES:								
Current Liabilities:								
Accounts payable and accrued liabilities	\$ 6,888	\$ 46,805	\$ 58,760	\$ 31,363	\$ 19,121	\$ 22,323	\$ 90,033	\$ 275,293
Tenant security deposits	9,525	61,370	54,168	15,865	15,805	9,750	-	166,483
Deferred revenue	107	1,946	465	537	765	24,798	-	28,618
Due to other programs	1,600	13,255	17,908	5,651	3,827	3,479	583,245	628,965
Total Current Liabilities	18,120	123,376	131,301	53,416	39,518	60,350	673,278	1,099,359
Long-Term Liabilities:								
FSS escrow deposits	499	46,059	66,168	8,772	26,514	-	-	148,012
Total Liabilities	18,619	169,435	197,469	62,188	66,032	60,350	673,278	1,247,371
NET ASSETS:								
Invested in capital assets, net of related debt	2,610,905	4,155,280	4,977,717	1,819,132	1,797,213	2,049,193	572,970	17,982,410
Restricted	-	-	-	-	-	-	-	-
Unrestricted	30,445	157,043	202,514	79,254	82,410	101,114	1,321,404	1,974,184
Total Net Assets	2,641,350	4,312,323	5,180,231	1,898,386	1,879,623	2,150,307	1,894,374	19,956,594
Total Liabilities and Net Assets	\$ 2,659,969	\$ 4,481,758	\$ 5,377,700	\$ 1,960,574	\$ 1,945,655	\$ 2,210,657	\$ 2,567,652	\$ 21,203,965

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

HUD SECTION 8 NEW CONSTRUCTION AND SECTION 236 HOUSING

STATEMENT OF NET ASSETS

For the Year Ended September 30, 2008

	Abbie Lane Apartments	Village Oaks Apartments	Fourteen Pines Apartments	Total
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 12,413	\$ -	\$ -	\$ 12,413
Accounts receivable:				
Tenants	1,230	1,284	4,487	7,001
Other	1,737	278	-	2,015
Prepaid expenses	2,040	5,661	5,586	13,287
Inventories	-	2,778	725	3,503
Due from other programs	22,140	9,528	139,274	170,942
Total Current Assets	39,560	19,529	150,072	209,161
Restricted Assets:				
Cash and cash equivalents	\$ 4,106	23,794	13,783	41,683
Investments	148,130	160,795	395,546	704,471
Total Restricted Assets	152,236	184,589	409,329	746,154
Fixed Assets - Net of Depreciation	1,231,364	2,259,589	3,017,147	6,508,100
Total Assets	\$ 1,423,160	\$ 2,463,707	\$ 3,576,548	\$ 7,463,415
LIABILITIES:				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 5,964	\$ 4,341	\$ 7,536	\$ 17,841
Tenant security deposits	3,897	23,794	13,783	41,474
Due to other programs	64,588	-	-	64,588
Current portion of long-term liabilities	69,236	39,837	72,834	181,907
Total Current Liabilities	143,685	67,972	94,153	305,810
Long-Term Liabilities:				
Loans payable	582,295	117,416	524,439	1,224,150
Total Liabilities	725,980	185,388	618,592	1,529,960
NET ASSETS:				
Invested in capital assets, net of related debt	579,833	2,102,336	2,419,874	5,102,043
Restricted	148,130	160,795	395,546	704,471
Unrestricted	(30,783)	15,188	142,536	126,941
Total Net Assets	697,180	2,278,319	2,957,956	5,933,455
Total Liabilities and Net Assets	\$ 1,423,160	\$ 2,463,707	\$ 3,576,548	\$ 7,463,415

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

COMMUNITY DEVELOPMENT

STATEMENT OF NET ASSETS

For the Year Ended September 30, 2008

	Agency Program	CSA Programs	Firwood Apartments	Heeran Center	Signpost House	Camas Apartments	Norseman Village Apartments	Total
ASSETS:								
Current Assets:								
Cash and cash equivalents	\$ -	\$ 207,312	\$ 50	\$ -	\$ -	\$ 17,957	\$ 3,337	\$ 228,656
Accounts receivable:								
HUD	-	60,643	-	-	-	-	-	60,643
Grants	-	372,261	-	-	-	7,313	-	379,574
Tenants	-	-	1	4,000	-	1,914	403	6,318
Other	-	2,579,946	-	54,333	1,780	-	-	2,636,059
Investments	2,721,881	-	-	-	-	-	-	2,721,881
Prepaid expenses	-	16,156	12,150	1,994	748	1,885	3,594	36,527
Inventories	-	-	780	-	-	-	-	780
Due from other programs	11,024	485,992	25,759	127,483	20,459	-	-	670,717
Total Current Assets	2,732,905	3,722,310	38,740	187,810	22,987	29,069	7,334	6,741,155
Restricted Assets:								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,969	\$ 11,707	\$ 25,676
Investments	202,079	13,717	204,808	69,040	-	48,718	1,005,426	1,543,788
Total Restricted Assets	202,079	13,717	204,808	69,040	-	62,687	1,017,133	1,569,464
Fixed Assets - Net of Depreciation	30,766	1,699,106	2,145,357	1,358,081	663,622	1,135,721	953,266	7,985,919
Other Assets:								
Loans receivable	-	4,783,424	-	-	-	-	-	4,783,424
Investments in limited partnerships	-	2,069,223	-	-	-	-	-	2,069,223
Bond discounts - net	-	-	15,775	-	-	-	-	15,775
Total Other Assets	-	6,852,647	15,775	-	-	-	-	6,868,422
Total Assets	\$ 2,965,750	\$ 12,287,780	\$ 2,404,680	\$ 1,614,931	\$ 686,609	\$ 1,227,477	\$ 1,977,733	\$ 23,164,960
LIABILITIES:								
Current Liabilities:								
Accounts payable and accrued liabilities	\$ 433,956	\$ 48,632	\$ 27,248	\$ 51,377	\$ 223	\$ 17,202	\$ 63,880	\$ 642,518
Tenant security deposits	-	-	21,025	-	1,010	13,969	8,904	44,908
Deferred revenue	-	639,717	-	-	-	-	-	639,717
Due to other programs	1,049,681	1,255,474	-	-	-	69,103	13,539	2,387,797
Current portion of long-term liabilities	-	5,992	75,608	38,149	6,682	7,223	15,018	148,672
Total Current Liabilities	1,483,637	1,949,815	123,881	89,526	7,915	107,497	101,341	3,863,612
Long-Term Liabilities:								
Loans payable	-	68,901	1,442,305	985,675	81,780	489,320	1,905,357	4,973,338
Total Liabilities	1,483,637	2,018,716	1,566,186	1,075,201	89,695	596,817	2,006,698	8,836,950
NET ASSETS:								
Invested in capital assets, net of related debt	30,766	1,624,213	627,444	334,257	575,160	639,177	(967,109)	2,863,908
Restricted	202,079	13,718	204,808	69,040	-	48,718	1,009,712	1,548,075
Unrestricted	1,249,268	8,631,133	6,242	136,433	21,754	(57,235)	(71,568)	9,916,027
Total Net Assets	1,482,113	10,269,064	838,494	539,730	596,914	630,660	(28,965)	14,328,010
Total Liabilities and Net Assets	\$ 2,965,750	\$ 12,287,780	\$ 2,404,680	\$ 1,614,931	\$ 686,609	\$ 1,227,477	\$ 1,977,733	\$ 23,164,960

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY
 COMBINED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended September 30, 2008

	Public Housing	Section 8 Housing Choice Vouchers	Section 8 New Construction and Section 236 Housing	Community Development	Total
OPERATING INCOME:					
Dwelling rent	\$ 1,578,529	\$ -	\$ 457,679	\$ 848,662	\$ 2,884,870
Management and administration fees	1,705,857	-	-	-	1,705,857
Housing assistance grants	-	14,018,390	-	-	14,018,390
Operating grants	1,886,672	1,919,359	-	1,998,319	5,804,350
HUD subsidy income	-	-	561,709	-	561,709
Other income	94,595	25,659	31,014	856,970	1,008,238
Total operating income	5,265,653	15,963,408	1,050,402	3,703,951	25,983,414
OPERATING EXPENSES:					
Administration	2,338,953	1,883,655	273,164	992,388	5,488,160
Asset management fee	84,800	-	-	-	84,800
Tenant services	85,549	-	635	37	86,221
Utilities	468,431	-	81,572	88,262	638,265
Ordinary maintenance	1,670,497	7,705	333,047	1,820,003	3,831,252
Protective services	24,162	-	6,154	-	30,316
General expense	191,910	12,392	26,324	69,352	299,978
Non-routine maintenance	64,220	-	-	-	64,220
Housing assistance payments	-	13,301,665	-	268,166	13,569,831
Depreciation	760,669	7,665	163,052	166,797	1,098,183
Total operating expenses	5,689,191	15,213,082	883,948	3,405,005	25,191,226
Net operating income (loss)	(423,538)	750,326	166,454	298,946	792,188
NON-OPERATING INCOME (EXPENSE):					
Investment income	27,876	26,172	10,402	397,136	461,586
Interest expense	-	-	(64,424)	(223,748)	(288,172)
Transfers	-	-	(9,440)	9,440	-
Capital grants	727,109	-	-	302,000	1,029,109
Net non-operating income (expense)	754,985	26,172	(63,462)	484,828	1,202,523
Net income	331,447	776,498	102,992	783,774	1,994,711
Net assets, beginning of year	19,625,147	2,107,479	5,830,463	13,415,737	40,978,826
Prior period adjustments	-	-	-	128,499	128,499
Net assets, end of year	\$ 19,956,594	\$ 2,883,977	\$ 5,933,455	\$ 14,328,010	\$ 43,102,036

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY
PUBLIC HOUSING

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended September 30, 2008

	Projects					Central Office Cost Center	Total
	AMP 100	AMP 200	AMP 300	AMP 400	AMP 500		
OPERATING INCOME:							
Dwelling rent	\$ 77,666	\$ 454,261	\$ 274,723	\$ 388,094	\$ 200,259	\$ 183,526	\$ 1,578,529
Management and administration fees	-	-	-	-	-	-	1,705,857
Operating grants	95,735	553,573	381,378	337,595	232,049	221,302	1,886,672
Other income	2,282	22,604	26,997	10,812	7,808	6,341	94,595
Total operating income	175,683	1,030,438	683,098	736,501	440,116	411,169	5,265,653
OPERATING EXPENSES:							
Administration	37,415	280,420	176,601	207,973	125,994	129,987	2,338,953
Asset management fee	3,600	25,680	15,530	17,970	10,770	11,250	84,800
Tenant services	3,690	25,388	15,323	17,875	10,089	12,612	85,549
Utilities	23,810	95,606	19,333	161,454	85,582	58,698	468,431
Ordinary maintenance	41,109	360,200	360,250	178,789	163,465	180,532	1,670,497
Protective services	5,579	11,321	-	3,364	1,108	2,790	24,162
General expense	8,045	62,721	46,132	30,059	19,962	19,283	191,910
Non-routine maintenance	-	16,308	45,417	2,495	-	-	64,220
Depreciation	37,008	211,386	206,967	98,658	75,444	97,698	760,669
Total operating expenses	160,256	1,089,030	885,553	718,637	492,414	512,850	5,689,191
Net operating income (loss)	15,427	(58,592)	(202,455)	17,864	(52,298)	(101,681)	(423,538)
NON-OPERATING INCOME (EXPENSE):							
Investment income	675	4,804	2,918	3,370	2,021	2,111	27,876
Capital grants	354,345	108,460	22,625	167	66,280	160,154	727,109
Net non-operating income (expense)	355,020	113,264	25,543	3,537	68,301	162,265	754,985
Net income (loss)	370,447	54,672	(176,912)	21,401	16,003	60,584	331,447
Net assets, beginning of year	2,270,903	4,257,651	5,357,143	1,876,985	1,863,620	2,089,723	19,625,147
Prior period adjustments	-	-	-	-	-	-	-
Net assets, end of year	\$ 2,641,350	\$ 4,312,323	\$ 5,180,231	\$ 1,898,386	\$ 1,879,623	\$ 2,150,307	\$ 19,956,594

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY
 HUD SECTION 8 NEW CONSTRUCTION AND SECTION 236 HOUSING
 STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended September 30, 2008

	Abbie Lane Apartments	Village Oaks Apartments	Fourteen Pines Apartments	Total
OPERATING INCOME:				
Dwelling rent	\$ 36,317	\$ 281,107	\$ 140,255	\$ 457,679
HUD subsidy income	200,497	69,567	291,645	561,709
Other income	7,748	11,154	12,112	31,014
Total operating income	<u>244,562</u>	<u>361,828</u>	<u>444,012</u>	<u>1,050,402</u>
OPERATING EXPENSES:				
Administration	48,825	111,797	112,542	273,164
Tenant services	27	72	536	635
Utilities	13,480	42,745	25,347	81,572
Ordinary maintenance	72,633	128,847	131,567	333,047
Protective services	-	6,154	-	6,154
General expense	19,772	3,774	2,778	26,324
Depreciation	36,231	59,035	67,786	163,052
Total operating expenses	<u>190,968</u>	<u>352,424</u>	<u>340,556</u>	<u>883,948</u>
Net operating income (loss)	<u>53,594</u>	<u>9,404</u>	<u>103,456</u>	<u>166,454</u>
NON-OPERATING INCOME (EXPENSE):				
Investment income	3,796	4,085	2,521	10,402
Interest expense	(22,317)	(10,321)	(31,786)	(64,424)
Transfers	-	(640)	(8,800)	(9,440)
Net non-operating income (expense)	<u>(18,521)</u>	<u>(6,876)</u>	<u>(38,065)</u>	<u>(63,462)</u>
Net income (loss)	35,073	2,528	65,391	102,992
Net assets, beginning of year	662,107	2,275,791	2,892,565	5,830,463
Prior period adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 697,180</u>	<u>\$ 2,278,319</u>	<u>\$ 2,957,956</u>	<u>\$ 5,933,455</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

COMMUNITY DEVELOPMENT

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended September 30, 2008

Agency Program	CSA Programs	Firwood Apartments	Heeran Center	Signpost House	Camas Apartments	Norseman Village Apartments	Total
OPERATING INCOME:							
Dwelling rent	\$ -	\$ 381,702	\$ 177,996	\$ 73,859	\$ 114,322	\$ 100,783	\$ 848,662
Operating grants	-	-	-	-	82,638	122,649	1,998,319
Other income	30,858	11,681	-	7,565	8,877	2,536	856,970
Total operating income	30,858	393,383	177,996	81,424	205,837	225,968	3,703,951
OPERATING EXPENSES:							
Administration	56,041	84,553	21,634	6,794	56,347	67,894	992,388
Tenant services	-	37	-	-	-	-	37
Utilities	-	30,091	-	4,710	21,154	32,307	88,262
Ordinary maintenance	-	1,474,044	60,632	20,141	87,451	66,273	1,820,003
General expense	-	13,135	1,558	720	4,324	5,922	69,352
Housing assistance payments	-	268,166	-	-	-	-	268,166
Depreciation	11,326	15,242	29,509	14,209	21,070	11,006	166,797
Total operating expenses	67,367	2,469,712	113,333	46,574	190,346	183,402	3,405,005
Net operating income (loss)	(36,509)	59,112	64,663	34,850	15,491	42,566	298,946
NON-OPERATING INCOME (EXPENSE):							
Investment income	121,107	5,566	1,163	-	182	602	397,136
Interest expense	-	(77,996)	(37,558)	(4,574)	(34,390)	(60,838)	(223,748)
Transfers	-	9,440	-	-	-	-	9,440
Capital grants	-	302,000	-	-	-	-	302,000
Net non-operating income (expense)	121,107	(72,430)	(36,395)	(4,574)	(34,208)	(60,236)	484,828
Net income (loss)	84,598	(13,318)	28,268	30,276	(18,717)	(17,670)	783,774
Net assets, beginning of year	1,397,516	9,270,830	511,462	566,637	649,377	(11,296)	13,415,737
Prior period adjustments	-	(179,399)	-	-	-	-	128,499
Net assets, end of year	\$ 1,482,114	\$ 10,269,065	\$ 539,730	\$ 596,913	\$ 630,660	\$ (28,966)	\$ 14,328,010

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

COMMUNITY DEVELOPMENT
CSA PROGRAMS

STATEMENT OF REVENUE AND EXPENSES

For the Year Ended September 30, 2008

	HUD Grant Programs	Weatherization Programs	Other Programs	Total
OPERATING INCOME:				
Operating grants	\$ 293,780	\$ 1,499,252	\$ -	\$ 1,793,032
Other income	-	-	795,453	795,453
Total operating income	293,780	1,499,252	795,453	2,588,485
OPERATING EXPENSES:				
Administration	27,546	178,530	493,049	699,125
Ordinary maintenance	-	1,408,492	65,552	1,474,044
General expense	-	5,277	7,858	13,135
Housing assistance payments	268,166	-	-	268,166
Depreciation	455	-	14,787	15,242
Total operating expenses	296,167	1,592,299	581,246	2,469,712
Net operating income (loss)	(2,387)	(93,047)	214,207	118,773
NON-OPERATING INCOME (EXPENSE):				
Investment income	370	-	268,146	268,516
Interest expense	-	-	(8,392)	(8,392)
Transfers	-	-	9,440	9,440
Capital grants	-	-	302,000	302,000
Net non-operating income (expense)	370	-	571,194	571,564
Net income (loss)	\$ (2,017)	\$ (93,047)	\$ 785,401	\$ 690,337

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

COMMUNITY DEVELOPMENT
HUD GRANT PROGRAMS

STATEMENT OF REVENUE AND EXPENSES

For the Year Ended September 30, 2008

	Disaster Voucher Program	Shelter + Care Grant	Neighborhood Network	KDHAP	Total
OPERATING INCOME:					
Operating grants	\$ -	\$ 292,660	\$ 1,120	\$ -	\$ 293,780
Total operating income	-	292,660	1,120	-	293,780
OPERATING EXPENSES:					
Administration	1,307	24,494	1,120	625	27,546
Tenant services	-	-	-	-	-
Utilities	-	-	-	-	-
Ordinary maintenance	-	-	-	-	-
General expense	-	-	-	-	-
Housing assistance payments	-	268,166	-	-	268,166
Depreciation	-	-	455	-	455
Total operating expenses	1,307	292,660	1,575	625	296,167
Net operating income (loss)	(1,307)	-	(455)	(625)	(2,387)
NON-OPERATING INCOME (EXPENSE):					
Investment income	-	-	370	-	370
Net non-operating income (expense)	-	-	370	-	370
Net income (loss)	<u>\$ (1,307)</u>	<u>\$ -</u>	<u>\$ (85)</u>	<u>\$ (625)</u>	<u>\$ (2,017)</u>

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

COMMUNITY DEVELOPMENT
WEATHERIZATION PROGRAMS

STATEMENT OF REVENUE AND EXPENSES

For the Year Ended September 30, 2008

	Department of Energy	Low Income Energy Assistance Program	Duke El Paso	EWEB	SUB	BPA	NWNG	Other Weatherization	Total
OPERATING INCOME:									
Operating grants	\$ 206,148	\$ 430,564	\$ 108,849	\$ 135,415	\$ 33,652	\$ 327,182	\$ 93,335	\$ 164,107	\$ 1,499,252
Total operating income	206,148	430,564	108,849	135,415	33,652	327,182	93,335	164,107	1,499,252
OPERATING EXPENSES:									
Administration	30,991	34,288	13,712	25,438	9,999	29,833	15,199	19,070	178,530
Ordinary maintenance	173,055	394,544	117,548	96,763	57,452	296,865	112,497	159,768	1,408,492
General expense	2,102	1,732	62	291	147	484	176	283	5,277
Total operating expenses	206,148	430,564	131,322	122,492	67,598	327,182	127,872	179,121	1,592,299
Net income (loss)	\$ -	\$ -	\$ (22,473)	\$ 12,923	\$ (33,946)	\$ -	\$ (34,537)	\$ (15,014)	\$ (93,047)

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

ACTUAL MODERNIZATION COST CERTIFICATE
COMPLETED PROJECT OR 16P00650105

For the Year Ended September 30, 2008

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

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

A. Original Funds Approved	\$	1,292,999.00
B. Funds Disbursed	\$	1,292,999.00
C. Funds Expended (Actual Modernization Cost)	\$	1,292,999.00
D. Amount to be Recaptured (A-C)		0
E. Excess of Funds Disbursed (B-C)		0

2. That all modernization work in connection with the Modernization Grant has been completed;
3. That the entire Actual Modernization Cost or liabilities therefor incurred by the HA have been fully paid;
4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work; and
5. The time in which such liens could be filed has expired.

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Accounting Records

I found the records of the Housing Authority and Community Services Agency of Lane County to be generally well maintained and adequate for audit purposes.

Internal Control

My reports on internal control and compliance may be found on pages 49-52.

Collateral for Securing Bank Deposits

ORS Chapter 295 provides that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value of not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation (FDIC). Collateral securing bank deposits of the Agency was in compliance with the requirements of the statute, as the deposits were fully covered by FDIC insurance for the entire year.

Indebtedness

Retirement of long-term indebtedness of the Agency is being accomplished within the provisions of the bond indentures loan agreements with the various lenders and agencies. Financing for the debt retirement is provided by certain federal agencies and the debts are secured by mortgages on the properties built and acquired with the proceeds. Legal debt limitations under ORS Chapter 287 are not applicable.

Budgets

The Agency is exempt for the provisions of Local Budget Law under ORS 294.316(8). No taxes are authorized or being levied for operations or debt retirement. Programs are budgeted within individual divisions and combined into a single consolidated budget. Budgets were prepared and approved in accordance with administrative directives and project grantor requirements.

Insurance and Fidelity Bond Coverage

I examined certain insurance policies relating to the Agency's property and liability coverage and fidelity bonding and made tests to determine that such policies were in force at September 30, 2008 and in compliance with applicable requirements. I am not competent by training to determine if the amounts of the coverage are adequate.

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Programs Funded from Outside Sources

The Agency operated various programs funded wholly or partially from outside sources, primarily governmental agencies. My reports on internal control and compliance under Government Auditing Standards and OMB Circular A-133 appear on pages 49-52.

Investments

The investments of the Agency are all in the State Treasurer's Local Government Investment Pool, Federal Agency securities, or restricted accounts with fiscal agents. Those investments are within the limitations of the Oregon Revised Statutes.

Public Contracting

The Agency was found to be in compliance with the requirements of ORS 279 and the related Oregon Administrative Rules with regard to the awarding of public contracts and the construction of public improvements, for all items tested. Nothing came to my attention to indicate that there were any violations of these rules with respect to items not specifically tested.

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2008

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
Direct Programs:		
Housing Choice Vouchers	14.871	15,937,749
Public Housing	14.850	1,886,672
Public Housing Capital Fund	14.872	875,370
Shelter Plus Care	14.238	292,660
Interest Reduction Payments - Rental and Cooperative Housing for Lower Income Families		
Village Oaks	14.103	31,755
Fourteen Pines	14.103	36,596
Neighborhood Networks	14.800	1,120
Disaster Voucher Program	14.910	1,307
Section 8 New Construction and Substantial Rehabilitation		
Village Oaks	14.182	37,812
Fourteen Pines	14.182	255,049
Passed through the City of Eugene: HOME Investment Partnerships Program	14.239	302,000
Passed through Oregon Housing and Community Services Department: Section 8 New Construction and Substantial Rehabilitation - Abbie Lane Apartments	14.182	200,497
Total Department of Housing and Urban Development		19,858,587
<u>U.S. Department of Agriculture</u>		
Direct program:		
Rural Rental Assistance Payments - Camas Apartments	10.427	60,533
Rural Rental Assistance Payments - Norsemen Village Apartments	10.427	96,585
Total Department of Agriculture		157,118
<u>U.S. Department of Energy</u>		
Passed through Lane County, Oregon Weatherization Assistance for Low Income Persons	81.042	206,148
Total federal programs		\$ 20,221,853

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2008

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing and Community Services Agency of Lane County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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

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

I have audited the financial statements of the Housing and Community Services Agency of Lane County, for the year ended September 30, 2008 and have issued my report thereon dated June 29, 2009. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Agency's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the Agency's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the Agency's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

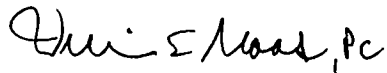
A material weakness is a significant deficiency, combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

My consideration of internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, the Board of Commissioners, others within the Agency, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Eugene, Oregon
June 29, 2009



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

I have audited the compliance of the Housing and Community Services Agency of Lane County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs as of and for the year ended September 30, 2008. The Housing and Community Services Agency of Lane County, Oregon's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant applicable to each of its major federal programs is the responsibility of the Agency's management. My responsibility is to express an opinion on the Agency's compliance based on my audit.

I conducted my audit in accordance with generally accepted auditing standards of 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Agency's compliance with those requirements.

In my opinion, the Housing and Community Services Agency of Lane County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal financial assistance programs for the year ended September 30, 2008.

Internal Control over Compliance

The management of the HACSA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to

federal programs. In planning and performing my audit, I considered the Agency's internal over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent and detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Eugene, Oregon
June 29, 2009

HOUSING AND COMMUNITY SERVICES AGENCY OF LANE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2008

SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's opinion issued:	Unqualified
Internal control reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified that are not considered To be material weaknesses?	No
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified that are not considered To be material weaknesses?	No
Type of auditor's report on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in Accordance with section 510(2) of OMB Circular A-133?	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Housing Choice Vouchers	14.871
Public Housing	14.850
Public Housing Capital Fund Program	14.872

The threshold for distinguishing Types A and B programs: \$ 606,655

Auditee qualified as low-risk auditee? Yes

FINANCIAL STATEMENT FINDINGS

None

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

PRIOR YEAR AUDIT FINDINGS

None