

**HOUSING AUTHORITY OF JACKSON COUNTY
Medford, Oregon**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2013

WITH

INDEPENDENT AUDITOR'S REPORT

HOUSING AUTHORITY OF JACKSON COUNTY
Financial Statements
Year Ended December 31, 2013

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HOUSING AUTHORITY OF JACKSON COUNTY
Financial Statements
Year Ended December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
2251 Table Rock Road
Housing Authority of Jackson County (HAJC), Oregon
Medford, Oregon

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of Jackson County (HAJC), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority of Jackson County, Oregon's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit Canterbury Hills, Freedom Square and Liberty Place, Lilac Meadow Phase II, Maple Terrace, Quail Run, Scenic Heights, and Snowberry Brook, which are presented as discretely presented component units within the HAJC's financial statements. These entities represent 40.41% of the total assets and 9.40% of the operating revenue of the HAJC. These statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the HAJC, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units of the HAJC were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Board of Commissioners
Housing Authority of Jackson County, Oregon
Medford, Oregon

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the HAJC as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 17 to the financial statements, in 2013 the HAJC adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Defined Benefit Retirement Plan—Schedule of Funding Progress, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the HAJC's basic financial statements. The supplemental information, as listed in the Table of Contents, is presented for the purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of 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 financial statements.


Board of Commissioners
Housing Authority of Jackson County, Oregon
Medford, Oregon

The supplemental information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the supplemental information and the Schedule of Expenditures of Federal Awards information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Audit Standards* and Oregon State Regulations

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2014, on our consideration of the HAJC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HAJC's internal control over financial reporting and compliance.

In accordance with Oregon State Regulations, we have also issued our report dated July 30, 2014 on our consideration of the HAJC's compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.



Stewart C. Parmele CPA, Partner
KDCO Piels CPAs, LLP
Medford, Oregon
July 30, 2014

As management of the Housing Authority of Jackson County (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2013.

The Authority's Management's Discussion and Analysis (MD&A) is designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activities for the period, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges) and (d) identify individual program issues or concerns.

Since the MD&A is designed to focus on the current period's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's Financial Statements and Notes.

Overview of the Housing Authority of Jackson County

The Authority's purpose is to provide and promote decent, safe and affordable housing for low-income persons residing in Jackson County, Oregon as permitted by law. The Authority's mission is to provide opportunities to people who experience barriers to housing because of income, disability or special needs in an environment which preserves personal dignity, and in a manner which maintains the public trust.

Financial Highlights

- The assets of the Housing Authority exceeded its liabilities by \$31.7 million at year end. During the year, assets increased by approximately \$0.8 million and liabilities decreased by \$0.3 million.
- The Housing Authority realized an increase in net position of \$1.2 million during the year. Net position decreased an additional (\$143,220) due to a change in accounting principle related to the expensing of debt issuance costs, for a total change in net position of \$1.1 million.
- As part of its continuing plan to dispose of its former public housing units, the Housing Authority sold seven houses in 2013. The seven houses were sold for a total price of \$860,000 which resulted in a gain of \$509,512. In all, assets with a total cost of \$550,599 and a total net book value of \$262,230 were disposed of. In return, the Housing Authority received cash proceeds of \$791,024.
- Construction began in 2013 on Cherry Creek Apartments, a 50 unit apartment project located in Medford, Oregon. Operations are expected to begin in 2014. The apartments are owned and will be operated by an Oregon limited liability company made up of Key Community Development Corporation (investor member) and the Housing Authority of Jackson County (managing member) with ownership interests of 99.99% and .01%, respectively. During 2013, the Authority transferred ownership

of capital assets totaling \$2.2 million to the LLC. See Note 13. Cherry Creek Part I LLC is reported as a discretely presented component unit in the accompanying financial statements.

- Construction was completed and operations began in 2013 on Freedom Square and Liberty Place Apartments. The units are owned and operated by Freedom and Liberty Development, LLC, made up of Key Community Development Corporation (investor member) and the Housing Authority of Jackson County (managing member) with ownership interests of 99.99% and .01%, respectively. See Note 13. Freedom and Liberty Development LLC is reported as a discretely presented component unit in the accompanying financial statements

Overview of the Financial Statements

The Authority's Financial Statements consist of two parts – Management's Discussion and Analysis (this section) and the Financial Statements. The Financial Statements include the government-wide Financial Statements and Notes to the Financial Statements. The Authority is a stand alone governmental entity engaged only in business type activities. The Authority's activities include various programs funded by the Department of Housing and Urban Development (HUD) and projects funded by the U.S. Department of Agriculture Rural Development (RD). The Housing Authority also maintains other community development programs which consist of low-income housing and related activities. In addition, two low-income housing projects that are considered to be blended component units of the Housing Authority are also included in this financial report. Separately issued financial statements for the two low-income housing projects considered to be blended component units are not available at the offices of the Housing Authority.

The Housing Authority's financial statements provide detailed information about all of its programs. Some programs are required to be established by HUD and RD. The Housing Authority establishes other programs to help it control and manage resources for particular purposes or to show that it is meeting legal responsibilities for using grants and other resources. The Housing Authority uses the full accrual method of accounting in which all assets and all liabilities associated with the operation of these programs are included on the Statement of Net Position. The focus is on income measurement and maintenance of equity.

The Financial Statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows. The Financial Statements report information about the Authority as a whole using accounting methods similar to those used by private sector companies.

The Statement of Net Position, which is similar to a balance sheet, reports all financial and capital assets of the Authority and is presented in a format where assets minus liabilities equals net position. Net position is broken into the following three categories:

- **Net investment in capital assets** consists of all capital assets, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- **Restricted net position** consists of restricted assets, when constraints are placed on the assets by creditors (such as debt covenants), grantors, contributors, laws, or regulations.
- **Unrestricted net position** consists of net assets that do not meet the definition of net investment in capital assets, net of related debt, or restricted net assets.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position regardless of when cash is received or paid.

Statement of Cash Flows discloses net cash provided by or used in operating activities, noncapital financing activities, capital and related financing activities, and investment activities.

The Notes provide additional information that is essential to a full understanding of the data provided and are an integral part of the Financial Statements.

The Financial Statements also include nine legally separate tax credit partnerships and limited liability companies and one not-for-profit organization (Discretely Presented Component Units) for which the Authority are financially accountable. Their financial information is reported in total in a separate column.

Financial Analysis of the Authority

The following statements are condensed versions of our financial statements, for the purpose of analysis and discussion. See the full Financial Statements for more detail.

Condensed Statement of Net Position

| | Primary Government | | Discretely Presented Component Units | |
|------------------------------------|----------------------|----------------------|---|----------------------|
| | 12/31/2013 | 12/31/2012 | 12/31/2013 | 12/31/2012 |
| Current and Other Assets | \$ 17,884,735 | \$ 15,042,217 | \$ 3,285,192 | \$ 3,023,179 |
| Capital Assets | 34,184,353 | 36,264,642 | 59,696,367 | 46,888,386 |
| Total Assets | <u>\$ 52,069,088</u> | <u>\$ 51,306,859</u> | <u>\$ 62,981,559</u> | <u>49,911,565</u> |
| Other Liabilities | \$ 2,336,312 | \$ 1,486,314 | \$ 2,192,553 | \$ 1,548,408 |
| Long-term Liabilities | 18,032,969 | 19,203,873 | 29,068,747 | 21,134,154 |
| Total Liabilities | <u>20,369,281</u> | <u>20,690,187</u> | <u>31,261,300</u> | <u>22,682,562</u> |
| Net investment in capital assets | 14,750,270 | 16,770,170 | 30,493,524 | 26,225,094 |
| Restricted | 4,974,937 | 4,149,023 | 1,494,782 | 1,550,131 |
| Unrestricted | 11,974,600 | 9,697,479 | (268,047) | (546,222) |
| Total Net Position | <u>31,699,807</u> | <u>30,616,672</u> | <u>31,720,259</u> | <u>27,229,003</u> |
| Total Liabilities and Net Position | <u>\$ 52,069,088</u> | <u>\$ 51,306,859</u> | <u>\$ 62,981,559</u> | <u>\$ 49,911,565</u> |

Major Factors Affecting the Statement of Net Position

The Primary Government's Debt to Asset ratio improved slightly in 2013 to 39.1% from 40.3% in 2012. The Discretely Presented Component Unit's ratio went from 45.4% in December 2012 to 49.6% in December 2013, mainly due to the addition of the Freedom and Liberty and Cherry Creek projects. These projects added debt of \$10.5 million and assets of \$17.5 million which is a debt to asset ratio of 60%.

The current and other assets of the primary government of the Authority increased by \$2.7 million or 18%. This increase is from a \$1.5 million increase in cash and restricted reserve accounts which increased due to proceeds from the sale of the seven single-family houses and reimbursement of pre-development costs for the Cherry Creek project. Additionally, the amounts due from discretely presented component units increased related to the developer fees and other receivables due from the Cherry Creek and Freedom and Liberty projects.

The capital assets of the primary government decreased by over \$2 million or 6% due to the transfer of assets to the Cherry Creek Apartments. The capital assets of the discretely presented component units increased by \$12.9 million or 27% with the addition of the Cherry Creek and Freedom and Liberty projects. These projects represent \$14.9 million of the increase while the offsetting decrease is a result of normal depreciation of assets.

The primary government's total assets at December 31, 2013 were \$52.1 million, an increase of \$0.8 million. Discretely presented component unit's total assets were \$63.0 million, an increase of \$13.1 million.

Other liabilities for the primary government increased over \$850,000. This resulted from reclassifying \$490,000 of the Finley Square loan from long-term to current as required by a refinancing of the debt that was completed in 2014 (See Note 10). Further, a \$400,000 loan used to acquire property in 2011 is due in 2014, and was reclassified from long-term liabilities.

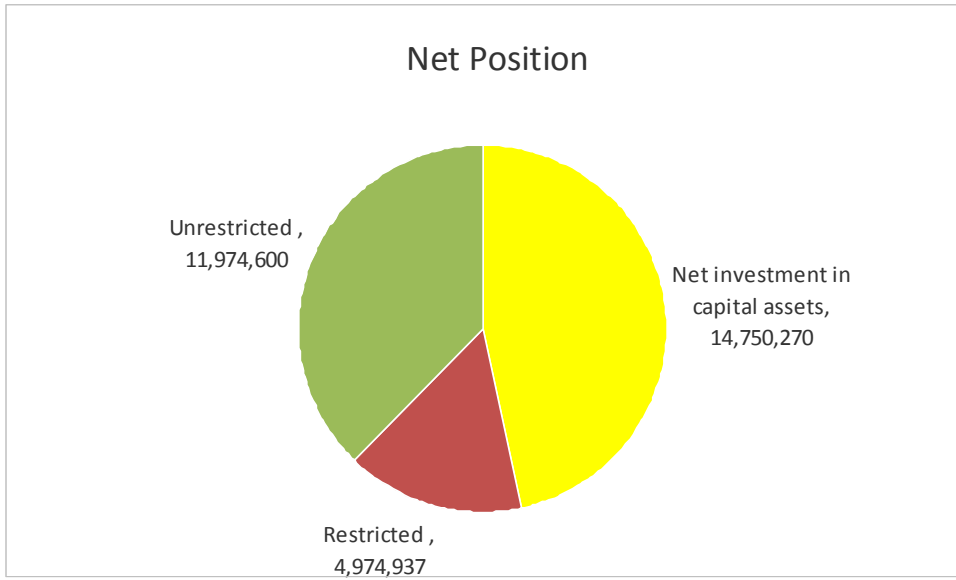
Other liabilities of the discretely presented component units increased by over \$640,000 or 42%. This resulted from developer fees payable to the Authority being schedule for repayment from investor contributions during 2014.

Long term liabilities of the primary government decreased due to the reclassification of \$1.1 million of long-term liabilities to current resulting from normal scheduled debt payments. The \$7.9 million increase in the discretely presented component unit debt is related to financing the Cherry Creek and Freedom and Liberty projects.

Restricted net position of the primary government and discretely presented component units represents funds set aside to pay for debt service, funds set aside for construction, replacement reserves, and operating expenses as required in bond covenants, contracts, or HUD regulations.

The unrestricted net position generally represents excess cash available, deferred developer fees, other receivables to be collected and other net amounts not classified as net investment in capital assets or restricted. The following chart illustrates the net position of the primary government:

| | | <u>Primary Government</u> |
|----------------------------------|-------------|-------------------------------|
| Net Investment in Capital Assets | 46.5% | \$14,750,270 |
| Restricted | 15.7% | 4,974,937 |
| Unrestricted | 37.8% | 11,974,600 |
| | <u>100%</u> | <u>\$31,699,807</u> |



Condensed Statement of Revenue, Expense, and Changes in Net Position

| | Primary Government | | Discretely Presented Component Units | |
|---------------------------------------|----------------------|----------------------|---|----------------------|
| | 12/31/2013 | 12/31/2012 | 12/31/2013 | 12/31/2012 |
| Revenues | | | | |
| Operating revenues | | | | |
| Tenant receipts | \$ 4,863,309 | \$ 4,615,322 | \$ 2,404,539 | \$ 2,346,459 |
| Other operating revenues | 2,728,148 | 1,500,160 | 24,145 | 93,119 |
| HUD and RD operating subsidies | 12,152,125 | 10,886,540 | 802,809 | 637,880 |
| Non-operating revenues | | | | |
| Investment income | 116,021 | 154,639 | 1,198 | 1,348 |
| Gain/(loss) on sale of assets | 336,344 | 260,887 | - | - |
| Donation income | 45,647 | - | - | - |
| HUD PHA capital grants | - | 748,599 | - | - |
| Total revenues | <u>20,241,594</u> | <u>18,166,147</u> | <u>3,232,691</u> | <u>3,078,806</u> |
| Expenses | | | | |
| Operating expenses | | | | |
| Other operating | 6,400,792 | 6,112,333 | 1,987,916 | 1,765,215 |
| Housing assistance payments | 10,419,065 | 10,593,544 | - | - |
| Depreciation | 1,202,016 | 1,166,107 | 2,056,200 | 1,976,331 |
| Non-operating expenses | | | | |
| Other non-operating expenses | 8,632 | - | - | - |
| Interest expense and fiscal charges | 984,734 | 1,139,208 | 815,072 | 781,857 |
| Grant expense | - | 151,952 | - | - |
| Donation expense | - | - | 45,647 | - |
| Total expenses | <u>19,015,239</u> | <u>19,163,144</u> | <u>4,904,835</u> | <u>4,523,403</u> |
| Change in net position | 1,226,355 | (996,997) | (1,672,144) | (1,444,597) |
| Gain on forgiveness of debt | - | 277,887 | - | - |
| Capital Contributions | - | - | 6,163,400 | 6,062,250 |
| Transfers | - | 280,535 | - | (280,535) |
| Net position - beginning, as restated | 30,616,672 | 31,055,247 | 27,229,003 | 22,891,885 |
| Change in accounting principle | (143,220) | - | - | - |
| Net position - ending | <u>\$ 31,699,807</u> | <u>\$ 30,616,672</u> | <u>\$ 31,720,259</u> | <u>\$ 27,229,003</u> |

Results of Operations – Primary Government

Operating revenues of the Primary Government are generated from rents, federal subsidies and other income. For the year ending December 31, 2013, the Primary Government’s total operating revenues were \$19.7 million compared to \$17 million for 2012.

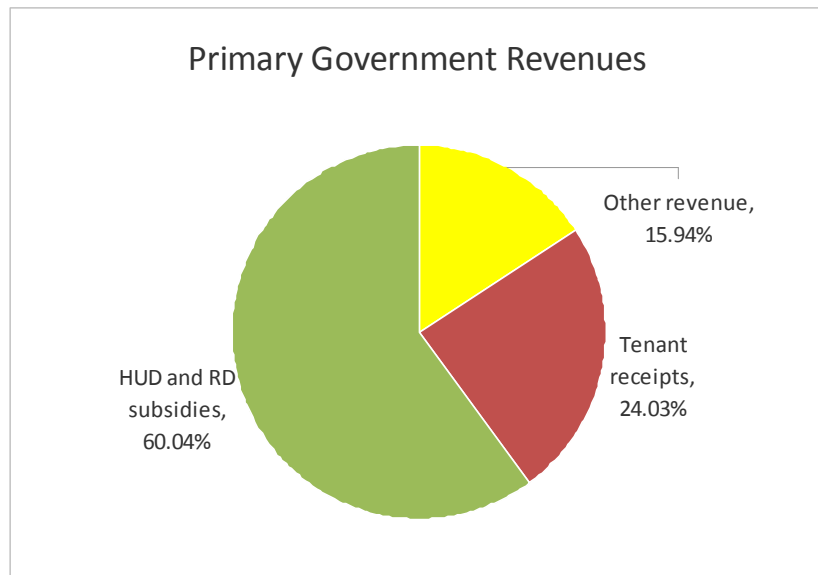
Total revenues increased by 11.5%, while expenses decreased by .7% from the previous year. HUD and RD operating subsidy revenue increased by \$1.3 million or 11% from increased funding by HUD for the Section 8 Voucher program. Other operating revenues increased by over \$1.2 million due to the recognition of Cherry Creek and Freedom and Liberty developer fees.

The increase in operating revenues offset a decrease in non-operating revenues due to the fact that no capital grants were received in 2013.

Operating expenses increased \$150,000 as other operating expenses increased \$288,000 due mainly to an increase in maintenance expenses. Maintenance expenses accounted for 59% of the increase due to increased activity and additional staff. This offset a decrease in housing assistance payments of \$174,000. This was the result of a \$9 reduction in the average HAP payment from 2012 to 2013 due to a change in occupancy standards for the programs involved and an increase in the number of lower paying vouchers. This was part of cost saving measures enacted during the year. Non-operating expenses decreased \$298,000 as interest expense declined \$154,000 due to the refinancing of two bond issues in 2012 that provided more favorable interest rates. There was also additional interest costs associated with the refinancings that were one-time costs in 2012. Grant expense in 2012 was a one-time cost for the return of unused grant funds to the grantor.

The following graph illustrates the revenue percentage of the Primary Government:

| | | <u>Primary Government</u> |
|---------------------------------------|---------------|-------------------------------|
| Tenant receipts | 24.03% | \$4,863,309 |
| Other operating/non-operating revenue | 15.94% | 3,226,160 |
| HUD and RD operating subsidies | <u>60.04%</u> | <u>12,152,125</u> |
| | <u>100%</u> | <u>\$20,241,594</u> |



Results of Operations – Discretely Presented Component Units

Operating revenues of the Discretely Presented Component Units are generated from rents, federal subsidies and other income. For the year ending December 31, 2013, the Discretely Presented Component Units total operating revenues were \$3.2 million, up 5% from 2012. This was due to rents from Freedom and Liberty which opened in 2013 and an increase in grant income for Affordable Housing Solutions.

Total expenses increased by \$381,000 or 8.4% from the previous year. Operating expenses, including depreciation, increased \$302,000 due to the addition of the Freedom and Liberty project and greater grant activity in the Affordable Housing Solutions program. Non-operating expenses increased \$79,000 in 2013. Interest expense increased due to the addition of the Freedom and Liberty project and donation expense was a one-time cost for the Freedom and Liberty project.

Capital Assets and Debt Administration

Major Capital Asset Transactions

| | Primary Government | | Discretely Presented Component Units | |
|---|---------------------|---------------------|---|---------------------|
| | 12/31/2013 | 12/31/2012 | 12/31/2013 | 12/31/2012 |
| Capital assets not depreciated | \$ 7,665,980 | \$ 8,774,062 | \$13,451,893 | \$ 6,499,867 |
| Buildings, improvements and equipment (net) | 26,518,373 | 27,490,580 | 46,244,474 | 40,388,519 |
| Total Capital Assets (net) | <u>\$34,184,353</u> | <u>\$36,264,642</u> | <u>\$59,696,367</u> | <u>\$46,888,386</u> |

Capital assets not depreciated consist of land and construction in process, including development costs. The Primary Government’s decrease was due to the transfer of \$2.2 million in land and development costs to Cherry Creek Part I, LLC, and the sale of the seven single-family houses. These dispositions offset the addition of two development properties.

Building improvements and equipment (net) decreased due to the sale of the seven single family houses and normal depreciation expense of \$1.2 million for the year. These decreases offset improvements on other properties added during the year.

Capital assets for discretely presented component units increased due to the addition of the Cherry Creek (\$8.4 million in land and construction in process) and Freedom and Liberty projects (\$6.4 million in buildings, improvements and equipment). These increases were offset by depreciation expense of \$2.1 million for the year.

Additional information regarding the Authority’s capital assets can be found in Note 6 of the Notes to the Financial Statements.

Major Long-Term Debt Transactions

| | Outstanding Debt | | | |
|---------------|-------------------------|---------------------|---|---------------------|
| | Primary Government | | Discretely Presented Component Units | |
| | <u>12/31/2013</u> | <u>12/31/2012</u> | <u>12/31/2013</u> | <u>12/31/2012</u> |
| Bonds Payable | \$ 7,189,692 | \$ 7,544,481 | \$ 4,964,659 | \$ 5,067,102 |
| Notes Payable | 12,244,391 | 12,093,216 | \$18,138,273 | \$10,890,726 |
| | <u>\$19,434,083</u> | <u>\$19,637,697</u> | <u>\$23,102,932</u> | <u>\$15,957,828</u> |

The Primary Government’s total outstanding debt decreased by approximately \$200,000 during 2013. This was due to regularly scheduled debt payments. These payments offset the addition of new debt of \$280,000 and the refinancing of the Willow Glen Apartments loan which matured in 2013.

Discretely Presented Component Unit total outstanding debt increased by \$7.1 million. This resulted from the financing of the Cherry Creek (\$5.1 million) and Freedom and Liberty (\$2.3 million) properties.

Additional information regarding the Authority’s debt can be found in Notes 9 and 10 of the Notes to the Financial Statements.

Economic Factors and Future Events

On April 29, 2013, the Authority created a limited liability company, Parkview Terrace Development LLC, of which it is the only member. The sole purpose of the LLC is to purchase and hold property located in Grants Pass, Oregon for future development. The property was purchased on July 24, 2013 for \$564,548. A loan in the name of the LLC was obtained from a financial institution on July 18, 2013 for \$280,000 and applied towards the purchase price. The remainder of the purchase price was paid in cash by the Authority. The loan has an interest rate of 4.5% and is set to mature on February 18, 2015. Monthly interest only payments began in August 2013 and will continue up to maturity. A funding reservation from the state of Oregon who administers the tax credit program was obtained during the year and financing with investors and lenders was arranged for development of the project. Construction was planned to begin early in 2014. Land use approvals for the project were overturned by the Grant Pass City Council in February 2014 which effectively stopped the project. A notice of intent was filed by the Authority with the Oregon Land Use Board of Appeals (LUBA) in March 2014. A hearing with LUBA was held on June 26, 2014. A decision could be rendered by LUBA as early as July 2014. At December 31, 2013, the Authority had incurred \$101,861 in development costs and had paid \$5,145 in interest holding costs.

Federal Programs – Despite sequestration and the lack of congressional action to deal with the country’s debt and financial issues, funding for critical Federal programs was adequate in 2013.

Funding for Section 8 voucher assistance increased 17.7% while Section 8 administrative fee funding declined 5.5%. We do not expect any adverse affect from any federal action in 2014. The Section 8 program has adequate reserves to cover potential reductions in funding for the near term.

Economic Recovery – Unemployment rates improved in Jackson County during 2013 signaling a possible end to the recession. However, the rate is still above the state and federal averages and well above the rate prior to the recession.

Rental Market – Occupancy rates remained strong during 2013 and are holding steady in 2014. Economic factors and high demand for rental units due to a lack of development of multifamily properties in the local area should continue to influence favorable occupancy rates for the foreseeable future.

Contacting the Housing Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information should be addressed to the Executive Director of the Housing Authority of Jackson County. The Authority's offices are located at 2251 Table Rock Road, Medford, OR 97501. The telephone number is (541) 779-5785. The Authority's website can be found at www.hajc.net.

HOUSING AUTHORITY OF JACKSON COUNTY

Statement of Net Position

December 31, 2013

| | Primary Government | Discretely Presented Component Units |
|---|-----------------------|---|
| ASSETS: | | |
| Current Assets: | | |
| Cash in checking and savings | \$ 4,455,318 | \$ 385,723 |
| Cash in security deposits | 398,555 | 203,384 |
| Tenant accounts receivable (net of allowance) | 84,893 | 33,454 |
| Grants receivable-operating | 14,510 | 39,131 |
| Other miscellaneous receivables | 316,817 | - |
| Other miscellaneous receivables due from component unit | 63,534 | - |
| Developer fees due from component units | 975,600 | - |
| Prepaid expenses | 71,870 | 49,914 |
| Inventory | 26,182 | - |
| Total Current Assets | 6,407,279 | 711,606 |
| Restricted Assets: | | |
| Reserve accounts | 4,021,197 | 1,494,782 |
| FSS escrow deposits | 90,572 | - |
| Investments | 961,423 | - |
| Total Restricted Assets | 5,073,192 | 1,494,782 |
| Capital Assets: | | |
| Land | 7,303,466 | 6,091,621 |
| Buildings and improvements | 42,701,764 | 55,185,114 |
| Equipment | 920,351 | 695,077 |
| Construction in process | 362,514 | 7,360,272 |
| Total Capital Assets | 51,288,095 | 69,332,084 |
| Less: accumulated depreciation | (17,103,742) | (9,635,717) |
| Net Capital Assets | 34,184,353 | 59,696,367 |
| Other Assets: | | |
| Loans receivable due from component units | 4,862,140 | - |
| Interest receivable due from component units | 613,540 | - |
| Developer fees due from component units | 529,322 | - |
| Partnership fees receivable due from component units | 256,138 | - |
| Financing costs - net of accumulated amortization | - | 1,078,804 |
| Investment in limited partnerships | 143,124 | - |
| Total Other Assets | 6,404,264 | 1,078,804 |
| Total Assets | \$ 52,069,088 | \$ 62,981,559 |

HOUSING AUTHORITY OF JACKSON COUNTY**Statement of Net Position****December 31, 2013**

| | Primary Government | Discretely Presented Component Units |
|--|-----------------------|---|
| LIABILITIES: | | |
| Current Liabilities: | | |
| Tenants security deposits | \$ 398,555 | \$ 203,384 |
| Unearned revenue | 140,469 | - |
| Other payables | 118,093 | 640,749 |
| Operating and development advances payable to primary government | - | 63,534 |
| Developer fees payable to primary government | - | 975,600 |
| Accrued compensated absences, current | 187,509 | 13,961 |
| Current portion of long-term debt - mortgage payable | 1,125,228 | 187,172 |
| Current portion of long-term debt - bonds payable - net | 366,458 | 108,153 |
| Total Current Liabilities | 2,336,312 | 2,192,553 |
| Long-Term Liabilities: | | |
| FSS tenant escrow deposits | 90,572 | - |
| Mortgage payable, less current portion | 11,119,163 | 17,951,101 |
| Long-term liabilities payable to primary government | - | 6,261,140 |
| Bonds payable, less current portion | 6,823,234 | 4,856,506 |
| Total Long-Term Liabilities | 18,032,969 | 29,068,747 |
| Total Liabilities | 20,369,281 | 31,261,300 |
| NET POSITION: | | |
| Net investment in capital assets | 14,750,270 | 30,493,524 |
| Restricted | 4,974,937 | 1,494,782 |
| Unrestricted | 11,974,600 | (268,047) |
| Total Net Position | 31,699,807 | 31,720,259 |
| Total Liabilities and Net Position | \$ 52,069,088 | \$ 62,981,559 |

HOUSING AUTHORITY OF JACKSON COUNTY
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2013

| | Primary Government | Discretely Presented Component Units |
|---|-----------------------|---|
| OPERATING REVENUES: | | |
| Dwelling rental | \$ 4,673,403 | \$ 2,346,658 |
| Other tenant charges | 189,906 | 57,881 |
| HUD PHA and RD operating grants | 12,152,125 | 802,809 |
| Other government operating grants | 78,887 | - |
| Fraud recovery | 6,022 | - |
| Other income | 338,934 | 24,145 |
| Management and administration fees | 2,304,305 | - |
| Total Operating Revenues | 19,743,582 | 3,231,493 |
| OPERATING EXPENSES: | | |
| Administrative expense | 2,402,856 | 447,291 |
| Tenant services | 184,419 | 142,612 |
| Property development and management | 1,340,621 | 176,687 |
| Utilities | 535,949 | 250,289 |
| Maintenance expense | 1,743,342 | 570,464 |
| General expense | 193,604 | 56,971 |
| HAP expenditures | 10,419,065 | - |
| Grant expense | - | 293,155 |
| Amortization expense | - | 50,447 |
| Depreciation expense | 1,202,016 | 2,056,200 |
| Total Operating Expenses | 18,021,873 | 4,044,116 |
| Net Operating Income (Loss) | 1,721,709 | (812,623) |
| NON-OPERATING REVENUES (EXPENSES): | | |
| Interest income | 116,021 | 1,198 |
| Interest expense and fiscal charges | (984,734) | (815,072) |
| Gain (loss) on sale of assets | 336,344 | - |
| Other non-operating expense | (8,632) | - |
| Donation income | 45,647 | - |
| Donation expense | - | (45,647) |
| Total Non-operating Revenues (Expenses): | (495,354) | (859,521) |
| Income (Loss) Before Contributions | 1,226,355 | (1,672,144) |
| Capital Contributions | - | 6,163,400 |
| Change in Net Position | 1,226,355 | 4,491,256 |
| Net Position - beginning, as restated | 30,616,672 | 27,229,003 |
| Change in Accounting Principles | (143,220) | - |
| Net Position - ending | \$ 31,699,807 | \$ 31,720,259 |

HOUSING AUTHORITY OF JACKSON COUNTY

Statement of Cash Flows

For the Year Ended December 31, 2013

| | Primary Government | Discretely Presented Component Units |
|---|-----------------------|---|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | |
| OPERATING REVENUES: | | |
| Receipts from tenants and landlords | \$ 5,253,079 | \$ 2,413,340 |
| Receipts from HUD grants | 11,807,909 | 509,654 |
| Receipts from state, local and other grants | 255,695 | 332,905 |
| Receipts from other sources | 1,129,948 | - |
| Cash Provided by Operating Activities | 18,446,631 | 3,255,899 |
| OPERATING EXPENSES: | | |
| Payments to landlords | (10,419,065) | - |
| Payments to vendors and contractors | (3,919,958) | (1,618,142) |
| Payments to employees | (2,488,494) | (311,312) |
| Cash Used for Operating Activities | (16,827,517) | (1,929,454) |
| Net Cash Provided by Operating Activities | 1,619,114 | 1,326,445 |
| <u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u> | | |
| Deposits (payments) for tenant deposits | 7,424 | 26,593 |
| Payments for other non-operating activities | - | (45,647) |
| Net Cash Provided by (Used) for Non-capital Financing Activities | 7,424 | (19,054) |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u> | | |
| Payment for intangible assets | - | (469,819) |
| Purchase of capital assets | (893,168) | (4,786,741) |
| Payments for development | (998,510) | (489,984) |
| Reimbursement to primary government for development | - | (1,201,250) |
| Proceeds from donations | 45,647 | - |
| Proceeds from sale of capital assets | 889,850 | - |
| Loan proceeds | 2,380,000 | 10,294,202 |
| Payment to primary government for notes and loans | - | (842,437) |
| Interest payments | (979,204) | (737,857) |
| Principal payments | (2,589,139) | (3,149,098) |
| Net Cash Provided by (Used) for Capital and Related Financing Activities | (2,144,524) | (1,382,984) |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | |
| Net change in investments | (33,789) | - |
| Payments received from affiliates | 2,043,687 | - |
| Net change in investment in limited partnerships | (100) | - |
| Interest income | 43,204 | 1,198 |
| Net Cash Provided (Used) by Investing Activities | 2,053,002 | 1,198 |
| Change in cash and cash equivalents | 1,535,016 | (74,395) |
| Cash and cash equivalents - beginning (restated) | 7,430,626 | 2,158,284 |
| Cash and cash equivalents - ending | \$ 8,965,642 | \$ 2,083,889 |

HOUSING AUTHORITY OF JACKSON COUNTY

Statement of Cash Flows

For the Year Ended December 31, 2013

| | Primary Government | Discretely Presented Component Units |
|---|-----------------------|---|
| <u>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u> | | |
| Net operating income (loss) | \$ 1,721,709 | \$ (812,623) |
| Adjustments to reconcile net income to net cash provided by operations | | |
| Depreciation and amortization expense | 1,202,016 | 2,106,647 |
| (Increase) Decrease in tenant receivables | 44,751 | (6,527) |
| (Increase) Decrease in grants receivable-operating | (9,071) | 39,751 |
| (Increase) Decrease in other receivables | (1,289,196) | - |
| (Increase) Decrease in prepaid expenses | (2,448) | (5,257) |
| (Increase) Decrease in inventory | (6,882) | - |
| Increase (Decrease) in payables | 1,670 | 4,454 |
| Increase (Decrease) in unearned revenue | (43,435) | - |
| Net Cash Provided by Operations | <u>\$ 1,619,114</u> | <u>\$ 1,326,445</u> |

Schedule of cash and cash equivalents:

| | Ending | Ending |
|--------------------------------|---------------------|---------------------|
| Cash in checking and savings | \$ 4,455,318 | \$ 385,723 |
| Cash in security deposits | 398,555 | 203,384 |
| Restricted reserve accounts | 4,021,197 | 1,494,782 |
| Restricted FSS escrow deposits | 90,572 | - |
| | <u>\$ 8,965,642</u> | <u>\$ 2,083,889</u> |

Non-cash Investing, Financing and Capital Activities:

| | | |
|---|-------------|--------------|
| Reclassification of construction in progress into rental property | \$ - | \$ 1,407,509 |
| Increase in rental property financed by accounts payable | - | 500,019 |
| Increase in rental property financed by developer fee payable | - | 1,157,770 |
| Transfer of capital assets to discretely presented component unit | (2,216,446) | 2,216,446 |
| Land obtained in swap | 477,717 | - |
| Note receivable (payable) from (to) discretely presented component unit | 1,000,000 | (1,000,000) |

HOUSING AUTHORITY OF JACKSON COUNTY - Discretely Presented Component Units

Statement of Net Position

December 31, 2013

| | Canterbury Hills | Cherry Creek | Freedom Square Liberty Place | Lilac Meadow Phase II |
|---|---------------------|---------------------|---------------------------------|--------------------------|
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash in checking and savings | \$ 40,524 | \$ 1,438 | \$ 72,517 | \$ 12,822 |
| Cash in security deposits | 26,263 | - | 21,631 | 18,633 |
| Tenant accounts receivable (net of allowance) | 3,900 | - | 885 | 3,083 |
| Grants receivable-operating | - | - | - | - |
| Other miscellaneous receivables | - | - | - | - |
| Prepaid expenses | 6,068 | - | 2,903 | 3,583 |
| Inventory | - | - | - | - |
| Total Current Assets | 76,755 | 1,438 | 97,936 | 38,121 |
| Restricted Assets: | | | | |
| Reserve accounts | 213,554 | - | - | 260,553 |
| FSS escrow deposits | - | - | - | - |
| Investments | - | - | - | - |
| Total Restricted Assets | 213,554 | - | - | 260,553 |
| Capital Assets: | | | | |
| Land | 531,361 | 1,065,512 | 485,533 | 181,121 |
| Buildings and improvements | 7,216,968 | - | 7,709,719 | 4,848,038 |
| Equipment | 340,404 | - | 188,635 | 110,270 |
| Construction in process | - | 7,360,272 | - | - |
| Total Capital Assets | 8,088,733 | 8,425,784 | 8,383,887 | 5,139,429 |
| Less: accumulated depreciation | (682,376) | - | (147,615) | (1,864,526) |
| Net Capital Assets | 7,406,357 | 8,425,784 | 8,236,272 | 3,274,903 |
| Other Assets: | | | | |
| Loans receivable | - | - | - | - |
| Interest receivable | - | - | - | - |
| Deferred developer fees | - | - | - | - |
| Partnership fees receivable | - | - | - | - |
| Investment in limited partnerships | - | - | - | - |
| Financing costs - net of accumulated amortization | 88,613 | 385,352 | 125,299 | 54,790 |
| Total Other Assets | 88,613 | 385,352 | 125,299 | 54,790 |
| Total Assets | \$ 7,785,279 | \$ 8,812,574 | \$ 8,459,507 | \$ 3,628,367 |

| Maple Terrace | Quail Run | Rogue River Estates | Scenic Heights | Snowberry Brook | Affordable Housing Solutions | Total |
|---------------------|---------------------|---------------------|---------------------|---------------------|------------------------------|----------------------|
| \$ 30,171 | \$ 642 | \$ 116,742 | \$ 62,209 | \$ 45,131 | \$ 3,527 | \$ 385,723 |
| 43,148 | 9,991 | 27,784 | 24,981 | 30,953 | - | 203,384 |
| 14,813 | 3,466 | 489 | 5,042 | 1,776 | - | 33,454 |
| - | - | - | - | - | 39,131 | 39,131 |
| - | - | - | - | - | - | - |
| 9,279 | 6,020 | 8,692 | 5,557 | 7,812 | - | 49,914 |
| - | - | - | - | - | - | - |
| <u>97,411</u> | <u>20,119</u> | <u>153,707</u> | <u>97,789</u> | <u>85,672</u> | <u>42,658</u> | <u>711,606</u> |
| 140,795 | 76,595 | 338,358 | 224,220 | 240,707 | - | 1,494,782 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>140,795</u> | <u>76,595</u> | <u>338,358</u> | <u>224,220</u> | <u>240,707</u> | <u>-</u> | <u>1,494,782</u> |
| 1,060,362 | 140,000 | 840,000 | 379,658 | 1,408,074 | - | 6,091,621 |
| 10,409,124 | 1,150,802 | 7,155,665 | 7,734,589 | 8,960,208 | - | 55,185,114 |
| - | - | 55,768 | - | - | - | 695,077 |
| - | - | - | - | - | - | 7,360,272 |
| 11,469,486 | 1,290,802 | 8,051,433 | 8,114,247 | 10,368,282 | - | 69,332,084 |
| (2,856,557) | (379,786) | (1,014,429) | (1,525,981) | (1,164,447) | - | (9,635,717) |
| <u>8,612,929</u> | <u>911,016</u> | <u>7,037,004</u> | <u>6,588,266</u> | <u>9,203,835</u> | <u>-</u> | <u>59,696,367</u> |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 27,260 | 15,624 | 183,759 | 26,292 | 171,815 | - | 1,078,804 |
| <u>27,260</u> | <u>15,624</u> | <u>183,759</u> | <u>26,292</u> | <u>171,815</u> | <u>-</u> | <u>1,078,804</u> |
| <u>\$ 8,878,395</u> | <u>\$ 1,023,354</u> | <u>\$ 7,712,828</u> | <u>\$ 6,936,567</u> | <u>\$ 9,702,029</u> | <u>\$ 42,658</u> | <u>\$ 62,981,559</u> |

| | Canterbury Hills | Cherry Creek | Freedom Square Liberty Place | Lilac Meadow Phase II |
|--|---------------------|---------------------|---------------------------------|--------------------------|
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| Tenants security deposits | \$ 26,263 | \$ - | \$ 21,631 | \$ 18,633 |
| Unearned revenue | - | - | - | - |
| Other payables | 22,011 | 487,816 | 16,645 | 6,463 |
| Operating and development advances payable to primary government | 2,724 | 6,318 | 1,852 | 1,491 |
| Developer fees payable to primary government | - | 425,600 | 550,000 | - |
| Accrued compensated absences, current | 1,343 | - | 1,605 | 2,152 |
| Current portion of long-term debt - mortgage payable | 14,302 | - | - | 23,340 |
| Current portion of long-term debt - bonds payable | - | - | - | - |
| Total Current Liabilities | <u>66,643</u> | <u>919,734</u> | <u>591,733</u> | <u>52,079</u> |
| Long-Term Liabilities: | | | | |
| FSS tenant escrow deposits | - | - | - | - |
| Mortgages payable, less current portion | 1,319,215 | 5,072,570 | 2,674,490 | 692,896 |
| Long-term liabilities payable to primary government | 538,317 | 1,262,170 | - | 868,422 |
| Bonds payable, less current portion | - | - | - | - |
| Total Long-Term Liabilities | <u>1,857,532</u> | <u>6,334,740</u> | <u>2,674,490</u> | <u>1,561,318</u> |
| Total Liabilities | <u>1,924,175</u> | <u>7,254,474</u> | <u>3,266,223</u> | <u>1,613,397</u> |
| NET POSITION: | | | | |
| Net investment in capital assets | 5,561,120 | 1,665,444 | 5,011,782 | 1,969,667 |
| Restricted | 213,554 | - | - | 260,553 |
| Unrestricted | 86,430 | (107,344) | 181,502 | (215,250) |
| Total Net Position | <u>5,861,104</u> | <u>1,558,100</u> | <u>5,193,284</u> | <u>2,014,970</u> |
| Total Liabilities and Net Position | <u>\$ 7,785,279</u> | <u>\$ 8,812,574</u> | <u>\$ 8,459,507</u> | <u>\$ 3,628,367</u> |

| Maple Terrace | Quail Run | Rogue River Estates | Scenic Heights | Snowberry Brook | Affordable Housing Solutions | Total |
|---------------------|---------------------|---------------------|---------------------|---------------------|------------------------------|----------------------|
| \$ 43,148 | \$ 9,991 | \$ 27,784 | \$ 24,981 | \$ 30,953 | \$ - | \$ 203,384 |
| - | - | - | - | - | - | - |
| 15,650 | 14,369 | 5,641 | 11,200 | 21,821 | 39,131 | 640,749 |
| 4,125 | 42,990 | 3 | 1,715 | 2,172 | 144 | 63,534 |
| - | - | - | - | - | - | 975,600 |
| 3,228 | 542 | 2,374 | 1,104 | 1,613 | - | 13,961 |
| 35,571 | 9,258 | - | 50,223 | 54,478 | - | 187,172 |
| - | - | 108,153 | - | - | - | 108,153 |
| <u>101,722</u> | <u>77,150</u> | <u>143,955</u> | <u>89,223</u> | <u>111,037</u> | <u>39,275</u> | <u>2,192,553</u> |
| - | - | - | - | - | - | - |
| 3,297,744 | 832,460 | - | 1,669,997 | 2,391,729 | - | 17,951,101 |
| 1,267,388 | 130,375 | 152,919 | 267,436 | 1,774,114 | - | 6,261,140 |
| - | - | 4,856,506 | - | - | - | 4,856,506 |
| <u>4,565,132</u> | <u>962,835</u> | <u>5,009,425</u> | <u>1,937,433</u> | <u>4,165,843</u> | <u>-</u> | <u>29,068,747</u> |
| <u>4,666,854</u> | <u>1,039,985</u> | <u>5,153,380</u> | <u>2,026,656</u> | <u>4,276,880</u> | <u>39,275</u> | <u>31,261,300</u> |
| 4,426,516 | 54,298 | 1,920,446 | 4,668,046 | 5,216,205 | - | 30,493,524 |
| 140,795 | 76,595 | 338,358 | 224,220 | 240,707 | - | 1,494,782 |
| (355,770) | (147,524) | 300,644 | 17,645 | (31,763) | 3,383 | (268,047) |
| <u>4,211,541</u> | <u>(16,631)</u> | <u>2,559,448</u> | <u>4,909,911</u> | <u>5,425,149</u> | <u>3,383</u> | <u>31,720,259</u> |
| <u>\$ 8,878,395</u> | <u>\$ 1,023,354</u> | <u>\$ 7,712,828</u> | <u>\$ 6,936,567</u> | <u>\$ 9,702,029</u> | <u>\$ 42,658</u> | <u>\$ 62,981,559</u> |

HOUSING AUTHORITY OF JACKSON COUNTY - Discretely Presented Component Units
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2013

| | Canterbury Hills | Cherry Creek | Freedom Square Liberty Place | Lilac Meadow Phase II |
|---|---------------------|---------------------|---------------------------------|--------------------------|
| OPERATING REVENUES: | | | | |
| Dwelling rental | \$ 326,537 | \$ - | \$ 131,975 | \$ 236,563 |
| Other tenant charges | 7,176 | - | 1,391 | 6,150 |
| HUD PHA and RD operating grants | - | - | - | - |
| Other government operating grants | - | - | - | - |
| Fraud recovery | - | - | - | - |
| Other income | 1,050 | - | 2,495 | 4,956 |
| Management and administration fees | - | - | - | - |
| Total Operating Revenues | <u>334,763</u> | <u>-</u> | <u>135,861</u> | <u>247,669</u> |
| OPERATING EXPENSES: | | | | |
| Administrative expense | 44,852 | - | 27,713 | 37,656 |
| Tenant services | 20,969 | - | 2,916 | 24,680 |
| Property development and management | 19,569 | - | 7,585 | 15,176 |
| Utilities | 21,209 | - | 10,656 | 22,700 |
| Maintenance expense | 77,900 | - | 17,611 | 81,425 |
| General expense | 5,860 | - | 1,982 | 8,848 |
| Grant expense | - | - | - | - |
| Amortization expense | 4,539 | - | 2,219 | 3,652 |
| Depreciation expense | 336,985 | - | 147,615 | 186,944 |
| Total Operating Expenses | <u>531,883</u> | <u>-</u> | <u>218,297</u> | <u>381,081</u> |
| Net Operating Income (Loss) | <u>(197,120)</u> | <u>-</u> | <u>(82,436)</u> | <u>(133,412)</u> |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Interest income | 165 | - | - | 241 |
| Interest expense and fiscal charges | (106,580) | - | (76,633) | (49,479) |
| Gain (loss) on sale of assets | - | - | - | - |
| Other non-operating expense | - | - | - | - |
| Donation expense | - | - | (45,647) | - |
| Total Non-operating Revenues (Expenses): | <u>(106,415)</u> | <u>-</u> | <u>(122,280)</u> | <u>(49,238)</u> |
| Income (loss) Before Contributions | <u>(303,535)</u> | <u>-</u> | <u>(204,716)</u> | <u>(182,650)</u> |
| Capital contributions | 326,250 | 1,558,100 | 4,229,500 | - |
| Change in Net Position | <u>22,715</u> | <u>1,558,100</u> | <u>4,024,784</u> | <u>(182,650)</u> |
| Net Position - beginning, as restated | <u>5,838,389</u> | <u>-</u> | <u>1,168,500</u> | <u>2,197,620</u> |
| Net Position - ending | <u>\$ 5,861,104</u> | <u>\$ 1,558,100</u> | <u>\$ 5,193,284</u> | <u>\$ 2,014,970</u> |

| Maple Terrace | Quail Run | Rogue River Estates | Scenic Heights | Snowberry Brook | Affordable Housing Solutions | Total |
|---------------------|--------------------|---------------------|---------------------|---------------------|------------------------------|----------------------|
| \$ 554,367 | \$ 148,164 | \$ 257,954 | \$ 283,405 | \$ 407,693 | \$ - | \$ 2,346,658 |
| 20,206 | 3,918 | 948 | 9,527 | 8,565 | - | 57,881 |
| - | - | 509,654 | - | - | 293,155 | 802,809 |
| - | - | - | - | - | - | - |
| 1,815 | 1,982 | 9,242 | 1,255 | 1,260 | 90 | 24,145 |
| - | - | - | - | - | - | - |
| <u>576,388</u> | <u>154,064</u> | <u>777,798</u> | <u>294,187</u> | <u>417,518</u> | <u>293,245</u> | <u>3,231,493</u> |
| 67,111 | 24,827 | 139,650 | 44,510 | 58,322 | 2,650 | 447,291 |
| 39,203 | 7,533 | 13,681 | 10,388 | 23,242 | - | 142,612 |
| 33,756 | 7,488 | 50,999 | 17,245 | 24,869 | - | 176,687 |
| 38,482 | 33,069 | 48,394 | 27,055 | 48,724 | - | 250,289 |
| 121,658 | 24,506 | 117,829 | 58,480 | 71,055 | - | 570,464 |
| 7,815 | 5,433 | 9,328 | 10,199 | 7,506 | - | 56,971 |
| - | - | - | - | - | 293,155 | 293,155 |
| 2,771 | 746 | 12,746 | 9,803 | 13,971 | - | 50,447 |
| 390,283 | 40,567 | 188,072 | 345,150 | 420,584 | - | 2,056,200 |
| <u>701,079</u> | <u>144,169</u> | <u>580,699</u> | <u>522,830</u> | <u>668,273</u> | <u>295,805</u> | <u>4,044,116</u> |
| <u>(124,691)</u> | <u>9,895</u> | <u>197,099</u> | <u>(228,643)</u> | <u>(250,755)</u> | <u>(2,560)</u> | <u>(812,623)</u> |
| 209 | 62 | 247 | 95 | 178 | 1 | 1,198 |
| (226,697) | (52,790) | (170,476) | (44,275) | (88,142) | - | (815,072) |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | (45,647) |
| <u>(226,488)</u> | <u>(52,728)</u> | <u>(170,229)</u> | <u>(44,180)</u> | <u>(87,964)</u> | <u>1</u> | <u>(859,521)</u> |
| (351,179) | (42,833) | 26,870 | (272,823) | (338,719) | (2,559) | (1,672,144) |
| - | - | - | - | 49,550 | - | 6,163,400 |
| (351,179) | (42,833) | 26,870 | (272,823) | (289,169) | (2,559) | 4,491,256 |
| <u>4,562,720</u> | <u>26,202</u> | <u>2,532,578</u> | <u>5,182,734</u> | <u>5,714,318</u> | <u>5,942</u> | <u>27,229,003</u> |
| <u>\$ 4,211,541</u> | <u>\$ (16,631)</u> | <u>\$ 2,559,448</u> | <u>\$ 4,909,911</u> | <u>\$ 5,425,149</u> | <u>\$ 3,383</u> | <u>\$ 31,720,259</u> |

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. AUTHORIZING LEGISLATION:

The Housing Authority of Jackson County (the Authority), Jackson County, Oregon, was created by resolution 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 home rehabilitation and weatherization, community development, and community service programs. Funding for these programs is primarily provided by HUD and other federal agencies, including U.S. Department of Agriculture Rural Development (RD).

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

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

B. REPORTING ENTITY:

In accordance with governmental accounting standards applicable to the reporting entity, the Authority has included related entities in its financial statements. The reporting entity definition is based primarily on the concept of financial accountability. The Authority is financially accountable for those units that make up its legal entity as well as its legally separate organizations, because they have substantially the same board of directors and management personnel. All programs and entities of the Authority are presented as a single proprietary fund for financial reporting purposes. The following summarizes programs and entities included in the basic financial statements of the Authority:

HOUSING AUTHORITY OF JACKSON COUNTY PROGRAMS:

Department of Housing and Urban Development

I. Public Housing Program:

This program accounts for properties owned by the Authority, initially financed through long-term debt that was later converted to grant monies by HUD, and rented to low-income families.

II. Section 8 Housing Assistance Payments:

The Section 8 Housing Assistance Payments are separated into four programs as follows:

(a). Section 8 Vouchers:

This program accounts for rent subsidy payments to low-income families who locate their own rental units and negotiate the monthly rent. The primary source of revenue is subsidies from HUD.

(b). Section 8 Veterans Affairs Supportive Housing:

This program is similar to Section 8 Vouchers, except program participation is limited to veterans of U.S. military service referred by the local Veterans Affairs office. The primary source of revenue is subsidies from HUD. As of July 1, 2011, per HUD directive, program operations were merged with the Section 8 Voucher program.

(c), (d). Section 8 Moderate Rehabilitation I and II:

These two programs account for payments made to rehabilitate substandard dwellings which are used to house low-income families. The primary source of revenue is subsidies from HUD.

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

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Department of Agriculture Rural Development:

III. Anderson Vista Program:

This program accounts for the management of Anderson Vista Apartments located in Talent, Oregon. This project was funded with grants of \$1,139,500 and a loan of \$1,181,000 from the U.S. Department of Agriculture Rural Development. The primary sources of revenue are dwelling rents and subsidies from Rural Development.

IV. Patio Village Program:

This program accounts for a project financed by the U.S. Department of Agriculture Rural Development (RD) with loans of \$1,587,446 for the purchase and operation of low-rent housing for senior and disabled families. The project is located in Talent, Oregon. The primary sources of revenue are dwelling rents and subsidies from Rural Development.

V. Rose Garden Apartments Program:

This program accounts for a project financed by the U.S. Department of Agriculture Rural Development with loans of \$211,530 for the purchase and operation of housing for low-income families. The project is located in Gold Hill, Oregon. The primary sources of revenue are dwelling rents and subsidies from Rural Development.

VI. Sunnyslope Apartments Program:

This program accounts for a project financed by the U.S. Department of Agriculture Rural Development with a loan of \$1,025,000 for the purchase and operation of housing for low-income families. The project is located in Rogue River, Oregon. The primary sources of revenue are dwelling rents and subsidies from Rural Development. The Authority assumed controlling interest on February 1, 2012. The entity was a limited partnership and the Authority bought out both the general and limited partner for a total of \$40,000. The partnership stayed intact under a new name with the Authority as the limited partner and a limited liability corporation as the general partner. The Authority is the sole member of the LLC.

VII. Lilac Meadow:

This program accounts for the operation of Lilac Meadow Apartments located in Medford, Oregon. This project was funded with grants of \$2,251,000 and loans of \$1,675,000 from the U.S. Department of Agriculture Rural Development. The primary sources of revenue are dwelling rents and subsidies from Rural Development.

Community Development Programs:

VIII. Local Program:

The Local Program is used to account for financial resources except those otherwise required by grant and loan terms to be accounted for in a separate program. The primary source of revenue is from development and management fees.

IX. General Program:

This program accounts for the development and rehabilitation of low-income housing and other community services. The primary source of revenue is from development and management fees.

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

X. Willow Glen Apartments Program:

This program accounts for the purchase and management of the Willow Glen Apartments, located in Central Point, Oregon. This project was funded by proceeds of a permanent loan in the amount of \$2,336,000. The principal source of revenue is from dwelling rents. On May 1, 2012, the Authority assumed controlling interest in Willow Glen Limited Partnership (the Partnership). The Authority was originally the general partner in the Partnership. The Authority bought out the limited partners for \$46,825 and retained its position as general partner. The Partnership stayed intact with the new limited partner being a limited liability corporation in which the Authority is the sole member.

XI. Southernaire/West Pine Apartments Program:

This program accounts for the purchase and management of the Southernaire Apartments, located in Medford, Oregon and the West Pine Terrace Apartments, located in Central Point, Oregon. This project was funded by proceeds of a bond issue in the amount of \$4,850,000. The principal source of revenue is from dwelling rents.

XII. Royal Apartments Program:

This program accounts for the purchase and management of the Royal Apartments, located in Medford, Oregon. This project was funded by proceeds of a bond issue in the amount of \$4,385,000. The bond was refinanced on July 1, 2012 for \$3,200,000. The principal source of revenue is from dwelling rents.

XIII. Series '96 Program:

This program accounts for the purchase and management of various multi-family projects located throughout the Southern Oregon area. This project was funded by proceeds of a bond issue in the amount of \$1,580,000. The bond was refinanced on November 1, 2012 for \$1,100,000. The principal source of revenue is from dwelling rents.

XIV. Table Rock Apartments Program:

This program accounts for the purchase and management of the Table Rock Apartments located in Medford, Oregon. Funding for this project was provided through a permanent loan of \$800,000 from a financial institution. The principal source of revenue is from dwelling rents.

XV. Multi-Family Housing Program:

This program accounts for various multi-family properties located throughout the Southern Oregon area. They were initially financed through long-term debt that was later converted to grant monies by HUD, and rented to low-income families and reported as part of the Public Housing Program. In 2008, these properties were transferred out of the Public Housing Program to the Local Program via a lease, which qualified as a disposition under HUD regulations. The principal source of revenue is from dwelling rents.

XVI. Housing Retreat Program:

This program accounts for the purchase and management of multi-family properties located in Medford and Central Point, Oregon. Funding for this program was provided from federal and state grants through the State of Oregon of approximately \$1.5 million. The specific goal of this program is to provide permanent, supportive housing for the homeless. Case management of tenants is handled by a local not-for-profit organization that has a contract for these services with the Authority. The principal source of revenue is from dwelling rents.

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

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XVII. Penny Lane Apartments Program:

This program accounts for the construction and operation of Penny Lane Apartments located in Central Point, Oregon. Primary funding for this project was provided through grants from the State of Oregon totaling \$678,748 and permanent loans of \$540,000 from a financial institution. The principal source of revenue is from dwelling rents.

XVIII. Elk Street Apartments Program:

This program accounts for the purchase and operation of Elk Street Apartments located in Medford, Oregon. Primary funding for this project was provided from federal NSP grants through the State of Oregon totaling approximately \$923,000. The principal source of revenue is from dwelling rents.

XIX. Finley Square Apartments Program:

This program accounts for the purchase and operation of Finley Square Apartments located in Medford, Oregon. Primary funding for this project was provided through a permanent loan of \$3,600,000 from a financial institution. The principal source of revenue is from dwelling rents.

XX. Single Family Housing Program:

This program accounts for single family properties located throughout the Southern Oregon area. They were initially financed through long-term debt that was later converted to grant monies by HUD, and rented to low-income families and reported as part of the Public Housing Program. In 2008, these properties were transferred out of the Public Housing Program to the Local Program via a lease, which qualified as a disposition under HUD regulations. The principal source of revenue is from dwelling rents.

XXI. The Grand Apartments Program:

This program accounts for the purchase and operation of The Grand Apartments located in Medford, Oregon. Primary funding for this project was provided through a permanent loan of \$680,000 from a financial institution. The principal source of revenue is from dwelling rents.

Component Units:

The Authority's reporting entities consist of ten discretely presented component units, and two blended component units for which the Authority is financially responsible.

Blended Component Units

Blended component units are legally separate entities, but are in substance a part of the Authority's operations. The data from these operations are combined with the financial data from the primary government.

Preserve Jade East, Inc. (Jade East) - A not-for-profit organization that operates a 30-unit low-income housing project located in Grants Pass, Oregon known as Jade East Apartments. The Board of Directors for Jade East is appointed by the Authority's Board of Commissioners and is substantively the same. Jade East has no employees. Day-to-day management of Jade East is the responsibility of the Authority which has contracted with the organization to provide property management services which includes all administrative, financial and maintenance activities. All transactions between Jade East and the Authority have been eliminated in the consolidated financial statements. Jade East has a fiscal year of December 31, the same as the Authority. The principal source of revenue for Jade East is from dwelling rents.

Rivertree Apartments, Inc. (Rivertree) - A not-for-profit organization that operates a 27-unit low-income housing project located in Grants Pass, Oregon known as Rivertree Apartments. The

HOUSING AUTHORITY OF JACKSON COUNTY

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Board of Directors for Rivertree is appointed by the Authority's Board of Commissioners and is substantively the same. Rivertree has no employees. Day-to-day management of Rivertree is the responsibility of the Authority which has contracted with the organization to provide property management services which includes all administrative, financial and maintenance activities. All transactions between Rivertree and the Authority have been eliminated in the consolidated financial statements. Rivertree has a fiscal year of December 31, the same as the Authority. The principal source of revenue for Rivertree is from dwelling rents.

Separately issued financial statements do not exist for the blended component units, Jade East and Rivertree Apartments. Management has concluded that the Authority is not a component unit of any other entity.

Discretely Presented Component Units

The Authority is the general partner/managing member in nine tax credit limited partnerships and limited liability companies (component units). These partnerships and LLCs are separate legal entities from the Authority. All of these partnerships and LLCs are formed for the purpose of developing, operating, managing and leasing the projects in a manner that qualifies them for low-income housing credits under Section 42 of the Internal Revenue Code of 1986, as amended.

The component units are managed by employees of the Authority. This enables the Authority to influence management policy, budgets, and operations. Furthermore, the Authority is obligated to fund operating deficits by loaning funds to the partnerships and LLCs and is primarily responsible for capital debt issued on behalf of each partnership and LLC. Additionally, the Authority is involved with a not-for-profit organization on which it can impose its will. The services provided by the partnerships and LLCs and non-profit do not exclusively or almost exclusively benefit the Authority or its constituents. Therefore, the partnerships' and LLCs' and not-for-profits' financial statements are discretely presented in a single column in the accompanying financial statements in accordance with GASB Statement 14 (as amended by GASB Statement 61). Individual financial statements for each limited partnership and LLC may be obtained from the administrative offices of the Authority. No separately issued financial statements are created for the not-for-profit. These entities are as follows:

Affordable Housing Solutions (AHS): A not-for-profit organization that offers low-income housing programs. The Board of Directors for AHS is independent of the Authority's Board of Commissioners; however, one of the three board members serves on the board of the Authority. AHS has no employees. The Authority has contracted with AHS to run the programs and to provide all the services necessary for AHS to carry out its mission. This includes all administrative, financial and program activities. AHS has a fiscal year end of December 31, the same as the Authority. The principal sources of revenue for AHS are from grant income.

Canterbury Hills LLC: This is an Oregon limited liability company formed in 2010 to develop, own and operate Canterbury Hill Apartments, a 48 unit apartment project located in Medford, Oregon. Operations began in 2011 and construction was completed in 2012. The LLC is made up of Key Community Development Corporation (investor member) and the Housing Authority of Jackson County (managing member) with ownership interests of 99.99% and .01%, respectively. The operating agreement shall continue in perpetuity unless it is earlier dissolved and terminated pursuant to the provisions of the operating agreement.

Cherry Creek Part I LLC: This is an Oregon limited liability company formed in 2011 to develop, own and operate Cherry Creek Apartments, a 50 unit apartment project located in Medford, Oregon. Construction began in 2013 and operations are expected to begin in 2014. The LLC is made up of Key Community Development Corporation (investor member) and the Housing Authority of Jackson County (managing member) with ownership interests of 99.99% and .01%, respectively. The operating agreement shall continue in perpetuity unless it is earlier dissolved and terminated pursuant to the provisions of the operating agreement.

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Freedom and Liberty Development LLC: This is an Oregon limited liability company formed in 2012 to develop, own and operate Freedom Square, a 34 unit apartment project located in White City, Oregon and Liberty Place, a 16 unit apartment project located in Central Point, Oregon. Construction was completed and operations began in 2013. The LLC is made up of Key Community Development Corporation (investor member) and the Housing Authority of Jackson County (managing member) with ownership interests of 99.99% and .01%, respectively. The operating agreement shall continue in perpetuity unless it is earlier dissolved and terminated pursuant to the provisions of the operating agreement.

Lilac Meadow Phase II LP: This is an Oregon limited partnership formed in 2003 to develop, own and operate Lilac Meadow Apartments, a 42 unit project located in Medford, Oregon. Construction was completed and operations began in 2004. The partnership is made up of Enterprise Housing Partners X Limited Partnership, WAMU Affordable Housing Fund Limited Partnership (limited partners) and the Housing Authority of Jackson County (general partner) with ownership interests of 49.995%, 49.995% and .01%, respectively. The partnership agreement terminates in 2065.

Maple Terrace Development LP: This is an Oregon limited partnership formed in 2006 to develop, own and operate Maple Terrace Apartments, an 82 unit project located in Medford, Oregon. Construction was completed and operations began in 2007. The partnership is made up of PNC Multifamily Capital Institutional Fund XXXI LP (investment limited partner) and the Housing Authority of Jackson County (general partner) with ownership interests of 99.99% and .01%, respectively. The partnership also includes a special limited partner, Columbia Housing SLP Corporation, which does not share in the profit or losses. The partnership agreement terminates in 2050.

Quail Run Development LP: This is an Oregon limited partnership formed in 2005 to purchase, rehabilitate, own and operate Quail Run Apartments, a 24 unit project located in Shady Cove, Oregon. The project was acquired in 2005 and the rehabilitation was completed in 2006. The partnership is made up of Columbia Housing/PNC Institutional Fund XX LP (investment limited partner) and the Housing Authority of Jackson County (general partner) with ownership interests of 99.99% and .01%, respectively. The partnership also includes a special limited partner, Columbia Housing SLP Corporation that does not share in the profit or losses. The partnership agreement terminates in 2050.

Rogue River Apartments LLC: This is an Oregon limited liability company formed in 2007 to acquire, rehabilitate and operate Rogue River Estates, a 94 unit elderly and/or disabled apartment project located in Medford, Oregon. The project was acquired and the rehabilitation was completed in 2008. The LLC is made up of Meridian Affordable Housing Acquisition I LLC (investor member) and the Housing Authority of Jackson County (managing member) with ownership interests of 99.99% and .01%, respectively. The operating agreement shall continue in perpetuity unless it is earlier dissolved and terminated pursuant to the provisions of the operating agreement.

Scenic Heights Development LP: This is an Oregon limited partnership formed in 2007 to develop, own and operate Scenic Heights Apartments, a 48 unit project located in Central Point, Oregon. The project was completed and operations began in 2009. The partnership is made up of Meridian Affordable Housing Acquisition I LLC (limited partner) and the Housing Authority of Jackson County (general partner) with ownership interests of 99.99% and .01%, respectively. The partnership agreement terminates in 2070.

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Notes to the Financial Statements

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Snowberry Brook LLC: This is an Oregon limited liability company formed in 2008 to develop, own and operate Snowberry Brook Apartments, a 60 unit project located in Ashland, Oregon. The project was completed and operations began in 2011. The LLC is made up of Key Community Development Corporation (investor member) and the Housing Authority of Jackson County (managing member) with ownership interests of 99.99% and .01%, respectively. The operating agreement shall continue in perpetuity unless it is earlier dissolved and terminated pursuant to the provisions of the operating agreement.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

The financial statements have been prepared in conformance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The programs of the Authority and blended component units are consolidated in the financial statements of the Authority and reported as a single proprietary fund type. Proprietary funds are used to account for governmental activities that are similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. Accounting principles generally accepted in the United States of America require that Proprietary funds use the economic resources of measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when the liability is incurred.

For the most part, the Authority reports operating revenues as defined in GASB 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting". Enterprise funds distinguish operating revenues and expenses from nonoperating items. The principal revenues of the Authority are rental income and management/development fees earned. Operating revenues and expenses result from providing services in connection with the Authority's ongoing operations. Operating revenues also include operating subsidies and grants provided by the U.S. Department of Housing and Urban Development (HUD) and the United States Department of Agriculture (USDA). The use of this classification is based on guidance from HUD, the primary user of the financial statements and is a departure from GAAP. Operating expenses include personnel, property management expenses, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

This presentation results in an operating income that is higher than a nonoperating revenue presentation by the amount of the subsidies and grants. Overall, it does not affect presentation of net income or the change in net position in the statement of revenues, expenses and changes in fund net position, or the presentation of cash and cash equivalents in the statement of cash flows.

When both unrestricted and restricted resources are available for use; it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. The Authority does not provide for any other post-retirement benefits.

D. BUDGETS AND BUDGETARY ACCOUNTING:

The Authority is not subject to Oregon Local Budget Law under ORS 294.316 (8). Budgets are created for each program to meet financial management and control objectives. The Authority uses these budgets as a management tool, but does not legally appropriate a budget as defined by GASB. Therefore, budgetary comparisons are not reported in these financial statements.

E. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents for the purpose of the Statement of Cash Flows consists of cash on hand and deposits in demand and savings accounts. This includes unrestricted and restricted cash.

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

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F. RECEIVABLES:

Tenant accounts receivable consists of rents and other fees charged to tenants and are shown at net realizable value. A provision for uncollectible amounts has been established based on management's estimate of collectability.

Other receivables consist of accrued interest earned on investments, notes and contracts at the end of the year, earned amounts due from various federal, state and local grantors, amounts owed from other housing authorities, component units and amounts owed from other businesses or organizations for goods and services including amounts owed for which billings have not been prepared.

Loans receivable from Component Units consist of amounts owed for capital items and goods and services. Notes receivable are shown net of allowance for doubtful accounts. See Related Parties Transactions Note 13 for detail.

G. INVENTORY:

Inventory is stated at cost on a first-in, first-out basis and consists of materials used for maintenance repairs.

H. CAPITAL ASSETS:

These assets are recorded at cost or estimated historical cost. Depreciation is recorded using the straight-line method over their estimated useful lives. The estimated useful lives of capital assets are:

- Buildings and building improvements – 15 to 40 years
- Equipment – 5 to 10 years

The Authority capitalizes capital assets with a value in excess of \$5,000 and a useful life of five years or longer.

I. UNEARNED REVENUE:

Unearned revenue consists of payments received from sources that have not been earned as of December 31, 2013, primarily for projects included in the General Program. Activity for the year is as follows:

| | <u>Primary Government</u> |
|-------------------|-------------------------------|
| Beginning balance | \$ 183,904 |
| Unearned/received | 70,814 |
| Earned/recognized | <u>(114,249)</u> |
| Ending balance | <u>\$ 140,469</u> |

J. COMPENSATED ABSENCES:

It is the Authority's policy to permit employees to accumulate earned but unused vacation benefits based on length of continuous service. Eligibility for vacation leave accrual begins on the first day of the month following the date of hire. There is no waiting period for using accrued vacation leave. If an employee is terminated, all accrued but unused vacation leave is paid. Non-management employees may accrue a maximum of double their current vacation leave rate. Management employees may accrue vacation leave up to a maximum of three times the current accrual rate.

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Employees also accrue one day of sick leave for each month worked up to a maximum of 136 days. There is no liability for unpaid accumulated sick leave as no sick leave benefits are paid upon termination.

Accrued compensated absences unpaid at December 31, 2013 were accrued in the individual programs of the Authority, based on current pay rates and hours earned and unused. Activity is as follows:

| | Primary Government | Discretely Presented Component Units |
|-------------------|-----------------------|---|
| Beginning balance | \$ 184,012 | \$ 13,074 |
| Earned in 2013 | 178,225 | 12,965 |
| Used in 2013 | (174,728) | (12,078) |
| Ending balance | <u>\$ 187,509</u> | <u>\$ 13,961</u> |

Management estimates the entire portion to be a current liability.

K. PENSION PLAN:

Plan Description – The Authority contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS) a statewide, cost-sharing, multiple-employer plan on behalf of its employees. The Oregon Public Employees Retirement Fund (OPERF) applies to the Authority's contribution for qualifying employees who were hired before August 29, 2003 and is a cost-sharing multiple employer defined benefit pension plan. This plan is also commonly referred to as Tier 1/Tier 2. The second plan is the Oregon Public Service Retirement Plan (OPSRP) which is a hybrid successor plan to the OPERF and consists of two programs: the Pension Program and the Individual Account Program (IAP). The Pension Program, the defined benefit portion of the plan, applies to qualifying employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. The IAP is the defined contribution portion of the plan. Beginning January 1, 2004, active Tier 1/Tier 2 members hired before August 29, 2003, became members of the IAP and all PERS member contributions go into the IAP. Tier 1/Tier 2 members retained their existing PERS accounts, but future contributions are deposited into the members IAP account and not their PERS account.

PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377 or at www.oregon.gov/PERS.

Funding Policy – Employees become members of PERS after six months of service in a qualified position. All covered employees are required by State statute to contribute 6% of their salary to the plan, which is deposited into the IAP. During 2013, the Authority, as an employee benefit, paid the employees' portion of the PERS contribution. In addition, the Authority is required to contribute at actuarially determined rates for Tier 1/Tier 2 employees hired before August 29, 2003 and for employees hired after August 29, 2003 in the OPSRP. The current rate is 15.87% of covered payroll for Tier 1/Tier 2 members and 12.94% of covered payroll for OPSRP members.

The required contribution was determined as part of the December 31, 2011 actuarial valuation, using the entry age actuarial cost method, performed as of that date. The actuarial assumptions include:

HOUSING AUTHORITY OF JACKSON COUNTY

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- Long-term inflation rate of 2.75 percent per year
- Rate of return on investments of 8 percent
- Projected increases in salaries of 3.75 percent
- Post-retirement cost of living increases 2.75 percent annually
- Interest crediting of 8 percent of members' regular account balances and 8.5 percent on members variable account balance

Annual Pension Cost - For the years ended December 31, 2013, 2012, and 2011, the Authority's annual pension cost was \$522,449, \$523,261 and \$447,431 respectively, and was equal to the Authority's required and actual contributions.

L. INCOME TAXES:

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

M. USE OF ESTIMATES:

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

2. CASH:

Cash balances are carried at cost. The balances at December 31, 2013 by major type are as follows:

| | Primary Government | Discretely Presented Component Units |
|-------------------------|-----------------------|---|
| Cash on hand-petty cash | \$ 2,150 | \$ 100 |
| Deposits with banks | 8,963,492 | 2,083,789 |
| Total Cash | <u>\$ 8,965,642</u> | <u>\$ 2,083,889</u> |

The Governmental Accounting Standards Boards has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the Authority at December 31, 2013. If bank deposits at year end are not entirely insured or collateralized with securities held by the Authority or by its agent in the Authority's name, the Authority must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager, securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. For the year ended December 31, 2013, the carrying amounts of the Authority's deposits in various financial institutions were \$8,963,492 and the bank balances were \$9,235,674. All deposits of the primary government, except deposits for Sunnyslope Apartments, Willow Glen Apartments and the two blended component units, are held in the name of the Authority. All deposits for the primary government, except deposits for Sunnyslope Apartments, Willow Glen Apartments and the two blended component units, are considered covered by \$2 million in securities backed by the Federal Reserve Bank of New York, and the State of Oregon shared liability structure for participating bank depositories in Oregon. These provisions do not apply to the discretely presented component units.

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Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Authority does not have a formal deposit policy for custodial credit risk.

Effective July 1, 2008, House Bill 2901, which was passed during the 2007 Regular Session of the Oregon Legislative Assembly, significantly revised Oregon Revised Statute 295. The changes streamlined the collateralization process for bank depositories and local governments. The changes also created a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public funds deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 100% by the Office of State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

3. RESTRICTED ASSETS - RESERVES:

In accordance with bond resolutions and certain agreements, separate restricted accounts are required to be established. At December 31, 2013, the Authority held cash balances as reserves for future property replacement, payment of liability and fire insurance, Section 8 voucher payments and tenant family self-sufficiency escrow deposits as follows:

| | <u>Replacement</u> | <u>Operating</u> | <u>Debt</u> | <u>Escrow</u> | <u>Total Reserves</u> |
|---|---------------------|---------------------|------------------|------------------|-----------------------|
| Primary Government | | | | | |
| Section 8 Vouchers | \$ - | \$ 972,197 | \$ - | \$ 90,572 | \$ 1,062,769 |
| Anderson Vista | 141,126 | - | - | - | 141,126 |
| Patio Village | 282,004 | - | - | - | 282,004 |
| Rose Garden | 26,693 | - | - | - | 26,693 |
| Sunnyslope | 198,859 | - | - | - | 198,859 |
| Lilac Meadow | 232,811 | - | - | - | 232,811 |
| Local Program | - | 1,672,775 | - | - | 1,672,775 |
| Willow Glen | 183,168 | 11,082 | - | - | 194,250 |
| Royal Apartments | 13,786 | - | 23,568 | - | 37,354 |
| Series '96 | 16,932 | - | - | - | 16,932 |
| Table Rock Apartments | - | - | - | - | - |
| Housing Retreat | - | - | - | - | - |
| Elk Street | - | - | - | - | - |
| Preserve Jade East | 133,722 | 62,914 | - | - | 196,636 |
| Rivertree | 34,874 | 14,686 | - | - | 49,560 |
| Total Primary Government | \$ 1,263,975 | \$ 2,733,654 | \$ 23,568 | \$ 90,572 | \$ 4,111,769 |
| Discretely Presented Component Units | | | | | |
| Canterbury Hills | \$ 35,961 | \$ 177,196 | \$ - | \$ 396 | \$ 213,553 |
| Lilac Meadows | 186,463 | 68,167 | - | 5,923 | 260,553 |
| Maple Terrace | 138,065 | - | - | 2,730 | 140,795 |
| Quail Run | 76,595 | - | - | - | 76,595 |
| Scenic Heights | 80,014 | 139,000 | - | 5,206 | 224,220 |
| Snowberry Brook | 60,696 | 172,306 | - | 7,705 | 240,707 |
| Rogue River | 166,442 | 105,535 | 64,048 | 2,334 | 338,359 |
| Total Discretely Presented Component Units | \$ 744,236 | \$ 662,204 | \$ 64,048 | \$ 24,294 | \$ 1,494,782 |

HOUSING AUTHORITY OF JACKSON COUNTY

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4. INVESTMENTS:

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

1. Obligations of the United States, agencies or instrumentalities of the United States and the States of Oregon, Washington, Idaho or California.
2. Certificates of deposit, savings accounts or share accounts held in banks, savings and loan associations, or credit unions.
3. Fixed or variable life insurance or annuity contracts.
4. Bankers acceptances.
5. Commercial paper.
6. Repurchase and reverse repurchase agreements.
7. State of Oregon Local Government Investment Pool.

The Authority, as part of its bond indentures, is required to maintain certain investment accounts to meet future obligations associated with the underlying projects funded by those bond proceeds. Investments are carried at current market value. The following is a summary of the investments held by the Authority at December 31, 2013:

| | |
|--|-------------------------------------|
| Obligations of the United States, agencies or instrumentalities of the United States | Primary Government \$ 488,880 |
| Cash | 146,868 |
| Certificate of deposit | 34,289 |
| State of Oregon Local Government Investment Pool | <u>291,386</u> |
| Total Investments | <u>\$ 961,423</u> |

Obligations of the United States, agencies or instrumentalities of the United States, include fixed income securities of the Federal Home Loan Mortgage Corporation, Federal Home Loan Bank and the Federal National Mortgage Association. All securities are triple A rated and have maturity dates of less than five years. These investments are managed by the bond trustee and held by a custodian. Cash includes funds held by the custodian to cover current bond obligations.

Permitted investments include cash and direct obligations of the United States of America, agencies or instrumentalities of the United States of America. Investments are purchased, sold and repurchased in a manner to provide the desired rate of return and to provide resources to meet the bonded debt obligations. These investments are managed by the bond trustee and held by a custodian.

The Oregon State Treasurer maintains the Oregon Short Fund (OSTF), of which the Local Government Investment Pool (LGIP) is a part. Participation by local governments is voluntary. The State of Oregon Investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The LGIP was created to offer a short-term investment alternative to Oregon local governments and it is not registered with the U.S. Securities and Exchange Commission. The investments are regulated by the OSTF and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The LGIP is not rated. At December 31, 2013, the fair value of the Authority's deposit with the LGIP approximates cost. The OSTF financial statements are available at <http://www.ost.state.or.us/>.

As part of the development of Quail Run Development Limited Partnership (Note 13), the Authority was required to invest in a certificate of deposit of \$27,000 in order to secure a letter of credit for the partnership. At December 31, 2013, the fair market value of this investment was \$34,289. This amount is included in the total of investments shown above.

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Credit Risk - State Statutes authorize the Authority to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, banker's acceptances, certain commercial papers, and the State Treasurer's Investment Pool, among others. The Authority has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk - The Authority is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The Authority has no such investments.

Interest Rate Risk - The Authority has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates. No other investments held by the Authority are subject to interest rate risk.

5. RECEIVABLES:

Receivables of the Authority consist of the following:

Tenant Charges - These amounts represent charges to tenants for damages, rent and other miscellaneous items due to the Authority at December 31, 2013:

| | Primary Government | Discretely Presented Component Units |
|---------------------------------|-----------------------|---|
| Tenant rent receivable | \$ 583,490 | \$ 97,027 |
| Allowance for doubtful accounts | (498,597) | (63,573) |
| Net tenant receivables | <u>\$ 84,893</u> | <u>\$ 33,454</u> |

Management expects these amounts for the current receivable to be collected within a 12-month period or it is considered to be uncollectible.

Grants - These amounts represent monies due to the Authority for the operating grants at December 31, 2013:

| | Primary Government | Discretely Presented Component Units |
|------------------------------|-----------------------|---|
| Housing Retreat Program | \$ 14,510 | \$ - |
| Affordable Housing Solutions | - | 39,131 |
| | <u>\$ 14,510</u> | <u>\$ 39,131</u> |

Management expects to collect all amounts in 2014.

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

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Receivables—Other - These amounts represent miscellaneous advances, fees, and reimbursements due to the primary government at December 31, 2013:

| | Primary Government |
|---|-----------------------|
| Other Miscellaneous Receivables | |
| Due from HUD | \$ 187,081 |
| Due from Discretely Presented Component Units (Note 13) | 63,534 |
| Development and management fees | 129,736 |
| | <u>\$ 380,351</u> |

Management expects to collect all amounts in 2014.

6. CAPITAL ASSETS:

Major classes of capital assets of the Authority and activity for the year ended are as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---------------------------------|----------------------|---------------------|-----------------------|----------------------|
| Capital assets not depreciated: | | | | |
| Land | \$ 8,194,470 | \$ 1,038,850 | \$ (1,929,854) | \$ 7,303,466 |
| Construction in process | 579,592 | 998,510 | (1,215,588) | 362,514 |
| | <u>\$ 8,774,062</u> | <u>\$ 2,037,360</u> | <u>\$ (3,145,442)</u> | <u>\$ 7,665,980</u> |
| Capital assets depreciated: | | | | |
| Building and improvements | \$ 42,828,927 | \$ 349,291 | \$ (476,454) | \$ 42,701,764 |
| Equipment | 858,271 | 69,270 | (7,190) | 920,351 |
| | 43,687,198 | 418,561 | (483,644) | 43,622,115 |
| Less accumulated depreciation | (16,196,618) | (1,202,016) | 294,892 | (17,103,742) |
| | <u>27,490,580</u> | <u>(783,455)</u> | <u>(188,752)</u> | <u>26,518,373</u> |
| Total Capital Assets, net | <u>\$ 36,264,642</u> | <u>\$ 1,253,905</u> | <u>\$ (3,334,194)</u> | <u>\$ 34,184,353</u> |

Capital asset activity for the Discretely Presented Component Units for the year ended December 31, 2013 was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---------------------------------|----------------------|----------------------|-----------------------|----------------------|
| Capital assets not depreciated: | | | | |
| Land | \$ 5,012,359 | \$ 1,079,262 | \$ - | \$ 6,091,621 |
| Construction in process | 1,487,508 | 7,360,272 | (1,487,508) | 7,360,272 |
| | <u>\$ 6,499,867</u> | <u>\$ 8,439,534</u> | <u>\$ (1,487,508)</u> | <u>\$ 13,451,893</u> |
| Capital assets depreciated: | | | | |
| Building and improvements | \$ 47,461,594 | \$ 7,723,520 | \$ - | \$ 55,185,114 |
| Equipment | 506,442 | 188,635 | - | 695,077 |
| | 47,968,036 | 7,912,155 | - | 55,880,191 |
| Less accumulated depreciation | (7,579,517) | (2,056,200) | - | (9,635,717) |
| | <u>40,388,519</u> | <u>5,855,955</u> | <u>\$ -</u> | <u>46,244,474</u> |
| Total Capital Assets, net | <u>\$ 46,888,386</u> | <u>\$ 14,295,489</u> | <u>\$ (1,487,508)</u> | <u>\$ 59,696,367</u> |

Capital assets are accounted for in the individual programs in which the assets were purchased. The following is a summary of fixed asset activity by program for the Primary Government:

HOUSING AUTHORITY OF JACKSON COUNTY

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| | Beginning Balance | Additions | Deletions | Ending Balance |
|--------------------------------------|----------------------|---------------------|-----------------------|----------------------|
| Public Housing | \$ 193,695 | \$ - | \$ - | \$ 193,695 |
| Section 8 - Vouchers | 76,919 | - | - | 76,919 |
| Anderson Vista Apartments | 2,584,127 | - | - | 2,584,127 |
| Patio Village Apartments | 1,992,873 | - | - | 1,992,873 |
| Rose Garden Apartments | 217,716 | - | - | 217,716 |
| Sunnyslope Apartments | 1,410,107 | 24,345 | - | 1,434,452 |
| Lilac Meadow Apartments | 5,523,872 | - | - | 5,523,872 |
| Local Program | 3,141,107 | 2,095,797 | (3,002,331) | 2,234,573 |
| Willow Glen Apartments | 4,513,452 | 30,706 | - | 4,544,158 |
| Southernaire/West Pine Apartments | 4,535,587 | - | - | 4,535,587 |
| Royal Apartments | 4,712,283 | 183,928 | (76,156) | 4,820,055 |
| Series '96 | 3,190,868 | 75,649 | - | 3,266,517 |
| Table Rock Apartments | 1,445,238 | - | - | 1,445,238 |
| Multi-Family Housing | 4,489,082 | - | - | 4,489,082 |
| Housing Retreat | 1,496,411 | - | - | 1,496,411 |
| Penny Lane Apartments | 1,510,436 | - | - | 1,510,436 |
| Elk Street Apartments | 952,576 | - | - | 952,576 |
| Finley Square Apartments | 4,223,917 | - | - | 4,223,917 |
| Single Family Housing | 2,450,963 | 45,496 | (550,599) | 1,945,860 |
| The Grand Apartments | 1,783,270 | - | - | 1,783,270 |
| Jade East Apartments | 1,036,009 | - | - | 1,036,009 |
| Rivertree Apartments | 980,752 | - | - | 980,752 |
| | <u>\$ 52,461,260</u> | <u>\$ 2,455,921</u> | <u>\$ (3,629,086)</u> | <u>51,288,095</u> |
| Less: Accumulated depreciation | | | | <u>(17,103,742)</u> |
| Net Capital Assets | | | | <u>\$ 34,184,353</u> |

During 2013, the Authority transferred ownership of capital assets totaling \$2,216,445 to Cherry Creek Part I, LLC. See Note 13.

The Authority records depreciation on the straight-line method over estimated useful lives ranging from five to forty years. The following is a summary of depreciation reported for the current year:

| | |
|----------------------------|-----------------------|
| | Primary Government |
| Buildings and improvements | \$ 1,136,005 |
| Equipment | 66,011 |
| Total Depreciation Expense | <u>\$ 1,202,016</u> |

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Notes to the Financial Statements

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7. TENANT SECURITY DEPOSITS:

The following is a summary of deposits held and payable to tenants upon termination of rental contracts at December 31, 2013:

| | <u>Primary Government</u> | |
|-----------------------------------|---------------------------|--|
| Anderson Vista Apartments | \$ 14,410 | |
| Patio Village Apartment | 25,668 | |
| Rose Garden Apartments | 3,174 | |
| Sunnyslope Apartment | 13,714 | |
| Lilac Meadow Apartments | 18,446 | |
| Willow Glen Apartments | 41,509 | |
| Southernaire/West Pine Apartments | 60,236 | |
| Royal Apartments | 46,813 | |
| Series '96 | 22,017 | |
| Table Rock Apartments | 12,619 | |
| Multi-Family Housing | 35,143 | |
| Housing Retreat | 9,834 | |
| Penny Lane Apartments | 5,399 | |
| Elk Street Apartments | 6,000 | |
| Finley Square Apartments | 32,238 | |
| Single Family Housing | 25,512 | |
| Grand Apartments | 4,806 | |
| Jade East Apartments | 10,714 | |
| Rivertree Apartments | 10,303 | |
| Total Security Deposits | <u>\$ 398,555</u> | |

Discretely Presented Component Units

| | |
|-------------------------|-------------------|
| Canterbury Hills | \$ 26,263 |
| Freedom & Liberty | 21,631 |
| Lilac Meadow Phase II | 18,633 |
| Maple Terrace | 43,148 |
| Quail Run | 9,991 |
| Rogue River Estates | 27,784 |
| Scenic Heights | 24,981 |
| Snowberry Brook | 30,953 |
| Total Security Deposits | <u>\$ 203,384</u> |

In addition, the Authority maintains deposits for tenants under the Family Self Sufficiency program, whereby tenants may accumulate monies to eventually leave the Section 8 program. At December 31, 2013 the Authority held the following deposits:

| | |
|---------------------|------------------|
| Section 8 - Voucher | <u>\$ 90,572</u> |
|---------------------|------------------|

8. LINE OF CREDIT:

The Housing Authority has a \$250,000 unused, unsecured line of credit available with a local financial institution. The line, which matures on November 15, 2014, had a zero balance at December 31, 2013.

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

9. LONG-TERM DEBT:

For the year ending December 31, 2013, the Authority completed the following long-term debt transactions:

MORTGAGES PAYABLE:

| | Beginning Balance | New Issue | Retirements | Ending Balance | Due Within One Year |
|----------------------------------|----------------------|---------------------|---------------------|---------------------|------------------------|
| <u>Anderson Vista Apartments</u> | | | | | |
| FHA 83-002 | \$ 654,198 | \$ - | \$ 36,599 | \$ 617,599 | \$ 36,967 |
| <u>Patio Village Apartments</u> | | | | | |
| FHA 84-001 | 458,520 | - | 4,025 | 454,495 | 4,348 |
| FHA 84-002 | 30,432 | - | 267 | 30,165 | 289 |
| FHA 84-003 | 331,634 | - | 2,911 | 328,723 | 3,145 |
| FHA 84-004 | 301,520 | - | 2,646 | 298,874 | 2,859 |
| FHA 84-005 | 22,752 | - | 200 | 22,552 | 216 |
| FHA 84-006 | 319,213 | - | 2,802 | 316,411 | 3,026 |
| <u>Rose Garden Apartments</u> | | | | | |
| FHA 84-001 | 112,911 | - | 1,055 | 111,856 | 1,134 |
| FHA 84-002 | 15,614 | - | 145 | 15,469 | 156 |
| FHA 84-003 | 64,849 | - | 603 | 64,246 | 648 |
| <u>Sunnyslope Apartments</u> | | | | | |
| Rural Development | 918,244 | - | 11,102 | 907,142 | 12,084 |
| <u>Lilac Meadow Apartments</u> | | | | | |
| Rural Development 001 | 746,146 | - | 27,865 | 718,281 | 28,145 |
| Rural Development 003 | 465,046 | - | 17,367 | 447,679 | 17,542 |
| Rural Development 007 | 58,943 | - | 2,201 | 56,742 | 2,223 |
| Rural Development 008 | 58,485 | - | 2,184 | 56,301 | 2,206 |
| <u>Local Program</u> | | | | | |
| AmericanWest Bank 2 | - | 280,000 | - | 280,000 | - |
| AmericanWest Bank 1 | 400,000 | - | - | 400,000 | 400,000 |
| <u>Willow Glen Apartments</u> | | | | | |
| JP Morgan Chase | 1,967,879 | 2,100,000 | 1,999,346 | 2,068,533 | 44,034 |
| <u>Table Rock Apartments</u> | | | | | |
| JP Morgan Chase | 554,217 | - | 24,118 | 530,099 | 25,131 |
| <u>Penny Lane Apartments</u> | | | | | |
| Sterling Savings Bank 01 | 400,899 | - | 8,630 | 392,269 | 9,416 |
| Sterling Savings Bank 02 | 90,373 | - | 2,121 | 88,252 | 2,280 |
| <u>Finley Square Apartments</u> | | | | | |
| AmericanWest Bank | 3,449,991 | - | 37,891 | 3,412,100 | 492,100 |
| <u>The Grand Apartments</u> | | | | | |
| AmericanWest Bank | 624,009 | - | 16,297 | 607,712 | 18,388 |
| <u>Blended Component Units</u> | | | | | |
| Jade East Apartments | 4,744 | - | 4,744 | - | - |
| Rivertree Apartments | 42,597 | - | 23,706 | 18,891 | 18,891 |
| TOTALS | \$12,093,216 | \$ 2,380,000 | \$ 2,228,825 | \$12,244,391 | \$ 1,125,228 |

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The changes in the Authority's discretely presented component unit mortgage and notes payable during 2013 are as follows:

| | Beginning Balance | New Issue | Retirements | Ending Balance | Due Within One Year |
|---------------------------------------|----------------------|---------------------|-------------------|----------------------|------------------------|
| Canterbury Hills Mortgage Loan | \$ 1,346,821 | \$ - | \$ 13,304 | \$ 1,333,517 | \$ 14,302 |
| Cherry Creek Construction Loan | - | 5,072,570 | - | 5,072,570 | - |
| Freedom and Liberty Construction Loan | 318,858 | 2,355,632 | - | 2,674,490 | - |
| Lilac Meadow Mortgage Loan | 738,891 | - | 22,655 | 716,236 | 23,340 |
| Maple Terrace Mortgage Loan | 3,367,270 | - | 33,955 | 3,333,315 | 35,571 |
| Quail Run Mortgage Loan | 850,447 | - | 8,729 | 841,718 | 9,258 |
| Scenic Heights Mortgage Loan | 1,769,493 | - | 49,273 | 1,720,220 | 50,223 |
| Snowberry Brook Mortgage Loan | 2,498,946 | - | 52,739 | 2,446,207 | 54,478 |
| TOTALS | \$10,890,726 | \$ 7,428,202 | \$ 180,655 | \$ 18,138,273 | \$ 187,172 |

In January 2014, the Freedom and Liberty construction loan was paid in full by capital contributions from the investor member and by a loan from Network for Oregon Affordable Housing (NOAH) in the amount of \$1,268,966. The NOAH loan has a 20 year term with a 30 year amortization period. Interest rate on the NOAH loan will be 2.5% per annum.

During 2014, the Cherry Creek construction loan will be paid in full by capital contributions from the investor member and by a loan from Network for Oregon Affordable Housing (NOAH) in the amount of \$2,000,000. The NOAH loan will have a 20 year term.

BONDS PAYABLE:

The changes in the Authority's revenue bonds during 2013 are as follows:

| | Beginning Balance | New Issue | Retirements | Ending Balance | Due Within One Year |
|----------------------------------|----------------------|--------------|-------------------|---------------------|------------------------|
| Series '96 Bonds | \$ 1,095,631 | \$ - | \$ 53,684 | \$ 1,041,947 | \$ 55,424 |
| Southernair/West Pine Apts Bonds | 3,412,500 | - | 141,250 | 3,271,250 | 145,000 |
| Less bond issuance discount | (82,957) | - | (5,530) | (77,427) | (5,530) |
| Royal Apartments Bonds | 3,119,307 | - | 165,385 | 2,953,922 | 171,564 |
| TOTALS | \$ 7,544,481 | \$ - | \$ 354,789 | \$ 7,189,692 | \$ 366,458 |

Original issue discount was recognized on the issue of bonds payable, including the bonds that were retired in 2013. Amortization of bond discounts and premiums are recorded with interest expense as part of non-operating revenues and expenses. The costs are amortized over the life of the related debt.

The changes in the Authority's discretely presented component unit revenue bond during 2013 are as follows:

| | Beginning Balance | New Issue | Retirements | Ending Balance | Due Within One Year |
|----------------------------------|----------------------|--------------|-------------|-------------------|------------------------|
| Rogue River Estates Bond Payable | \$ 5,067,102 | \$ - | \$ 102,443 | \$ 4,964,659 | \$ 108,153 |

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

10. FUTURE REQUIREMENTS - LONG-TERM DEBT:

The annual requirements to amortize all long-term debt outstanding for the primary government as of December 31, 2013 are as follows:

Anderson Vista

| | |
|------------------|----------------|
| Due Date | August 1, 2029 |
| Original amount | \$ 1,181,620 |
| Unpaid principal | \$ 617,599 |
| Interest rate | 1.00% |
| Annual payment | \$ 42,974 |
| Term | 33 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|------------------|-------------------|
| 2014 | \$ 36,967 | \$ 6,007 | \$ 42,974 |
| 2015 | 37,338 | 5,636 | 42,974 |
| 2016 | 37,713 | 5,261 | 42,974 |
| 2017 | 38,092 | 4,882 | 42,974 |
| 2018 | 38,475 | 4,499 | 42,974 |
| 2019-2023 | 198,251 | 16,619 | 214,870 |
| 2024-2028 | 208,411 | 6,459 | 214,870 |
| 2029 | 22,351 | 66 | 22,417 |
| | <u>\$ 617,599</u> | <u>\$ 49,429</u> | <u>\$ 667,028</u> |

Patio Village - 84-001

| | |
|------------------|-------------------|
| Due Date | December 18, 2042 |
| Original amount | \$ 497,873 |
| Unpaid principal | \$ 454,495 |
| Interest rate | 7.75% |
| Annual payment | \$ 39,420 |
| Term | 50 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|-------------------|---------------------|
| 2014 | \$ 4,348 | \$ 35,072 | \$ 39,420 |
| 2015 | 4,697 | 34,723 | 39,420 |
| 2016 | 5,074 | 34,346 | 39,420 |
| 2017 | 5,482 | 33,938 | 39,420 |
| 2018 | 5,922 | 33,498 | 39,420 |
| 2019-2023 | 37,556 | 159,544 | 197,100 |
| 2024-2028 | 55,263 | 141,837 | 197,100 |
| 2029-2033 | 81,316 | 115,784 | 197,100 |
| 2034-2038 | 119,654 | 77,446 | 197,100 |
| 2039-2042 | 135,183 | 22,498 | 157,681 |
| | <u>\$ 454,495</u> | <u>\$ 688,686</u> | <u>\$ 1,143,181</u> |

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Notes to the Financial Statements

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Patio Village - 84-002

| | |
|------------------|-------------------|
| Due Date | December 18, 2042 |
| Original amount | \$ 33,045 |
| Unpaid principal | \$ 30,165 |
| Interest rate | 7.75% |
| Annual payment | \$ 2,616 |
| Term | 50 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|------------------|------------------|
| 2014 | \$ 289 | \$ 2,327 | \$ 2,616 |
| 2015 | 312 | 2,304 | 2,616 |
| 2016 | 337 | 2,279 | 2,616 |
| 2017 | 364 | 2,252 | 2,616 |
| 2018 | 393 | 2,223 | 2,616 |
| 2019-2023 | 2,494 | 10,586 | 13,080 |
| 2024-2028 | 3,669 | 9,411 | 13,080 |
| 2029-2033 | 5,399 | 7,681 | 13,080 |
| 2034-2038 | 7,945 | 5,135 | 13,080 |
| 2039-2042 | 8,963 | 1,501 | 10,464 |
| | <u>\$ 30,165</u> | <u>\$ 45,699</u> | <u>\$ 75,864</u> |

Patio Village - 84-003

| | |
|------------------|-------------------|
| Due Date | December 18, 2042 |
| Original amount | \$ 360,098 |
| Unpaid principal | \$ 328,723 |
| Interest rate | 7.75% |
| Annual payment | \$ 28,512 |
| Term | 50 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|-------------------|-------------------|
| 2014 | \$ 3,145 | \$ 25,367 | \$ 28,512 |
| 2015 | 3,397 | 25,115 | 28,512 |
| 2016 | 3,670 | 24,842 | 28,512 |
| 2017 | 3,965 | 24,547 | 28,512 |
| 2018 | 4,283 | 24,229 | 28,512 |
| 2019-2023 | 27,164 | 115,396 | 142,560 |
| 2024-2028 | 39,971 | 102,589 | 142,560 |
| 2029-2033 | 58,816 | 83,744 | 142,560 |
| 2034-2038 | 86,545 | 56,015 | 142,560 |
| 2039-2042 | 97,767 | 16,283 | 114,050 |
| | <u>\$ 328,723</u> | <u>\$ 498,127</u> | <u>\$ 826,850</u> |

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

Patio Village - 84-004

| | |
|------------------|-------------------|
| Due Date | December 18, 2042 |
| Original amount | \$ 327,394 |
| Unpaid principal | \$ 298,874 |
| Interest rate | 7.75% |
| Annual payment | \$ 25,921 |
| Term | 50 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|-------------------|-------------------|
| 2014 | \$ 2,859 | \$ 23,062 | \$ 25,921 |
| 2015 | 3,088 | 22,833 | 25,921 |
| 2016 | 3,336 | 22,585 | 25,921 |
| 2017 | 3,604 | 22,317 | 25,921 |
| 2018 | 3,894 | 22,027 | 25,921 |
| 2019-2023 | 24,693 | 104,912 | 129,605 |
| 2024-2028 | 36,335 | 93,270 | 129,605 |
| 2029-2033 | 53,465 | 76,140 | 129,605 |
| 2034-2038 | 78,671 | 50,934 | 129,605 |
| 2039-2042 | 88,929 | 14,757 | 103,686 |
| | <u>\$ 298,874</u> | <u>\$ 452,837</u> | <u>\$ 751,711</u> |

Patio Village - 84-005

| | |
|------------------|-------------------|
| Due Date | December 18, 2042 |
| Original amount | \$ 24,704 |
| Unpaid principal | \$ 22,552 |
| Interest rate | 7.75% |
| Annual payment | \$ 1,956 |
| Term | 50 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|------------------|------------------|
| 2014 | \$ 216 | \$ 1,740 | \$ 1,956 |
| 2015 | 233 | 1,723 | 1,956 |
| 2016 | 251 | 1,705 | 1,956 |
| 2017 | 272 | 1,684 | 1,956 |
| 2018 | 294 | 1,662 | 1,956 |
| 2019-2023 | 1,862 | 7,918 | 9,780 |
| 2024-2028 | 2,740 | 7,040 | 9,780 |
| 2029-2033 | 4,032 | 5,748 | 9,780 |
| 2034-2038 | 5,934 | 3,846 | 9,780 |
| 2039-2042 | 6,718 | 1,106 | 7,824 |
| | <u>\$ 22,552</u> | <u>\$ 34,172</u> | <u>\$ 56,724</u> |

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

Patio Village - 84-006

| | |
|------------------|-------------------|
| Due Date | December 18, 2042 |
| Original amount | \$ 346,607 |
| Unpaid principal | \$ 316,411 |
| Interest rate | 7.75% |
| Annual payment | \$ 27,442 |
| Term | 50 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|-------------------|-------------------|
| 2014 | \$ 3,026 | \$ 24,416 | \$ 27,442 |
| 2015 | 3,270 | 24,172 | 27,442 |
| 2016 | 3,532 | 23,910 | 27,442 |
| 2017 | 3,816 | 23,626 | 27,442 |
| 2018 | 4,122 | 23,320 | 27,442 |
| 2019-2023 | 26,143 | 111,067 | 137,210 |
| 2024-2028 | 38,468 | 98,742 | 137,210 |
| 2029-2033 | 56,604 | 80,606 | 137,210 |
| 2034-2038 | 83,291 | 53,919 | 137,210 |
| 2039-2042 | 94,139 | 15,632 | 109,771 |
| | <u>\$ 316,411</u> | <u>\$ 479,410</u> | <u>\$ 795,821</u> |

Rose Garden Apartments - 84-001

| | |
|------------------|--------------|
| Due Date | June 8, 2043 |
| Original amount | \$ 123,545 |
| Unpaid principal | \$ 111,856 |
| Interest rate | 7.25% |
| Annual payment | \$ 9,207 |
| Term | 50 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|-------------------|-------------------|
| 2014 | \$ 1,134 | \$ 8,073 | \$ 9,207 |
| 2015 | 1,219 | 7,988 | 9,207 |
| 2016 | 1,310 | 7,897 | 9,207 |
| 2017 | 1,409 | 7,798 | 9,207 |
| 2018 | 1,514 | 7,693 | 9,207 |
| 2019-2023 | 9,455 | 36,580 | 46,035 |
| 2024-2028 | 13,571 | 32,464 | 46,035 |
| 2029-2033 | 19,480 | 26,555 | 46,035 |
| 2034-2038 | 27,960 | 18,075 | 46,035 |
| 2039-2043 | 34,804 | 5,993 | 40,797 |
| | <u>\$ 111,856</u> | <u>\$ 159,116</u> | <u>\$ 270,972</u> |

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

Rose Garden Apartments - 84-002

| | |
|------------------|--------------|
| Due Date | June 8, 2043 |
| Original amount | \$ 17,075 |
| Unpaid principal | \$ 15,469 |
| Interest rate | 7.25% |
| Annual payment | \$ 1,272 |
| Term | 50 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|------------------|------------------|
| 2014 | \$ 156 | \$ 1,116 | \$ 1,272 |
| 2015 | 168 | 1,104 | 1,272 |
| 2016 | 180 | 1,092 | 1,272 |
| 2017 | 194 | 1,078 | 1,272 |
| 2018 | 208 | 1,064 | 1,272 |
| 2019-2023 | 1,301 | 5,059 | 6,360 |
| 2024-2028 | 1,868 | 4,492 | 6,360 |
| 2029-2033 | 2,681 | 3,679 | 6,360 |
| 2034-2038 | 3,848 | 2,512 | 6,360 |
| 2039-2043 | 4,865 | 846 | 5,711 |
| | <u>\$ 15,469</u> | <u>\$ 22,042</u> | <u>\$ 37,511</u> |

Rose Garden Apartments -84-003

| | |
|------------------|--------------|
| Due Date | June 8, 2043 |
| Original amount | \$ 70,912 |
| Unpaid principal | \$ 64,246 |
| Interest rate | 7.25% |
| Annual payment | \$ 5,284 |
| Term | 50 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|------------------|-------------------|
| 2014 | \$ 648 | \$ 4,636 | \$ 5,284 |
| 2015 | 696 | 4,588 | 5,284 |
| 2016 | 748 | 4,536 | 5,284 |
| 2017 | 805 | 4,479 | 5,284 |
| 2018 | 865 | 4,419 | 5,284 |
| 2019-2023 | 5,399 | 21,021 | 26,420 |
| 2024-2028 | 7,750 | 18,670 | 26,420 |
| 2029-2033 | 11,124 | 15,296 | 26,420 |
| 2034-2038 | 15,966 | 10,454 | 26,420 |
| 2039-2043 | 20,245 | 3,544 | 23,789 |
| | <u>\$ 64,246</u> | <u>\$ 91,643</u> | <u>\$ 155,889</u> |

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

Lilac Meadow 001

| | |
|------------------|-----------------|
| Due Date | October 1, 2036 |
| Original amount | \$ 950,769 |
| Unpaid principal | \$ 718,281 |
| Interest rate | 1.00% |
| Annual payment | \$ 35,199 |
| Term | 32 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|------------------|-------------------|
| 2014 | \$ 28,145 | \$ 7,054 | \$ 35,199 |
| 2015 | 28,427 | 6,772 | 35,199 |
| 2016 | 28,713 | 6,486 | 35,199 |
| 2017 | 29,001 | 6,198 | 35,199 |
| 2018 | 29,293 | 5,906 | 35,199 |
| 2019-2023 | 150,937 | 25,058 | 175,995 |
| 2024-2028 | 158,673 | 17,322 | 175,995 |
| 2029-2033 | 166,804 | 9,191 | 175,995 |
| 2034-2036 | 98,288 | 1,436 | 99,724 |
| | <u>\$ 718,281</u> | <u>\$ 85,423</u> | <u>\$ 803,704</u> |

Lilac Meadow 003

| | |
|------------------|-----------------|
| Due Date | October 1, 2036 |
| Original amount | \$ 592,579 |
| Unpaid principal | \$ 447,679 |
| Interest rate | 1.0% |
| Annual payment | \$ 21,938 |
| Term | 32 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|------------------|-------------------|
| 2014 | \$ 17,542 | \$ 4,396 | \$ 21,938 |
| 2015 | 17,718 | 4,220 | 21,938 |
| 2016 | 17,896 | 4,042 | 21,938 |
| 2017 | 18,076 | 3,862 | 21,938 |
| 2018 | 18,257 | 3,681 | 21,938 |
| 2019-2023 | 94,073 | 15,617 | 109,690 |
| 2024-2028 | 98,895 | 10,795 | 109,690 |
| 2029-2033 | 103,963 | 5,727 | 109,690 |
| 2034-2036 | 61,259 | 898 | 62,157 |
| | <u>\$ 447,679</u> | <u>\$ 53,238</u> | <u>\$ 500,917</u> |

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

Lilac Meadow 007

| | |
|------------------|-----------------|
| Due Date | October 1, 2036 |
| Original amount | \$ 75,107 |
| Unpaid principal | \$ 56,742 |
| Interest rate | 1.0% |
| Annual payment | \$ 2,780 |
| Term | 32 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|-----------------|------------------|
| 2014 | \$ 2,223 | \$ 557 | \$ 2,780 |
| 2015 | 2,246 | 534 | 2,780 |
| 2016 | 2,268 | 512 | 2,780 |
| 2017 | 2,291 | 489 | 2,780 |
| 2018 | 2,314 | 466 | 2,780 |
| 2019-2023 | 11,923 | 1,977 | 13,900 |
| 2024-2028 | 12,534 | 1,366 | 13,900 |
| 2029-2033 | 13,177 | 723 | 13,900 |
| 2034-2036 | 7,766 | 116 | 7,882 |
| | <u>\$ 56,742</u> | <u>\$ 6,740</u> | <u>\$ 63,482</u> |

Lilac Meadow 008

| | |
|------------------|-----------------|
| Due Date | October 1, 2036 |
| Original amount | \$ 75,026 |
| Unpaid principal | \$ 56,301 |
| Interest rate | 1.00% |
| Annual payment | \$ 2,759 |
| Term | 32 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|-----------------|------------------|
| 2014 | \$ 2,206 | \$ 553 | \$ 2,759 |
| 2015 | 2,228 | 531 | 2,759 |
| 2016 | 2,251 | 508 | 2,759 |
| 2017 | 2,273 | 486 | 2,759 |
| 2018 | 2,296 | 463 | 2,759 |
| 2019-2023 | 11,831 | 1,964 | 13,795 |
| 2024-2028 | 12,437 | 1,358 | 13,795 |
| 2029-2033 | 13,074 | 721 | 13,795 |
| 2034-2036 | 7,705 | 113 | 7,818 |
| | <u>\$ 56,301</u> | <u>\$ 6,697</u> | <u>\$ 62,998</u> |

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

Series '96 Program Bond Payable

| | |
|------------------|------------------|
| Due Date | November 1, 2027 |
| Original amount | \$1,100,000 |
| Unpaid principal | \$1,041,947 |
| Interest rate | 4.38% |
| Annual Payment | \$ 100,603 |
| Term | 15 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-------------------|---------------------|
| 2014 | \$ 55,424 | \$ 45,179 | \$ 100,603 |
| 2015 | 57,936 | 42,667 | 100,603 |
| 2016 | 60,446 | 40,157 | 100,603 |
| 2017 | 63,302 | 37,301 | 100,603 |
| 2018 | 66,171 | 34,432 | 100,603 |
| 2019-2023 | 378,558 | 124,457 | 503,015 |
| 2024-2027 | 360,110 | 32,960 | 393,070 |
| | <u>\$ 1,041,947</u> | <u>\$ 357,153</u> | <u>\$ 1,399,100</u> |

Willow Glen Apartments

| | |
|------------------|---------------|
| Due Date | March 1, 2018 |
| Original Amount | \$ 2,100,000 |
| Unpaid principal | \$ 2,068,533 |
| Interest rate | 5.35% |
| Annual payment | \$ 153,636 |
| Term | 5 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-------------------|---------------------|
| 2014 | \$ 44,034 | \$ 109,602 | \$ 153,636 |
| 2015 | 46,448 | 107,188 | 153,636 |
| 2016 | 48,995 | 104,641 | 153,636 |
| 2017 | 51,682 | 101,954 | 153,636 |
| 2018 | 1,877,374 | 25,051 | 1,902,425 |
| | <u>\$ 2,068,533</u> | <u>\$ 448,436</u> | <u>\$ 2,516,969</u> |

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

Table Rock Apartments Program

| | |
|------------------|-------------|
| Due Date | May 1, 2019 |
| Original amount | \$ 800,000 |
| Unpaid principal | \$ 530,099 |
| Interest rate | 4.125% |
| Annual payment | \$ 46,526 |
| Term | 20 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|-------------------|-------------------|
| 2014 | \$ 25,131 | \$ 21,395 | \$ 46,526 |
| 2015 | 26,188 | 20,338 | 46,526 |
| 2016 | 27,289 | 19,237 | 46,526 |
| 2017 | 28,436 | 18,090 | 46,526 |
| 2018 | 29,631 | 16,895 | 46,526 |
| 2019 | 393,424 | 4,111 | 397,535 |
| | <u>\$ 530,099</u> | <u>\$ 100,066</u> | <u>\$ 630,165</u> |

Local Program

| | |
|------------------|---------------|
| Due Date | June 21, 2014 |
| Original amount | \$ 400,000 |
| Unpaid principal | \$ 400,000 |
| Interest rate | 5.50% |
| Term | 2 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|-----------------|-------------------|
| 2014 | <u>\$ 400,000</u> | <u>\$ 9,000</u> | <u>\$ 409,000</u> |

Local Program

| | |
|------------------|-------------------|
| Due Date | February 18, 2015 |
| Original amount | \$ 280,000 |
| Unpaid principal | \$ 280,000 |
| Interest rate | 4.50% |
| Term | 2 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|------------------|-------------------|
| 2014 | \$ - | \$ 12,600 | \$ 12,600 |
| 2015 | 280,000 | 2,100 | 282,100 |
| | <u>\$ 280,000</u> | <u>\$ 14,700</u> | <u>\$ 294,700</u> |

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

Southernaire/West Pine Apartments Bonds Payable

| | |
|------------------|------------------|
| Due Date | December 1, 2028 |
| Original amount | \$ 4,850,000 |
| Unpaid principal | \$ 3,271,250 |
| Interest rate | 4.0-5.5% |
| Annual payment | N/A |
| Term | 30 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|---------------------|---------------------|
| 2014 | \$ 145,000 | \$ 180,400 | \$ 325,400 |
| 2015 | 155,000 | 172,425 | 327,425 |
| 2016 | 165,000 | 163,900 | 328,900 |
| 2017 | 170,000 | 154,825 | 324,825 |
| 2018 | 180,000 | 145,475 | 325,475 |
| 2019-2023 | 1,065,000 | 567,050 | 1,632,050 |
| 2024-2028 | 1,391,250 | 239,250 | 1,630,500 |
| | <u>\$ 3,271,250</u> | <u>\$ 1,623,325</u> | <u>\$ 4,894,575</u> |

Royal Apartments Bond Payable

| | |
|------------------|--------------|
| Due Date | July 1, 2027 |
| Original amount | \$3,200,000 |
| Unpaid principal | \$2,953,922 |
| Interest rate | 3.76% |
| Annual payment | \$ 281,037 |
| Term | 15 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-------------------|---------------------|
| 2014 | \$ 171,564 | \$ 109,473 | \$ 281,037 |
| 2015 | 178,075 | 102,962 | 281,037 |
| 2016 | 184,834 | 96,203 | 281,037 |
| 2017 | 191,849 | 89,188 | 281,037 |
| 2018 | 199,130 | 81,907 | 281,037 |
| 2019-2023 | 1,114,919 | 290,266 | 1,405,185 |
| 2024-2027 | 913,551 | 70,079 | 983,630 |
| | <u>\$ 2,953,922</u> | <u>\$ 840,078</u> | <u>\$ 3,794,000</u> |

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

Penny Lane Apartments 01

| | |
|------------------|------------------|
| Due Date | December 5, 2026 |
| Original amount | \$ 440,000 |
| Unpaid principal | \$ 392,269 |
| Interest rate | 4.77% |
| Annual Payment | \$ 27,828 |
| Term | 19 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|-------------------|-------------------|
| 2014 | \$ 9,416 | \$ 18,412 | \$ 27,828 |
| 2015 | 9,875 | 17,953 | 27,828 |
| 2016 | 10,357 | 17,471 | 27,828 |
| 2017 | 10,862 | 16,966 | 27,828 |
| 2018 | 11,391 | 16,437 | 27,828 |
| 2019-2023 | 65,850 | 73,290 | 139,140 |
| 2024-2026 | 274,518 | 35,489 | 310,007 |
| | <u>\$ 392,269</u> | <u>\$ 196,018</u> | <u>\$ 588,287</u> |

Penny Lane Apartments 02

| | |
|------------------|-----------------|
| Due Date | October 5, 2027 |
| Original amount | \$ 100,000 |
| Unpaid principal | \$ 88,252 |
| Interest rate | 4.17% |
| Annual Payment | \$ 5,901 |
| Term | 20 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|------------------|-------------------|
| 2014 | \$ 2,280 | \$ 3,621 | \$ 5,901 |
| 2015 | 2,377 | 3,524 | 5,901 |
| 2016 | 2,478 | 3,423 | 5,901 |
| 2017 | 2,583 | 3,318 | 5,901 |
| 2018 | 2,693 | 3,208 | 5,901 |
| 2019-2023 | 15,284 | 14,221 | 29,505 |
| 2024-2027 | 60,557 | 8,814 | 69,371 |
| | <u>\$ 88,252</u> | <u>\$ 40,129</u> | <u>\$ 128,381</u> |

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

Finley Square Apartments

| | |
|------------------|-------------------|
| Due Date | December 15, 2023 |
| Original amount | \$ 3,600,000 |
| Unpaid principal | \$ 3,412,000 |
| Interest rate | 4.87% |
| Term | 10 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|---------------------|---------------------|
| 2014 | \$ 492,100 | \$ 168,385 | \$ 660,485 |
| 2015 | 36,000 | 166,252 | 202,252 |
| 2016 | 36,000 | 164,567 | 200,567 |
| 2017 | 36,000 | 161,986 | 197,986 |
| 2018 | 36,000 | 158,625 | 194,625 |
| 2019-2023 | 2,776,000 | 768,921 | 3,544,921 |
| | <u>\$ 3,412,100</u> | <u>\$ 1,588,736</u> | <u>\$ 5,000,836</u> |

The current debt on Finley Square was set to mature on December 15, 2013. A 60-day extension was granted. The Authority refinanced the debt with the current lender, AmericanWest Bank on February 28, 2014. The bank refinanced under the following terms: \$2,950,000 for ten years at LIBOR plus 2.25%. In connection with the loan terms, the Authority will enter into an interest rate swap for ten years. The interest rate swap agreement was confirmed in March 2014. In essence, the swap will fix the interest rate on the loan at 5.28% and will require monthly payments of principal of \$3,000 plus interest. The termination date of the swap is December 15, 2023. The table above is based on the terms of the refinancing using information provided by the lender.

The Grand Apartments

| | |
|------------------|--------------|
| Due Date | May 15, 2019 |
| Original amount | \$ 680,000 |
| Unpaid principal | \$ 607,712 |
| Interest rate | 4.65% |
| Term | 10 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|-------------------|-------------------|
| 2014 | \$ 18,388 | \$ 27,729 | \$ 46,117 |
| 2015 | 19,500 | 26,843 | 46,343 |
| 2016 | 19,500 | 25,916 | 45,416 |
| 2017 | 19,500 | 24,944 | 44,444 |
| 2018 | 19,500 | 23,925 | 43,425 |
| 2019 | 511,324 | 9,657 | 520,981 |
| | <u>\$ 607,712</u> | <u>\$ 139,014</u> | <u>\$ 746,726</u> |

The Grand Apartments debt was refinanced on February 28, 2014. The new arrangement with the current lender, AmericanWest Bank establishes a variable interest rate which is determined not more than monthly using 2.250 percentage points over the one month London Inter-Bank Offer Rate (LIBOR). Additionally, the Authority entered into an interest rate swap during March 2014 that, in essence, will fix the interest rate on the loan at 4.24% and will require monthly payments of principal of \$1,625 plus interest. The termination date of the swap is May 15, 2019. The table above is based on the terms of the refinancing using information provided by the lender.

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

Rivertree Apartments

| | |
|------------------|-----------|
| Due Date | 2014 |
| Unpaid principal | \$ 18,891 |
| Interest rate | 7.00% |
| Annual payment | \$ 25,936 |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|-----------------|--------------|
| 2014 | \$ 18,891 | \$ 561 | \$ 19,452 |

Sunnyslope Apartments

| | |
|------------------|------------------|
| Due Date | February 1, 2038 |
| Unpaid principal | \$ 907,142 |
| Interest rate | 8.5% |
| Annual payment | \$ 88,727 |
| Term | 50 years |

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|---------------------|---------------------|
| 2014 | \$ 12,084 | \$ 76,643 | \$ 88,727 |
| 2015 | 13,152 | 75,575 | 88,727 |
| 2016 | 14,315 | 74,412 | 88,727 |
| 2017 | 15,580 | 73,147 | 88,727 |
| 2018 | 16,957 | 71,770 | 88,727 |
| 2019-2023 | 110,099 | 333,536 | 443,635 |
| 2024-2028 | 168,155 | 275,480 | 443,635 |
| 2029-2033 | 256,823 | 186,812 | 443,635 |
| 2034-2038 | 299,976 | 54,932 | 354,908 |
| | <u>\$ 907,141</u> | <u>\$ 1,222,307</u> | <u>\$ 2,129,448</u> |

The Sunnyslope Apartments property has an interest subsidy and rental assistance agreement with RD which provides for an interest credit on the mortgage, reducing the effective interest rate to one percent over the life of the mortgage. In addition, when the property charges rent in excess of the basic rate approved by RD, such excess rent ("overage") is remitted to RD as additional interest. The monthly interest subsidy is \$5,212. Although the Interest Credit and Rental Assistant Agreements will reduce the effective interest rate to one percent over the term of the mortgage, the effective interest rate will approximate 2.5% during the initial years of the mortgage. Interest expense, as a percentage of the outstanding mortgage balance will decline over the term of the mortgage as gross interest paid, based on the stated interest rate, declines and the Interest Credit amount remains constant.

Total interest cost incurred for the year for the primary government, including fiscal charges, was \$1,007,290. Of this amount, \$23,186 was capitalized as part of development costs included in construction in process at year end. The remaining portion of \$984,734 was expensed.

For the discretely presented component units, total interest cost incurred in 2013 was \$937,311. For the year, \$122,239 was capitalized and \$815,072 was expensed.

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

11. DEFERRED COMPENSATION:

A deferred compensation plan is authorized and made available to Authority employees wherein they may execute an individual agreement with the Authority for amounts earned by them not to be paid until a future date when certain conditions are met. These conditions are: termination by death, disability, resignation or retirement. The deferred compensation plan is one which is authorized under IRC Section 457 and regulations thereunder.

Monies accumulated by the Authority under this plan are deposited with The Hartford, Inc. These deposits are accounted for in the name of the individual and the Authority serves as trustee. Per Oregon Revised Statutes, these funds are not available to general creditors and thereby not recorded in the books of the Authority.

12. RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority is a member of the Housing Authorities Risk Retention Pool (HARRP), a risk pool currently operating as a common risk management and insurance program for approximately 93 public housing authorities throughout the Northwest and California. HARRP is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of predetermined limits for each insured event. Risks insured for Authority properties include blanket coverage for buildings and business personal property of approximately \$64 million. The Authority also insures risk for general liability, errors and omissions and fidelity coverage. The policies carry a small deductible amount.

13. RELATED PARTY TRANSACTIONS:

The Authority has entered into related party transactions with its tax credit partnership discretely presented component units. The Authority is the General Partner in Lilac Meadow Phase II Limited Partnership, Quail Run Development Limited Partnership, Maple Terrace Development Limited Partnership, and Scenic Heights Development Limited Partnership, all low-income housing tax credit projects. The Authority is also the managing member of Snowberry Brook LLC, Rogue River Apartments, LLC, Freedom and Liberty Development, LLC, Cherry Creek Part I, LLC and Canterbury Hills LLC, also low-income housing tax credit projects. The nature of these transactions is as follows:

a) Investment in Limited Partnerships:

The total Investment in Limited Partnerships reported on the Statement of Net Position includes Sunnyslope Apartments Limited Partnership and Willow Glen Limited Partnership, which are a part of the Authority's primary government. In 2012, the Authority assumed the controlling interest of the Sunnyslope and Willow Glen Partnerships through assignment and assumption of the general and limited partner. Additionally, the Authority formed separate Limited Liability Corporations for each of these partnerships of which the Authority is the sole member.

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

At December 31, 2013, the balance was as follows:

| | January 1, 2013 | | December 31, |
|--|-------------------|-------------------|-------------------|
| Investment in Limited Partnerships: | Balance | 2013 Activity | 2013 Balance |
| Rogue River Apartments, LLC | \$ 35,131 | 8 | \$ 35,139 |
| Scenic Heights Development Limited Partnership | 12,009 | (27) | 11,982 |
| Maple Terrace Development Limited Partnership | 17,704 | (44) | 17,660 |
| Cherry Creek Part I LLC | - | 100 | 100 |
| Sunnyslope Apartments Limited Partnership | 40,000 | (8,632) | 31,368 |
| Willow Glen Limited Partnership | 46,875 | - | 46,875 |
| | <u>\$ 151,719</u> | <u>\$ (8,595)</u> | <u>\$ 143,124</u> |

Other than the investments listed in the schedule immediately above, all transaction between the Authority and Sunnyslope Apartments and Willow Glen limited partnerships have been eliminated in the course of the preparation of the accompanying financial statements.

b) Developer Fees/Receivable Payable:

The Authority has earned developer fees while the component unit projects were being developed. The agreements state that if the component unit has not paid the fee by a specified date, the developer fee earned may be reclassified as an additional contribution from the Authority. The Authority recorded developer fee revenue from discretely presented component units of \$1,507,770 for the year ending December 31, 2013. Of the \$1,504,922 in developer fee receivables from component units, \$975,600 is displayed as a current receivable to be paid from investor equity contributions in 2014.

c) Notes Receivable/Payable:

The Authority made certain loans to component units used to acquire capital assets that provide low income housing. These loans are payable from revenues generated by the component unit. Notes receivables owed to the Authority by the component units currently outstanding are as follows:

| Purpose | Original Amount | Issue Date | Maturity Date | Interest Rate | Amount Outstanding |
|---------------------------------|--------------------|------------|------------------|------------------|-----------------------|
| Rogue River Estates OHCS | \$ 700,000 | 7/7/2008 | 12/31/2038 | 1.00% | \$ 151,899 |
| Snowberry Brook LLC HAJC | 1,100,000 | 4/12/2010 | 4/1/2050 | 0.50% | 831,056 |
| Snowberry Brook LLC Trust funds | 710,367 | 6/13/2011 | 4/1/2050 | 0.50% | 710,367 |
| Canterbury Hills LLC HOME | 600,000 | 7/6/2012 | 12/31/2042 | 1.50% | 511,720 |
| Quail Run Trust funds | 15,000 | 6/19/2006 | 12/31/2045 | 4.90% | 15,000 |
| Cherry Creek NSP | 1,000,000 | 5/22/2013 | 5/22/2053 | 0.50% | 1,000,000 |
| Maple Terrace Trust funds | 65,000 | 11/13/2006 | 12/31/2036 | 4.90% | 65,000 |
| Maple Terrace HOME funds | 600,000 | 1/15/2008 | 12/31/2036 | 4.90% | 600,000 |
| Maple Terrace CDBG | 92,250 | 10/3/2007 | 12/31/2036 | 4.90% | 92,250 |
| Maple Terrace OHCS | 95,848 | 11/20/2007 | 12/31/2036 | 4.90% | 95,848 |
| Lilac Meadow HOME funds | 450,000 | 10/6/2005 | 12/31/2034 | 5.00% | 450,000 |
| Lilac Meadow Trust funds | 100,000 | 2/9/2004 | 12/31/2034 | 3.00% | 100,000 |
| Lilac Meadow Outside reserve | 39,000 | 12/27/2007 | 12/31/2034 | 5.01% | 39,000 |
| Scenic Heights Trust fund/WX | 200,000 | 8/13/2009 | 9/1/2031 | 4.58% | 200,000 |
| | | | | | <u>\$ 4,862,140</u> |

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

Receivables and payables between the Authority and the component units are summarized in the following table:

| | Due from Component units | Current payable due to the Authority | Long-term Due to the Authority |
|-----------------------|-----------------------------|--|--------------------------------------|
| Loans | \$ 4,862,140 | \$ - | \$ 4,862,140 |
| Developer Fees | 1,504,922 | 975,600 | 529,322 |
| Partnership Admin Fee | 256,138 | - | 256,138 |
| Interest | 613,540 | - | 613,540 |
| Development advance | 6,318 | 6,318 | - |
| Operating advances | 57,216 | 57,216 | - |
| | <u>\$ 7,300,274</u> | <u>\$ 1,039,134</u> | <u>\$ 6,261,140</u> |

The loans receivable, and corresponding interest, represent grant funds received by the Authority from various awarding agencies for development of the projects that were loaned to the tax credit partnerships. These long-term receivables are payable to the Authority only to the extent that cash flow is available from the tax credit partnerships and in the order prescribed in the operating agreements for each partnership. Interest income of \$101,078 was earned in 2013 from the tax credit partnerships. In accordance with agreements, the developer fee is split between current and long-term receivables/payables.

Additionally, the Authority earns management fees for managing the affairs of the component units. Generally, the management fees are payable from revenues generated by the component unit. In 2013, the Authority recorded management fee and administration fee income from the tax credit partnerships totaling \$245,034. The operating advances represent short term receivables related to operating activity. They are categorized with the development advance of \$6,318 on the face of the Statement of Net Position as *Other miscellaneous receivables*.

Component Units projects' budgets are designed to be self-reliant. However, if projects are unable to meet expectations, the Authority is obliged to assist them using the local revenue streams to supplement any shortfalls. These loans are payable from future revenues generated by the component units or from proceeds of sales.

d) Development Activity:

On May 23, 2013, financing closed for the 50-unit low-income housing tax credit project in Medford, Oregon known as Cherry Creek Part I, LLC. On that date, land of \$1.1 million and pre-development costs of \$1.12 million were transferred from the books of the Authority to the LLC. Construction on the project began soon after and was completed in the spring of 2014.

14. NET POSITION:

Net position is comprised of three components: 1) Net investment in capital assets, 2) Restricted net position and 3) Unrestricted net position. Net investment in capital assets represents capital assets net of accumulated depreciation and reduced by outstanding debt. Restricted net position represents amounts that are reported as restricted due to external constraints placed on the use of the net position by creditors, grantors, regulators or by legislation. Unrestricted net position includes residual amounts not classified as net investment in capital assets or restricted.

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

Restricted net position is comprised as follows:

| | Primary Government | Discretely Presented Component Units |
|---|-----------------------|---|
| Restricted reserve accounts (Note 3) | \$ 4,111,769 | \$ 1,494,782 |
| Restricted investments (Note 4) | 961,423 | - |
| Total Restricted Assets | <u>5,073,192</u> | <u>1,494,782</u> |
| Less: | | |
| Payable to HUD for interest earned on Restricted Assets included in Other Payables | (7,683) | - |
| FSS tenant escrow deposits | <u>(90,572)</u> | <u>-</u> |
| Restricted Net Position | <u>\$ 4,974,937</u> | <u>\$ 1,494,782</u> |

Management has implemented GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*. Under GASB 63, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. As of December 31, 2013, the Authority had no deferred inflows or deferred outflows of resources.

15. OPERATING LEASES:

The Authority leases copiers and printers under non-cancelable operating leases. Total costs for such leases were \$7,511 for the year ended December 31, 2013. The future minimum lease payments for these leases are as follows:

| | |
|------|-----------------|
| 2014 | \$ 6,654 |
| 2015 | <u>2,172</u> |
| | <u>\$ 8,826</u> |

16. SUBSEQUENT EVENTS:

a) Sixth & Grape Land Development

During negotiations with the City of Medford related to the Cherry Creek project development, the Authority received a piece of property located in downtown Medford for future development. During 2013, the Authority created a limited liability company, Sixth & Grape Development LLC, of which it is the only member. The sole purpose of the LLC is to obtain the exchange property and hold the property for future development. The Authority paid the City \$150,000 for costs associated with the transfer. The exchange was completed on November 20, 2013. The Authority recorded a loss of \$172,000 on the exchange of property. The property the Authority received in the exchange was valued and recorded on the books of the Authority at \$477,717.

A loan of \$400,000 obtained in 2010 that was used for the purchase of the land that was exchanged with the City, is now attached to the downtown property. At December 31, 2013, the Authority had incurred development costs of \$106,657 for this project and had paid \$64,968 in interest holding costs on the loan since origination.

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

b) Parkview Terrace Development

On April 29, 2013, the Authority created a limited liability company, Parkview Terrace Development LLC, of which it is the only member. The sole purpose of the LLC is to purchase and hold property located in Grants Pass, Oregon for future development. The property was purchased on July 24, 2013 for \$564,548. A loan in the name of the LLC was obtained from a financial institution on July 18, 2013 for \$280,000 and applied towards the purchase price. The remainder of the purchase price was paid in cash by the Authority. The loan has an interest rate of 4.5% and is set to mature on February 18, 2015. Monthly interest only payments began in August 2013 and will continue up to maturity. A funding reservation from the state of Oregon who administers the tax credit program was obtained during the year and financing with investors and lenders was arranged for development of the project. Construction was planned to begin early in 2014. Land use approvals for the project were overturned by the Grant Pass City Council in February 2014 which effectively stopped the project. A notice of intent was filed by the Authority with the Oregon Land Use Board of Appeals (LUBA) in March 2014. A hearing with LUBA was held on June 26, 2014. A decision could be rendered by LUBA as early as July 2014. At December 31, 2013, the Authority had incurred \$101,861 in development costs and had paid \$5,145 in interest holding costs.

c) Sale of single-family houses

At December 31, 2013, the Authority had two potential sales of single-family houses awaiting HUD approval. The two houses had a combined net book value of \$48,950 at year end. Both deals were approved by HUD early in 2014. One sale closed on January 24, 2014 and the other sale closed on February 6, 2014. Both houses sold for \$135,000 each, and the Authority recorded gains on the sales of \$87,086 and \$107,109, respectively.

Management of the Authority has evaluated events and transactions occurring after December 31, 2013 through the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. There were no events and transactions that required recognition and disclosure in the financial statements, except as disclosed above.

17. OTHER DISCLOSURES:

a) Restatements

The *Net Position - beginning* on the Statement of Revenues, Expenses and Changes in Net Position was restated by \$5,942 to remove the Affordable Housing Solutions December 31, 2012 net position from the Primary Government column to the Discretely Presented Component Unit Column. Likewise, the *Cash and cash equivalents - beginning* on the Statement of Cash Flows, was reduced by \$11,036 for the same reason.

b) Change in Accounting Principles

The Authority implemented GASB 65, *Items Previously Reported as Assets and Liabilities* on January 1, 2013. This standard states in part, "Debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. Prepaid insurance costs should be reported as an asset and recognized as an expense in systematic and rational manner over the duration of the related debt."

Implementation of this statement required the Authority remove the bond issuance costs (other deferred asset) and to display a *Change in Accounting Principle* of (\$143,220) on the Statement of Revenues, Expenses and Changes in Net Position.

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

c) Blended Component Units

In accordance with GASB 61, condensed financial information for the blended component units for 2013 is presented as follows:

Condensed Statement of Net Position

| | Preserve Jade East | Rivertree Apartments | Totals |
|------------------------------------|-----------------------|-------------------------|---------------------|
| Current and Other Assets | \$ 234,427 | \$ 69,796 | \$ 304,223 |
| Capital Assets | 641,362 | 559,894 | 1,201,256 |
| Total Assets | <u>\$ 875,789</u> | <u>\$ 629,690</u> | <u>\$ 1,505,479</u> |
| Other Liabilities | \$ 15,082 | \$ 89,833 | \$ 104,915 |
| Long-term Liabilities | - | - | - |
| Total Liabilities | <u>15,082</u> | <u>89,833</u> | <u>104,915</u> |
| Net investment in capital assets | 641,362 | 541,003 | 1,182,365 |
| Restricted | 196,636 | 49,560 | 246,196 |
| Unrestricted | 22,709 | (50,706) | (27,997) |
| Total Net Position | <u>860,707</u> | <u>539,857</u> | <u>1,400,564</u> |
| Total Liabilities and Net Position | <u>\$ 875,789</u> | <u>\$ 629,690</u> | <u>\$ 1,505,479</u> |

Condensed Statement of Revenue, Expense, and Changes in Net Position

| | Preserve Jade East | Rivertree Apartments | Totals |
|---------------------------------------|-----------------------|-------------------------|---------------------|
| Revenues | | | |
| Operating revenues | | | |
| Tenant receipts | \$ 173,973 | \$ 144,615 | \$ 318,588 |
| Other operating revenues | 2,037 | 1,083 | 3,120 |
| HUD and RD operating subsidies | 3,063 | 15,426 | 18,489 |
| Non-operating revenues | | | |
| Investment income | 183 | 20 | 203 |
| Total revenues | <u>179,256</u> | <u>161,144</u> | <u>340,400</u> |
| Expenses | | | |
| Operating expenses | | | |
| Other operating | 155,192 | 131,898 | 287,090 |
| Depreciation | 22,968 | 26,214 | 49,182 |
| Non-operating expenses | | | |
| Interest expense and fiscal charges | 47 | 2,231 | 2,278 |
| Total expenses | <u>178,207</u> | <u>160,343</u> | <u>338,550</u> |
| Change in net position | 1,049 | 801 | 1,850 |
| Net position - beginning, as restated | 859,658 | 539,056 | 1,398,714 |
| Net position - ending | <u>\$ 860,707</u> | <u>\$ 539,857</u> | <u>\$ 1,400,564</u> |

HOUSING AUTHORITY OF JACKSON COUNTY

Notes to the Financial Statements

December 31, 2013

Condensed Statement of Cash Flows

| | Preserve Jade East | Rivertree Apartments | Totals |
|---|-----------------------|-------------------------|-------------------|
| Net Cash Provided by Operating Activities | \$ 15,049 | \$ 19,135 | \$ 34,184 |
| Net Cash Provided by (Used for) Non-capital Financing Activities | (920) | 734 | (186) |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | (4,790) | (25,936) | (30,726) |
| Net Cash Provided by (Used for) Investing Activities | 183 | 20 | 203 |
| Change in cash and cash equivalents | 9,522 | (6,047) | 3,475 |
| Cash and cash equivalents - beginning | 219,383 | 66,329 | 285,712 |
| Cash and cash equivalents - ending | <u>\$ 228,905</u> | <u>\$ 60,282</u> | <u>\$ 289,187</u> |

HOUSING AUTHORITY OF JACKSON COUNTY
Required Supplementary Information
December 31, 2013

Defined Benefit Retirement Plan – Schedule of Funding Progress:

The following is a summary of the actuarial information relative to the Authority:

| <u>Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Liability</u> | <u>Unfunded Actuarial Liability</u> | <u>Funded Percent</u> | <u>Covered Payroll</u> | <u>UAL/Payroll</u> |
|-----------------------|----------------------------------|----------------------------|-------------------------------------|-----------------------|------------------------|--------------------|
| 12-31-2010 | \$ 23,879,000 | \$ 30,285,000 | \$ 6,405,900 | 79% | \$ 4,973,400 | 129% |
| 12-31-2011 | \$ 23,240,900 | \$ 31,109,100 | \$ 7,868,200 | 75% | \$ 4,935,700 | 159% |
| 12-31-2012 | \$ 25,464,100 | \$ 30,601,900 | \$ 5,137,800 | 83% | \$ 5,018,000 | 102% |

Trend Information – Trend information showing the progress of the PERS in accumulating sufficient assets to pay benefits when due is presented in their bi-annual report.

HOUSING AUTHORITY OF JACKSON COUNTY
Consolidating Schedule of Net Position
Proprietary Fund Programs
December 31, 2013

| | Department of Housing and Urban Development Programs | Rural Development Programs | Community Development Programs | Blended Component Units | Sub Total | Eliminations | Totals 12-31-13 |
|---|--|----------------------------------|--------------------------------------|-------------------------------|----------------------|--------------|----------------------|
| ASSETS: | | | | | | | |
| Current Assets: | | | | | | | |
| Cash in checking and savings | \$ 250,339 | \$ 103,391 | \$ 4,079,614 | \$ 21,974 | \$ 4,455,318 | \$ | \$ 4,455,318 |
| Cash in security deposits | - | 75,411 | 302,127 | 21,017 | 398,555 | | 398,555 |
| Tenant accounts receivable - net of allowance | - | 8,157 | 64,742 | 11,994 | 84,893 | | 84,893 |
| Grant receivables-operating | - | - | 14,510 | - | 14,510 | | 14,510 |
| Other miscellaneous receivables | 187,081 | - | 129,736 | - | 316,817 | | 316,817 |
| Other miscellaneous receivables - due from CU | - | - | 63,534 | - | 63,534 | | 63,534 |
| Developer fees due from component units | - | - | 975,600 | - | 975,600 | | 975,600 |
| Due from other programs | (1,787) | (70,238) | 128,308 | (56,283) | - | | - |
| Prepaid expenses | 7,794 | 11,286 | 49,748 | 3,042 | 71,870 | | 71,870 |
| Inventory | - | - | 26,182 | - | 26,182 | | 26,182 |
| Total Current Assets | 443,427 | 128,007 | 5,834,101 | 1,744 | 6,407,279 | - | 6,407,279 |
| Restricted Assets: | | | | | | | |
| Reserve accounts | 972,197 | 881,493 | 1,921,311 | 246,196 | 4,021,197 | | 4,021,197 |
| FSS escrow deposits | 90,572 | - | - | - | 90,572 | | 90,572 |
| Investments | - | - | 961,423 | - | 961,423 | | 961,423 |
| Total Restricted Assets | 1,062,769 | 881,493 | 2,882,734 | 246,196 | 5,073,192 | - | 5,073,192 |
| Capital Assets: | | | | | | | |
| Land | - | 646,658 | 6,211,254 | 445,554 | 7,303,466 | | 7,303,466 |
| Buildings and improvements | 46,842 | 10,904,014 | 30,218,822 | 1,532,086 | 42,701,764 | | 42,701,764 |
| Equipment | 223,771 | 202,368 | 455,091 | 39,121 | 920,351 | | 920,351 |
| Construction in process | - | - | 362,514 | - | 362,514 | | 362,514 |
| Total Capital Assets | 270,613 | 11,753,040 | 37,247,681 | 2,016,761 | 51,288,095 | | 51,288,095 |
| Less: accumulated depreciation | (197,286) | (3,910,989) | (12,179,962) | (815,505) | (17,103,742) | | (17,103,742) |
| Net Capital Assets | 73,327 | 7,842,051 | 25,067,719 | 1,201,256 | 34,184,353 | - | 34,184,353 |
| Other Assets: | | | | | | | |
| Loans receivable | - | - | 4,862,140 | - | 4,862,140 | | 4,862,140 |
| Interest receivable | - | - | 613,540 | - | 613,540 | | 613,540 |
| Developer fees due from component units | - | - | 529,322 | - | 529,322 | | 529,322 |
| Partnership fees receivable | - | - | 256,138 | - | 256,138 | | 256,138 |
| Investment in limited partnerships | - | - | 143,124 | - | 143,124 | | 143,124 |
| Total Other Assets | - | - | 6,404,264 | - | 6,404,264 | - | 6,404,264 |
| Total Assets | \$ 1,579,523 | \$ 8,851,551 | \$ 40,188,818 | \$ 1,449,196 | \$ 52,069,088 | \$ - | \$ 52,069,088 |
| LIABILITIES: | | | | | | | |
| Current Liabilities: | | | | | | | |
| Tenants security deposits | \$ - | \$ 75,411 | \$ 302,127 | \$ 21,017 | \$ 398,555 | \$ | \$ 398,555 |
| Unearned revenue | - | 12,800 | 127,669 | - | 140,469 | | 140,469 |
| Other payables | 14,668 | 24,329 | 73,456 | 5,640 | 118,093 | | 118,093 |
| Accrued compensated absences | 67,550 | 7,886 | 108,989 | 3,084 | 187,509 | | 187,509 |
| Current portion of long-term debt - net | - | 114,988 | 1,357,807 | 18,891 | 1,491,686 | | 1,491,686 |
| Total Current Liabilities | 82,218 | 235,414 | 1,970,048 | 48,632 | 2,336,312 | - | 2,336,312 |
| Long-Term Liabilities: | | | | | | | |
| FSS tenant escrow deposits | 90,572 | - | - | - | 90,572 | | 90,572 |
| Mortgage payable | - | 4,331,547 | 6,787,616 | - | 11,119,163 | | 11,119,163 |
| Bonds payable - net | - | - | 6,823,234 | - | 6,823,234 | | 6,823,234 |
| Total Long-Term Liabilities | 90,572 | 4,331,547 | 13,610,850 | - | 18,032,969 | - | 18,032,969 |
| Total Liabilities | 172,790 | 4,566,961 | 15,580,898 | 48,632 | 20,369,281 | - | 20,369,281 |
| NET POSITION: | | | | | | | |
| Net investment in capital assets | 73,327 | 3,395,516 | 10,099,062 | 1,182,365 | 14,750,270 | | 14,750,270 |
| Restricted | 964,514 | 881,493 | 2,882,734 | 246,196 | 4,974,937 | | 4,974,937 |
| Unrestricted | 368,892 | 7,581 | 11,626,124 | (27,997) | 11,974,600 | | 11,974,600 |
| Total Net Position | 1,406,733 | 4,284,590 | 24,607,920 | 1,400,564 | 31,699,807 | - | 31,699,807 |
| Total Liabilities and Net Position | \$ 1,579,523 | \$ 8,851,551 | \$ 40,188,818 | \$ 1,449,196 | \$ 52,069,088 | \$ - | \$ 52,069,088 |

HOUSING AUTHORITY OF JACKSON COUNTY
Consolidating Schedule of Income, Expenses, and Changes in Net Position
Proprietary Fund Programs
For the Year Ended December 31, 2013

| | Department of Housing and Urban Development Programs | Rural Development Programs | Community Development Programs | Blended Component Units | Sub Total | Eliminations | Totals 12-31-13 |
|--|--|----------------------------------|--------------------------------------|-------------------------------|----------------------|------------------|----------------------|
| OPERATING INCOME: | | | | | | | |
| Dwelling rental | \$ - | \$ 557,618 | \$ 3,814,434 | \$ 301,351 | 4,673,403 | \$ - | \$ 4,673,403 |
| Other tenant charges | - | 29,243 | 143,426 | 17,237 | 189,906 | - | 189,906 |
| HUD PHA and RD operating grants | 11,558,203 | 575,433 | - | 18,489 | 12,152,125 | - | 12,152,125 |
| Other government operating grants | - | - | 78,887 | - | 78,887 | - | 78,887 |
| Fraud recovery | 6,022 | - | - | - | 6,022 | - | 6,022 |
| Other income | 284,161 | 23,059 | 54,428 | 3,120 | 364,768 | (25,834) | 338,934 |
| Management and administration fees | - | - | 2,725,830 | - | 2,725,830 | (421,525) | 2,304,305 |
| Total Operating Income | 11,848,386 | 1,185,353 | 6,817,005 | 340,197 | 20,190,941 | (447,359) | 19,743,582 |
| OPERATING EXPENSES: | | | | | | | |
| Administrative expense | 1,252,452 | 233,774 | 1,231,725 | 106,430 | 2,824,381 | (421,525) | 2,402,856 |
| Tenant services | 169,513 | 1,073 | 13,833 | - | 184,419 | - | 184,419 |
| Property development and management | - | - | 1,366,455 | - | 1,366,455 | (25,834) | 1,340,621 |
| Utilities | - | 164,694 | 316,649 | 54,606 | 535,949 | - | 535,949 |
| Maintenance expense | 9,842 | 343,485 | 1,275,026 | 114,990 | 1,743,342 | - | 1,743,342 |
| General expense | 26,176 | 26,344 | 130,020 | 11,064 | 193,604 | - | 193,604 |
| HAP expenditures | 10,419,065 | - | - | - | 10,419,065 | - | 10,419,065 |
| Depreciation expense | 13,979 | 298,840 | 840,015 | 49,182 | 1,202,016 | - | 1,202,016 |
| Total Operating Expenses | 11,891,027 | 1,068,210 | 5,173,723 | 336,272 | 18,469,232 | (447,359) | 18,021,873 |
| Net Operating Income (Loss) | (42,641) | 117,143 | 1,643,282 | 3,925 | 1,721,709 | - | 1,721,709 |
| OTHER INCOME (EXPENSE): | | | | | | | |
| Interest income | 132 | 267 | 115,419 | 203 | 116,021 | - | 116,021 |
| Distribution to Housing Authority | - | (8,632) | - | - | (8,632) | - | (8,632) |
| Interest expense | - | (224,034) | (758,422) | (2,278) | (984,734) | - | (984,734) |
| Gain (loss) on sale of assets | - | - | 336,344 | - | 336,344 | - | 336,344 |
| Donation income | - | - | 45,647 | - | 45,647 | - | 45,647 |
| Total Other Income (Expense): | 132 | (232,399) | (261,012) | (2,075) | (495,354) | - | (495,354) |
| Change in Net Position | (42,509) | (115,256) | 1,382,270 | 1,850 | 1,226,355 | - | 1,226,355 |
| Transfers | (41,409) | - | 41,409 | - | - | - | - |
| Net Position - beginning, as restated | 1,490,651 | 4,399,846 | 23,327,461 | 1,398,714 | 30,616,672 | - | 30,616,672 |
| Change in Accounting Principles | - | - | (143,220) | - | (143,220) | - | (143,220) |
| Net Position - ending | \$ 1,406,733 | \$ 4,284,590 | \$ 24,607,920 | \$ 1,400,564 | \$ 31,699,807 | \$ - | \$ 31,699,807 |

HOUSING AUTHORITY OF JACKSON COUNTY
Department of Housing and Urban Development Programs
Combining Schedule of Net Position
December 31, 2013

| | Public Housing | S-024V Section 8 Vouchers |
|---|-------------------|---------------------------------|
| ASSETS: | | |
| Current Assets: | | |
| Cash in checking and savings | \$ 56,700 | \$ 144,951 |
| Due from DHUD | - | 163,536 |
| Due from other programs | - | - |
| Prepaid expenses | - | 7,634 |
| Total Current Assets | 56,700 | 316,121 |
| Restricted Assets: | | |
| Cash - HAP reserve | - | 972,197 |
| Cash - tenant escrow | - | 90,572 |
| Total Restricted Assets | - | 1,062,769 |
| Capital Assets: | | |
| Buildings and improvements | - | 46,842 |
| Equipment | 193,695 | 30,076 |
| Total Capital Assets | 193,695 | 76,918 |
| Less: Accumulated depreciation | (168,539) | (28,747) |
| Net Capital Assets | 25,156 | 48,171 |
| Total Assets | \$ 81,856 | \$ 1,427,061 |
| LIABILITIES: | | |
| Current Liabilities | | |
| Accounts payable | \$ - | \$ 2,994 |
| Accrued compensated absences | - | 63,908 |
| Accounts payable - DHUD | - | 7,683 |
| Due to other programs | 205 | 1,501 |
| Total Current Liabilities | 205 | 76,086 |
| Long-Term Liabilities | | |
| FSS escrow deposits | - | 90,572 |
| Total Long-Term Liabilities | - | 90,572 |
| Total Liabilities | 205 | 166,658 |
| NET POSITION: | | |
| Net investment in capital assets | 25,156 | 48,171 |
| Restricted | - | 964,514 |
| Unrestricted | 56,495 | 247,718 |
| Total Net Position | 81,651 | 1,260,403 |
| Total Liabilities and Net Position | \$ 81,856 | \$ 1,427,061 |

| Annual Contribution Contract | | |
|---|--|---------------------|
| S-024K Section 8 Moderate Rehabilitation I | S-024K Section 8 Moderate Rehabilitation II | Totals 12-31-13 |
| \$ 48,688 | \$ - | \$ 250,339 |
| 21,802 | 1,743 | 187,081 |
| - | 47,429 | 47,429 |
| 116 | 44 | 7,794 |
| <u>70,606</u> | <u>49,216</u> | <u>492,643</u> |
| - | - | 972,197 |
| - | - | 90,572 |
| - | - | 1,062,769 |
| - | - | 46,842 |
| - | - | 223,771 |
| - | - | 270,613 |
| - | - | (197,286) |
| - | - | 73,327 |
| <u>\$ 70,606</u> | <u>\$ 49,216</u> | <u>\$ 1,628,739</u> |
| \$ 1,995 | \$ 1,996 | \$ 6,985 |
| 3,642 | - | 67,550 |
| - | - | 7,683 |
| 47,429 | 81 | 49,216 |
| <u>53,066</u> | <u>2,077</u> | <u>131,434</u> |
| - | - | 90,572 |
| - | - | 90,572 |
| <u>53,066</u> | <u>2,077</u> | <u>222,006</u> |
| - | - | 73,327 |
| - | - | 964,514 |
| 17,540 | 47,139 | 368,892 |
| 17,540 | 47,139 | 1,406,733 |
| <u>\$ 70,606</u> | <u>\$ 49,216</u> | <u>\$ 1,628,739</u> |

HOUSING AUTHORITY OF JACKSON COUNTY
Department of Housing and Urban Development Programs
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2013

| | Public Housing | S-024V Section 8 Vouchers |
|---|---------------------------------------|--|
| | <u> </u> | <u> </u> |
| OPERATING REVENUES: | | |
| HUD PHA operating grants | \$ - | \$ 10,996,927 |
| Fraud recovery | | 6,022 |
| Other income | 1,124 | 283,037 |
| | <u> </u> | <u> </u> |
| Total Operating Income | <u> </u> 1,124 | <u> </u> 11,285,986 |
| OPERATING EXPENSES: | | |
| Administrative expense | 206 | 1,182,010 |
| Tenant services | - | 169,513 |
| Maintenance expense | - | 9,580 |
| HAP payments | - | 9,957,186 |
| Depreciation expense | 10,018 | 3,961 |
| General expense | - | 25,868 |
| | <u> </u> | <u> </u> |
| Total Operating Expenses | <u> </u> 10,224 | <u> </u> 11,348,118 |
| Net Operating Income (Loss) | <u> </u> (9,100) | <u> </u> (62,132) |
| NONOPERATING REVENUES (EXPENSES): | | |
| Interest income | 19 | 100 |
| | <u> </u> | <u> </u> |
| Total Nonoperating Revenues (Expenses) | <u> </u> 19 | <u> </u> 100 |
| Change in Net Position | (9,081) | (62,032) |
| Transfers | (41,409) | - |
| Net Position - beginning | <u> </u> 132,141 | <u> </u> 1,322,435 |
| Net Position- ending | <u> </u> \$ 81,651 | <u> </u> \$ 1,260,403 |

| <u>Annual Contribution Contract</u> | | |
|---|--|----------------------------|
| <u>S-024K Section 8 Moderate Rehabilitation I</u> | <u>S-024K Section 8 Moderate Rehabilitation II</u> | <u>Totals 12-31-13</u> |
| \$ 388,813 | \$ 172,463 | \$ 11,558,203 |
| - | - | 6,022 |
| 388,813 | 172,463 | 284,161 |
| 51,701 | 18,535 | 1,252,452 |
| - | - | 169,513 |
| 196 | 66 | 9,842 |
| 319,953 | 141,926 | 10,419,065 |
| - | - | 13,979 |
| 222 | 86 | 26,176 |
| 372,072 | 160,613 | 11,891,027 |
| 16,741 | 11,850 | (42,641) |
| 13 | - | 132 |
| 13 | - | 132 |
| 16,754 | 11,850 | (42,509) |
| - | - | (41,409) |
| 786 | 35,289 | 1,490,651 |
| <u>\$ 17,540</u> | <u>\$ 47,139</u> | <u>\$ 1,406,733</u> |

HOUSING AUTHORITY OF JACKSON COUNTY
Rural Development Programs
Combining Schedule of Net Position
December 31, 2013

| | Anderson Vista | Patio Village | Rose Garden | Sunnyslope | Lilac Meadow | Totals 12-31-13 |
|--|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|
| ASSETS: | | | | | | |
| Current Assets: | | | | | | |
| Cash in checking and savings | \$ 4,170 | \$ 8,168 | \$ 14,255 | \$ 28,763 | \$ 48,035 | \$ 103,391 |
| Cash - security deposits | 14,409 | 25,668 | 3,174 | 13,714 | 18,446 | 75,411 |
| Tenant accounts receivable, net of allowance | 3,684 | 272 | 659 | 970 | 2,572 | 8,157 |
| Due from other programs | - | - | - | 350 | 582 | 932 |
| Prepaid expenses | 1,355 | 2,235 | 223 | 5,979 | 1,494 | 11,286 |
| Total Current Assets | 23,618 | 36,343 | 18,311 | 49,776 | 71,129 | 199,177 |
| Restricted Assets: | | | | | | |
| Cash - replacement reserve account | 141,126 | 282,004 | 26,693 | 198,859 | 232,811 | 881,493 |
| Cash - tax and insurance reserve | - | - | - | - | - | - |
| Total Restricted Assets | 141,126 | 282,004 | 26,693 | 198,859 | 232,811 | 881,493 |
| Capital Assets: | | | | | | |
| Land | 173,774 | 221,395 | 23,200 | 88,369 | 139,920 | 646,658 |
| Buildings and improvements | 2,338,853 | 1,725,611 | 194,516 | 1,284,329 | 5,360,705 | 10,904,014 |
| Equipment | 71,500 | 45,867 | - | 61,753 | 23,248 | 202,368 |
| Construction in process | - | - | - | - | - | - |
| Total Capital Assets | 2,584,127 | 1,992,873 | 217,716 | 1,434,451 | 5,523,873 | 11,753,040 |
| Less: accumulated depreciation | (1,025,804) | (850,112) | (101,434) | (787,470) | (1,146,169) | (3,910,989) |
| Net Capital Assets | 1,558,323 | 1,142,761 | 116,282 | 646,981 | 4,377,704 | 7,842,051 |
| Total Assets | \$ 1,723,067 | \$ 1,461,108 | \$ 161,286 | \$ 895,616 | \$ 4,681,644 | \$ 8,922,721 |
| LIABILITIES: | | | | | | |
| Current Liabilities: | | | | | | |
| Tenants security deposits | \$ 14,409 | \$ 25,668 | \$ 3,174 | \$ 13,714 | \$ 18,446 | \$ 75,411 |
| Due to other programs | 55,545 | 15,038 | 587 | - | - | 71,170 |
| Other payables | 5,288 | 3,914 | 2,426 | 10,323 | 2,378 | 24,329 |
| Accrued compensated absences | 1,576 | 2,366 | 526 | 1,315 | 2,103 | 7,886 |
| Unearned revenue | 2,734 | 6,534 | 1,581 | - | 1,951 | 12,800 |
| Current portion of long-term debt | 36,967 | 13,883 | 1,938 | 12,084 | 50,116 | 114,988 |
| Total Current Liabilities | 116,519 | 67,403 | 10,232 | 37,436 | 74,994 | 306,584 |
| Long-Term Liabilities: | | | | | | |
| Mortgages payable | 580,632 | 1,437,337 | 189,633 | 895,058 | 1,228,887 | 4,331,547 |
| Total Long - Term Liabilities | 580,632 | 1,437,337 | 189,633 | 895,058 | 1,228,887 | 4,331,547 |
| Total Liabilities | 697,151 | 1,504,740 | 199,865 | 932,494 | 1,303,881 | 4,638,131 |
| NET POSITION: | | | | | | |
| Net investment in capital assets | 940,724 | (308,459) | (75,289) | (260,161) | 3,098,701 | 3,395,516 |
| Restricted | 141,126 | 282,004 | 26,693 | 198,859 | 232,811 | 881,493 |
| Unrestricted | (55,934) | (17,177) | 10,017 | 24,424 | 46,251 | 7,581 |
| Total Net Position | 1,025,916 | (43,632) | (38,579) | (36,878) | 3,377,763 | 4,284,590 |
| Total Liabilities and Net Position | \$ 1,723,067 | \$ 1,461,108 | \$ 161,286 | \$ 895,616 | \$ 4,681,644 | \$ 8,922,721 |

HOUSING AUTHORITY OF JACKSON COUNTY
Rural Development Programs
Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Year Ending December 31, 2013

| | Anderson Vista | Patio Village | Rose Garden | Sunnyslope | Lilac Meadow | Totals 12-31-13 |
|--|-------------------|------------------|----------------|----------------|-----------------|--------------------|
| OPERATING REVENUES: | | | | | | |
| Dwelling rental | \$ 129,260 | \$ 176,448 | \$ 18,951 | \$ 89,092 | \$ 143,867 | \$ 557,618 |
| Other tenant charges | 6,125 | 2,773 | 494 | 11,904 | 7,947 | 29,243 |
| Rural Development operating grants | 71,520 | 219,160 | 37,892 | 143,502 | 103,359 | 575,433 |
| Other income | 7,330 | 4,769 | 1,239 | 2,482 | 7,239 | 23,059 |
| Total Operating Revenues | 214,235 | 403,150 | 58,576 | 246,980 | 262,412 | 1,185,353 |
| OPERATING EXPENSES: | | | | | | |
| Administrative Expenses: | | | | | | |
| Advertising | 28 | 33 | 21 | 26 | 23 | 131 |
| Audit | 1,649 | 1,649 | 1,649 | 17,410 | 1,785 | 24,142 |
| Legal | 229 | 26 | - | - | 105 | 360 |
| Sundry | 7,627 | 3,034 | 559 | 858 | 4,036 | 16,114 |
| Telephone | 976 | 1,096 | 60 | 1,402 | 983 | 4,517 |
| Site management payroll | 13,108 | 11,804 | 159 | 7,978 | 11,049 | 44,098 |
| Management fee | 22,470 | 38,982 | 5,136 | 20,957 | 22,524 | 110,069 |
| Employee benefits | 7,664 | 7,371 | 98 | 4,429 | 6,888 | 26,450 |
| Other administrative expenses | 3,001 | 1,594 | 233 | 1,669 | 1,397 | 7,894 |
| Total Administration Expenses | 56,752 | 65,589 | 7,915 | 54,729 | 48,790 | 233,774 |
| Tenant Services | 336 | - | - | 172 | 565 | 1,073 |
| Utilities Expense: | | | | | | |
| Water and sewer | 26,804 | 50,688 | 6,171 | 21,346 | 19,063 | 124,072 |
| Electricity and other utilities | 4,565 | 9,607 | 1,337 | 15,848 | 9,265 | 40,622 |
| Total Utilities Expenses | 31,369 | 60,295 | 7,508 | 37,194 | 28,328 | 164,694 |
| Maintenance Expense: | | | | | | |
| Maintenance payroll | 17,195 | 27,668 | 5,733 | 13,088 | 22,926 | 86,610 |
| Employee benefits | 10,053 | 17,278 | 3,533 | 7,266 | 14,291 | 52,421 |
| Maintenance materials | 9,067 | 19,543 | 1,862 | 9,053 | 11,535 | 51,060 |
| Vehicle maintenance | 1,076 | 1,689 | 332 | 727 | 1,393 | 5,217 |
| Maintenance contracts | 10,764 | 22,558 | 4,230 | 11,722 | 19,358 | 68,632 |
| Garbage collection | 13,707 | 10,389 | 1,680 | 4,823 | 11,383 | 41,982 |
| Extraordinary maintenance | 13,450 | 11,796 | 775 | 11,541 | - | 37,562 |
| Total Maintenance Expenses | 75,312 | 110,921 | 18,145 | 58,220 | 80,886 | 343,485 |
| Tax and Insurance Expenses: | | | | | | |
| Property & liability insurance | 2,622 | 4,314 | 431 | 2,436 | 2,890 | 12,693 |
| Property & other taxes | - | - | - | 2,893 | - | 2,893 |
| Total Tax and Insurance Expense | 2,622 | 4,314 | 431 | 5,329 | 2,890 | 15,586 |

| | Anderson Vista | Patio Village | Rose Garden | Sunnyslope | Lilac Meadow | Totals 12-31-13 |
|------------------------------------|---------------------|--------------------|--------------------|--------------------|---------------------|---------------------|
| Financial Expense: | | | | | | |
| Collection losses | 3,022 | 1,757 | 4,997 | 196 | 786 | 10,758 |
| Total Financial Expenses | 3,022 | 1,757 | 4,997 | 196 | 786 | 10,758 |
| Depreciation expense | 71,791 | 52,900 | 5,142 | 29,067 | 139,940 | 298,840 |
| Total Operating Expenses | 241,204 | 295,776 | 44,138 | 184,907 | 302,185 | 1,068,210 |
| Net Operating Income (Loss) | (26,969) | 107,374 | 14,438 | 62,073 | (39,773) | 117,143 |
| NONOPERATING REVENUES | | | | | | |
| (EXPENSES): | | | | | | |
| Interest income | - | - | - | 267 | - | 267 |
| Distribution to Housing Authority | - | - | - | (8,632) | - | (8,632) |
| Interest expense | (6,375) | (113,015) | (13,960) | (77,625) | (13,059) | (224,034) |
| Total Nonoperating Revenues | | | | | | |
| (Expenses) | (6,375) | (113,015) | (13,960) | (85,990) | (13,059) | (232,399) |
| Change in Net Position | (33,344) | (5,641) | 478 | (23,917) | (52,832) | (115,256) |
| Net Position - beginning | 1,059,260 | (37,991) | (39,057) | (12,961) | 3,430,595 | 4,399,846 |
| Net Position - ending | \$ 1,025,916 | \$ (43,632) | \$ (38,579) | \$ (36,878) | \$ 3,377,763 | \$ 4,284,590 |

HOUSING AUTHORITY OF JACKSON COUNTY
Community Development Programs
Combining Schedule of Net Position
December 31, 2013

| | Local Program | General Program | Willow Glen Program | Southernaire/ West Pines Program | Royal Apartments Program | Series '96 Program |
|---|----------------------|--------------------|------------------------|--|--------------------------------|-----------------------|
| ASSETS: | | | | | | |
| Current Assets: | | | | | | |
| Cash in checking and savings | \$ 3,220,428 | \$ 3,732 | \$ 84,100 | \$ 113,989 | \$ 229,465 | \$ 20,737 |
| Cash in security deposits | - | - | 41,509 | 60,237 | 46,813 | 22,017 |
| Tenant accounts receivable - net of allowance | - | - | 14,031 | 10,905 | 8,910 | 10,901 |
| Grants receivable-operating | - | - | - | - | - | - |
| Other miscellaneous receivables | 6,612 | 123,124 | - | - | - | - |
| Other miscellaneous receivables - Due from DPCU | 63,534 | - | - | - | - | - |
| Due from other programs | 212,320 | 7,210 | - | 18,086 | 6,011 | - |
| Developer fee due from component units | 975,600 | - | - | - | - | - |
| Prepaid expenses | 13,933 | 74 | 10,153 | 7,623 | 3,423 | 1,813 |
| Inventory | 26,182 | - | - | - | - | - |
| Total Current Assets | 4,518,609 | 134,140 | 149,793 | 210,840 | 294,622 | 55,468 |
| Restricted Assets: | | | | | | |
| Cash - reserve accounts | 1,672,775 | - | 194,250 | - | 37,354 | 16,932 |
| Investments | 34,289 | - | - | 644,971 | 282,163 | - |
| Total Restricted Assets | 1,707,064 | - | 194,250 | 644,971 | 319,517 | 16,932 |
| Capital Assets: | | | | | | |
| Land | 1,505,115 | - | 231,134 | 630,870 | 378,898 | 373,907 |
| Buildings and improvements | 75,600 | - | 4,193,067 | 3,890,155 | 4,441,157 | 2,892,610 |
| Equipment | 291,344 | - | 119,957 | 14,563 | - | - |
| Construction in process | 362,514 | - | - | - | - | - |
| Total Capital Assets | 2,234,573 | - | 4,544,158 | 4,535,588 | 4,820,055 | 3,266,517 |
| Less: accumulated depreciation | (176,638) | - | (3,138,403) | (1,470,242) | (1,634,243) | (1,326,159) |
| Net Capital Assets | 2,057,935 | - | 1,405,755 | 3,065,346 | 3,185,812 | 1,940,358 |
| Other Assets: | | | | | | |
| Loans receivable | 4,862,140 | - | - | - | - | - |
| Interest receivable | 613,540 | - | - | - | - | - |
| Developer fees due from component units | 529,322 | - | - | - | - | - |
| Partnership fees receivable | 256,138 | - | - | - | - | - |
| Investment in limited partnerships | 143,124 | - | - | - | - | - |
| Total Other Assets | 6,404,264 | - | - | - | - | - |
| Total Assets | \$ 14,687,872 | \$ 134,140 | \$ 1,749,798 | \$ 3,921,157 | \$ 3,799,951 | \$ 2,012,758 |
| LIABILITIES: | | | | | | |
| Current Liabilities: | | | | | | |
| Tenants security deposits | \$ - | \$ - | \$ 41,509 | \$ 60,237 | \$ 46,813 | \$ 22,017 |
| Unearned revenue | - | 127,669 | - | - | - | - |
| Due to other programs | - | - | 3,855 | - | - | 44,672 |
| Other payables | 5,153 | 1,458 | 7,199 | 6,968 | 3,594 | 11,493 |
| Accrued compensated absences | 59,591 | 5,013 | 3,729 | 3,681 | 3,681 | 2,356 |
| Current portion of long-term debt | 400,000 | - | 44,034 | 139,470 | 171,564 | 55,424 |
| Total Current Liabilities | 464,744 | 134,140 | 100,326 | 210,356 | 225,652 | 135,962 |
| Long-Term Liabilities: | | | | | | |
| Mortgage payable | 280,000 | - | 2,024,499 | - | - | - |
| Bonds payable | - | - | - | 3,054,352 | 2,782,358 | 986,524 |
| Total Long-Term Liabilities | 280,000 | - | 2,024,499 | 3,054,352 | 2,782,358 | 986,524 |
| Total Liabilities | 744,744 | 134,140 | 2,124,825 | 3,264,708 | 3,008,010 | 1,122,486 |
| NET POSITION: | | | | | | |
| Net investment in capital assets | 1,377,935 | - | (662,778) | (128,476) | 231,890 | 898,410 |
| Restricted | 1,707,064 | - | 194,250 | 644,971 | 319,517 | 16,932 |
| Unrestricted | 10,858,129 | - | 93,501 | 139,954 | 240,534 | (25,070) |
| Total Net Position | 13,943,128 | - | (375,027) | 656,449 | 791,941 | 890,272 |
| Total Liabilities and Net Position | \$ 14,687,872 | \$ 134,140 | \$ 1,749,798 | \$ 3,921,157 | \$ 3,799,951 | \$ 2,012,758 |

| Table Rock Apartments Program | Multi-Family Housing Program | Housing Retreat Program | Penny Lane Apartments Program | Elk St. Apartments Program | Finley Square Apartments Program | Single Family Housing Program | The Grand Apartments Program | Totals 12-31-13 |
|-------------------------------------|------------------------------------|-------------------------------|-------------------------------------|----------------------------------|--|-------------------------------------|------------------------------------|----------------------|
| \$ 58,382 | \$ 78,124 | \$ 77,247 | \$ 17,741 | \$ 29,145 | \$ 81,823 | \$ 4,590 | \$ 60,111 | \$ 4,079,614 |
| 12,619 | 35,143 | 9,834 | 5,399 | 6,000 | 32,238 | 25,512 | 4,806 | 302,127 |
| 653 | 8,143 | 561 | 418 | 2,237 | 1,473 | 4,368 | 2,142 | 64,742 |
| - | - | 14,510 | - | - | - | - | - | 14,510 |
| - | - | - | - | - | - | - | - | 129,736 |
| - | - | - | - | - | - | - | - | 63,534 |
| 105 | 3,639 | - | 51 | - | 1,612 | - | - | 249,034 |
| - | - | - | - | - | - | - | - | 975,600 |
| 847 | 2,866 | 769 | 378 | 487 | 4,560 | 1,865 | 957 | 49,748 |
| - | - | - | - | - | - | - | - | 26,182 |
| <u>72,606</u> | <u>127,915</u> | <u>102,921</u> | <u>23,987</u> | <u>37,869</u> | <u>121,706</u> | <u>36,335</u> | <u>68,016</u> | <u>5,954,827</u> |
| - | - | - | - | - | - | - | - | 1,921,311 |
| - | - | - | - | - | - | - | - | 961,423 |
| - | - | - | - | - | - | - | - | 2,882,734 |
| 163,144 | 580,170 | 302,319 | 162,670 | 283,769 | 1,200,000 | 279,273 | 119,985 | 6,211,254 |
| 1,282,094 | 3,908,912 | 1,178,431 | 1,334,200 | 668,807 | 3,023,917 | 1,666,587 | 1,663,285 | 30,218,822 |
| - | - | 15,661 | 13,566 | - | - | - | - | 455,091 |
| - | - | - | - | - | - | - | - | 362,514 |
| <u>1,445,238</u> | <u>4,489,082</u> | <u>1,496,411</u> | <u>1,510,436</u> | <u>952,576</u> | <u>4,223,917</u> | <u>1,945,860</u> | <u>1,783,270</u> | <u>37,247,681</u> |
| <u>(512,838)</u> | <u>(1,795,501)</u> | <u>(73,576)</u> | <u>(225,626)</u> | <u>(38,470)</u> | <u>(384,290)</u> | <u>(1,246,467)</u> | <u>(157,509)</u> | <u>(12,179,962)</u> |
| <u>932,400</u> | <u>2,693,581</u> | <u>1,422,835</u> | <u>1,284,810</u> | <u>914,106</u> | <u>3,839,627</u> | <u>699,393</u> | <u>1,625,761</u> | <u>25,067,719</u> |
| - | - | - | - | - | - | - | - | 4,862,140 |
| - | - | - | - | - | - | - | - | 613,540 |
| - | - | - | - | - | - | - | - | 529,322 |
| - | - | - | - | - | - | - | - | 256,138 |
| - | - | - | - | - | - | - | - | 143,124 |
| - | - | - | - | - | - | - | - | 6,404,264 |
| <u>\$ 1,005,006</u> | <u>\$ 2,821,496</u> | <u>\$ 1,525,756</u> | <u>\$ 1,308,797</u> | <u>\$ 951,975</u> | <u>\$ 3,961,333</u> | <u>\$ 735,728</u> | <u>\$ 1,693,777</u> | <u>\$ 40,309,544</u> |
| \$ 12,619 | \$ 35,143 | \$ 9,834 | \$ 5,399 | \$ 6,000 | \$ 32,238 | \$ 25,512 | \$ 4,806 | \$ 302,127 |
| - | - | - | - | - | - | - | - | 127,669 |
| - | - | 303 | - | 544 | - | 70,003 | 1,349 | 120,726 |
| 2,059 | 6,723 | 15,891 | 1,995 | 3,162 | 2,085 | 3,121 | 2,555 | 73,456 |
| 1,355 | 10,796 | 1,583 | 554 | 789 | 2,103 | 12,690 | 1,068 | 108,989 |
| 25,131 | - | - | 11,696 | - | 492,100 | - | 18,388 | 1,357,807 |
| <u>41,164</u> | <u>52,662</u> | <u>27,611</u> | <u>19,644</u> | <u>10,495</u> | <u>528,526</u> | <u>111,326</u> | <u>28,166</u> | <u>2,090,774</u> |
| 504,968 | - | - | 468,825 | - | 2,920,000 | - | 589,324 | 6,787,616 |
| - | - | - | - | - | - | - | - | 6,823,234 |
| <u>504,968</u> | <u>-</u> | <u>-</u> | <u>468,825</u> | <u>-</u> | <u>2,920,000</u> | <u>-</u> | <u>589,324</u> | <u>13,610,850</u> |
| <u>546,132</u> | <u>52,662</u> | <u>27,611</u> | <u>488,469</u> | <u>10,495</u> | <u>3,448,526</u> | <u>111,326</u> | <u>617,490</u> | <u>15,701,624</u> |
| 402,301 | 2,693,581 | 1,422,835 | 804,289 | 914,106 | 427,527 | 699,393 | 1,018,049 | 10,099,062 |
| - | - | - | - | - | - | - | - | 2,882,734 |
| 56,573 | 75,253 | 75,310 | 16,039 | 27,374 | 85,280 | (74,991) | 58,238 | 11,626,124 |
| <u>458,874</u> | <u>2,768,834</u> | <u>1,498,145</u> | <u>820,328</u> | <u>941,480</u> | <u>512,807</u> | <u>624,402</u> | <u>1,076,287</u> | <u>24,607,920</u> |
| <u>\$ 1,005,006</u> | <u>\$ 2,821,496</u> | <u>\$ 1,525,756</u> | <u>\$ 1,308,797</u> | <u>\$ 951,975</u> | <u>\$ 3,961,333</u> | <u>\$ 735,728</u> | <u>\$ 1,693,777</u> | <u>\$ 40,309,544</u> |

HOUSING AUTHORITY OF JACKSON COUNTY
Community Development Programs
Combining Schedule of Revenue, Expenses,
and Changes in Net Position
For the Year Ended December 31, 2013

| | Local Program | General Program | Willow Glen Program | Southernaire/ West Pines Program | Royal Apartments Program | Series '96 Program |
|--|----------------------|--------------------|------------------------|--|--------------------------------|-----------------------|
| OPERATING REVENUES: | | | | | | |
| Dwelling rental | \$ 4,440 | \$ - | \$ 501,892 | \$ 708,385 | \$ 616,955 | \$ 276,797 |
| Other tenant charges | - | - | 22,197 | 30,618 | 21,011 | 18,804 |
| Other income | 210 | 26,194 | 3,735 | 15,513 | 3,558 | 415 |
| Other government operating grants | - | - | - | - | - | - |
| Development and management fees | 2,273,254 | 452,576 | - | - | - | - |
| Total Operating Revenues | 2,277,904 | 478,770 | 527,824 | 754,516 | 641,524 | 296,016 |
| OPERATING EXPENSES: | | | | | | |
| Administrative expense | 230,797 | 115,954 | 85,675 | 74,265 | 96,894 | 41,008 |
| Tenant services | - | - | 5,478 | - | - | 2,846 |
| Property development and management | 1,004,679 | 361,776 | - | - | - | - |
| Utilities | 2,310 | - | 39,964 | 60,749 | 40,939 | 37,046 |
| Maintenance expense | 21,471 | 710 | 171,217 | 214,969 | 160,552 | 118,867 |
| General expense | 5,624 | 330 | 17,028 | 29,385 | 11,968 | 13,569 |
| Depreciation expense | 30,230 | - | 131,722 | 101,759 | 112,173 | 75,374 |
| Total Operating Expenses | 1,295,111 | 478,770 | 451,084 | 481,127 | 422,526 | 288,710 |
| Net Operating Income (Loss) | 982,793 | - | 76,740 | 273,389 | 218,998 | 7,306 |
| NONOPERATING REVENUES (EXPENSES): | | | | | | |
| Interest income | 112,260 | - | 332 | 2,245 | 205 | 56 |
| Interest expense | - | - | (173,485) | (191,705) | (115,652) | (46,919) |
| Gain (loss) on sale of assets | (172,799) | - | - | - | - | - |
| Donation income | 45,647 | - | - | - | - | - |
| Total Nonoperating Revenues (Expenses): | (14,892) | - | (173,153) | (189,460) | (115,447) | (46,863) |
| Change in Net Position | 967,901 | - | (96,413) | 83,929 | 103,551 | (39,557) |
| Transfers | 1,152,673 | - | (11,070) | (77,820) | (106,475) | 13,500 |
| Net Position - beginning | 11,822,554 | - | (267,203) | 650,340 | 856,288 | 990,447 |
| Change in Accounting Principles | - | - | (341) | - | (61,423) | (74,118) |
| Net Position - ending | \$ 13,943,128 | \$ - | \$ (375,027) | \$ 656,449 | \$ 791,941 | \$ 890,272 |

| Table Rock Apartments Program | Multi-Family Housing Program | Housing Retreat Program | Penny Lane Apartments Program | Elk St. Apartments Program | Finley Square Apartments Program | Single Family Housing Program | The Grand Apartments Program | Totals 12-31-13 |
|-------------------------------------|------------------------------------|-------------------------------|-------------------------------------|----------------------------------|--|-------------------------------------|------------------------------------|----------------------|
| \$ 157,680 | \$ 433,705 | \$ 156,801 | \$ 72,609 | \$ 69,615 | \$ 326,827 | \$ 310,547 | \$ 178,181 | \$ 3,814,434 |
| 4,307 | 21,387 | 7,944 | 1,786 | 1,917 | 3,655 | 6,586 | 3,214 | 143,426 |
| 340 | 2,427 | - | 50 | 75 | 425 | 175 | 1,311 | 54,428 |
| - | - | 78,887 | - | - | - | - | - | 78,887 |
| - | - | - | - | - | - | - | - | 2,725,830 |
| <u>162,327</u> | <u>457,519</u> | <u>243,632</u> | <u>74,445</u> | <u>71,607</u> | <u>330,907</u> | <u>317,308</u> | <u>182,706</u> | <u>6,817,005</u> |
| 22,607 | 125,911 | 143,876 | 9,817 | 13,770 | 39,074 | 202,889 | 29,187 | 1,231,725 |
| 2,114 | - | - | 724 | - | - | - | 2,673 | 13,833 |
| - | - | - | - | - | - | - | - | 1,366,455 |
| 9,947 | 47,198 | 10,037 | 5,957 | 5,237 | 16,790 | 10,686 | 29,789 | 316,649 |
| 49,410 | 237,251 | 58,891 | 24,748 | 28,702 | 64,813 | 84,683 | 38,742 | 1,275,026 |
| 2,343 | 14,916 | 4,032 | 1,984 | 4,607 | 8,038 | 11,418 | 4,778 | 130,020 |
| 32,052 | 107,481 | 33,288 | 34,712 | 18,632 | 75,598 | 45,270 | 41,724 | 840,015 |
| <u>118,473</u> | <u>532,757</u> | <u>250,124</u> | <u>77,942</u> | <u>70,948</u> | <u>204,313</u> | <u>354,946</u> | <u>146,892</u> | <u>5,173,723</u> |
| 43,854 | (75,238) | (6,492) | (3,497) | 659 | 126,594 | (37,638) | 35,814 | 1,643,282 |
| 41 | 70 | 23 | 6 | 16 | 107 | 27 | 31 | 115,419 |
| (22,409) | - | - | (22,978) | - | (155,197) | - | (30,077) | (758,422) |
| - | - | - | - | - | - | 509,143 | - | 336,344 |
| - | - | - | - | - | - | - | - | 45,647 |
| <u>(22,368)</u> | <u>70</u> | <u>23</u> | <u>(22,972)</u> | <u>16</u> | <u>(155,090)</u> | <u>509,170</u> | <u>(30,046)</u> | <u>(261,012)</u> |
| 21,486 | (75,168) | (6,469) | (26,469) | 675 | (28,496) | 471,532 | 5,768 | 1,382,270 |
| (46,097) | - | - | - | - | (49,145) | (825,829) | (8,328) | 41,409 |
| <u>483,485</u> | <u>2,844,002</u> | <u>1,504,614</u> | <u>851,953</u> | <u>940,805</u> | <u>590,448</u> | <u>978,699</u> | <u>1,081,029</u> | <u>23,327,461</u> |
| - | - | - | (5,156) | - | - | - | (2,182) | (143,220) |
| <u>\$ 458,874</u> | <u>\$ 2,768,834</u> | <u>\$ 1,498,145</u> | <u>\$ 820,328</u> | <u>\$ 941,480</u> | <u>\$ 512,807</u> | <u>\$ 624,402</u> | <u>\$ 1,076,287</u> | <u>\$ 24,607,920</u> |

HOUSING AUTHORITY OF JACKSON COUNTY
Blended Component Units
Combining Schedule of Net Position
December 31, 2013

| | Preserve Jade East | Rivertree Apartments | Totals 12-31-13 |
|---|-----------------------|-------------------------|---------------------|
| ASSETS: | | | |
| Current Assets: | | | |
| Cash in checking and savings | \$ 21,555 | \$ 419 | \$ 21,974 |
| Cash - security deposits | 10,714 | 10,303 | 21,017 |
| Tenant accounts receivable - net of allowance | 4,595 | 7,399 | 11,994 |
| Prepaid expenses | 927 | 2,115 | 3,042 |
| Total Current Assets | 37,791 | 20,236 | 58,027 |
| Restricted Assets: | | | |
| Cash - reserve accounts | 196,636 | 49,560 | 246,196 |
| Capital Assets: | | | |
| Land | 194,123 | 251,431 | 445,554 |
| Buildings and improvements | 811,212 | 720,874 | 1,532,086 |
| Equipment | 30,674 | 8,447 | 39,121 |
| Total Capital Assets | 1,036,009 | 980,752 | 2,016,761 |
| Less: accumulated depreciation | (394,647) | (420,858) | (815,505) |
| Net Capital Assets | 641,362 | 559,894 | 1,201,256 |
| Total Assets | \$ 875,789 | \$ 629,690 | \$ 1,505,479 |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Tenants security deposits | \$ 10,714 | \$ 10,303 | \$ 21,017 |
| Accounts payable | 1,747 | 3,893 | 5,640 |
| Accrued compensated absences | 1,542 | 1,542 | 3,084 |
| Due to other programs | 1,079 | 55,204 | 56,283 |
| Current portion of long-term debt | - | 18,891 | 18,891 |
| Total Current Liabilities | 15,082 | 89,833 | 104,915 |
| Total Liabilities | 15,082 | 89,833 | 104,915 |
| NET POSITION: | | | |
| Net investment in capital assets | 641,362 | 541,003 | 1,182,365 |
| Restricted | 196,636 | 49,560 | 246,196 |
| Unrestricted | 22,709 | (50,706) | (27,997) |
| Total Net Position | 860,707 | 539,857 | 1,400,564 |
| Total Liabilities and Net Position | \$ 875,789 | \$ 629,690 | \$ 1,505,479 |

HOUSING AUTHORITY OF JACKSON COUNTY
Blended Component Units
Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2013

| | Preserve Jade East | Rivertree Apartments | Totals 12-31-13 |
|---|-----------------------|-------------------------|---------------------|
| OPERATING REVENUES: | | | |
| Dwelling rental | \$ 164,795 | \$ 136,556 | \$ 301,351 |
| Other tenant charges | 9,178 | 8,059 | 17,237 |
| HUD PHA operating grants | 3,063 | 15,426 | 18,489 |
| Other income | 2,037 | 1,083 | 3,120 |
| Total Operating Revenues | <u>179,073</u> | <u>161,124</u> | <u>340,197</u> |
| OPERATING EXPENSES: | | | |
| Administrative expense | 56,512 | 49,919 | 106,430 |
| Utilities | 36,883 | 17,723 | 54,606 |
| Maintenance expense | 57,827 | 57,162 | 114,990 |
| Depreciation expense | 22,968 | 26,214 | 49,182 |
| General expense | 3,970 | 7,094 | 11,064 |
| Total Operating Expenses | <u>178,160</u> | <u>158,112</u> | <u>336,272</u> |
| Net Operating Income (Loss) | <u>913</u> | <u>3,012</u> | <u>3,925</u> |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Interest income | 183 | 20 | 203 |
| Interest expense | (47) | (2,231) | (2,278) |
| Total Nonoperating Revenues (Expenses) | <u>136</u> | <u>(2,211)</u> | <u>(2,075)</u> |
| Change in Net Position | 1,049 | 801 | 1,850 |
| Transfers | - | - | - |
| Net Position - beginning | <u>859,658</u> | <u>539,056</u> | <u>1,398,714</u> |
| Net Position - ending | <u>\$ 860,707</u> | <u>\$ 539,857</u> | <u>\$ 1,400,564</u> |



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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Commissioners
Housing Authority of Jackson County (HAJC), Oregon
Medford, Oregon

We have audited the basic financial statements of the Housing Authority of Jackson County (HAJC) as of and for the year ended December 31, 2013, and have issued our report thereon dated July 30, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States.

Compliance

As part of obtaining reasonable assurance about whether the HAJC financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions under ORS Chapter 295.
- Insurance and fidelity under bonds in force or required by law.
- Programs funded from outside sources.
- Investments of surplus funds authorized under ORS Chapter 294.
- Public contracts and purchasing under ORS Chapters 279A, 279B, 279C.
- Debt limitations under ORS Chapter 328.245

In connection with our audit, nothing came to our attention that caused us to believe the HAJC was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administration Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

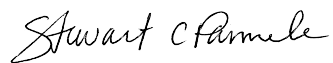
OAR 162-10-0230 Internal Control

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

Board of Commissioners
Housing Authority of Jackson County (HAJC), Oregon
Medford, Oregon

No material weakness relating to the audit of the basic financial statements are reported in the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management of the Housing Authority of Jackson County and the State of Oregon, Division of Audits and is not intended to be and should not be used by anyone other than these specified parties.



Stewart C. Parmele CPA, Partner
KDCO Piels CPAs, LLP
Medford, Oregon
July 30, 2014



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

Board of Commissioners
Housing Authority of Jackson County (HAJC), Oregon
Medford, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of Jackson County (HAJC), Oregon, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the HAJC's basic financial statements, and have issued our report thereon dated July 30, 2014. Our report includes a reference to other auditors who audited the financial statement of the following discretely presented component units, Canterbury Hills, Freedom Square and Liberty Place, Lilac Meadow Phase II, Maple Terrace, Quail Run, Scenic Heights, and Snowberry Brook, as described in our report on the HAJC's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the discretely presented component units of the HAJC were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Board of Commissioners
Housing Authority of Jackson County (HAJC), Oregon
Medford, Oregon

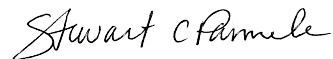
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the HAJC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the HAJC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the HAJC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Stewart C. Parmele, CPA, Partner
KDCO Piels CPAs, LLP
Medford, Oregon
July 30, 2014



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

Board of Commissioners
Housing Authority of Jackson County (HAJC), Oregon
Medford, Oregon

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of Jackson County (HAJC), Oregon's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the HAJC's major federal programs for the year ended December 31, 2013. The HAJC's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The HAJC's basic financial statements include the operations of the discretely presented component units, which did not receive federal awards that should be included in the schedule during the year ended December 31, 2013. Therefore, our audit, described below, did not include the operations of the discretely presented component units.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the HAJC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the HAJC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of Jackson County, Oregon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Board of Commissioners
Housing Authority of Jackson County, Oregon
Medford, Oregon

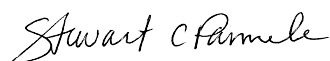
Report on Internal Control over Compliance

Management of the HAJC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the HAJC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of Jackson County, Oregon's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Stewart C. Parmele CPA, Partner
KDCO Piels CPAs, LLP
Medford, Oregon
July 30, 2014

HOUSING AUTHORITY OF JACKSON COUNTY
Schedule of Federal Awards Expended
For the Year Ended December 31, 2013

| <u>Federal Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-through Entity Identifying Number</u> | <u>Federal Expenditures 2013</u> |
|---|------------------------------------|---|--|
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| DIRECT PAYMENTS: | | | |
| Section 8: | | | |
| Moderate Rehabilitation #1 | 14.856 | | \$ 372,072 |
| Moderate Rehabilitation #2 | 14.856 | | <u>160,613</u> |
| | | | <u>532,685</u> |
| Section 8 Housing Choice Vouchers | 14.871 | | <u>11,348,118</u> |
| Section 236: | | | |
| Multifamily Insured Projects Interest Subsidy | 14.103 | | 18,489 |
| Interest reduction payments | 14.103 | | <u>158,320</u> |
| | | | <u>176,809</u> |
| Total Direct Payments | | | <u>12,057,612</u> |
| LOAN GUARANTEES: | | | |
| Section 236 Insured mortgage | 14.103 | | <u>18,891</u> |
| Total Department of Housing and Urban Development | | | <u>12,076,503</u> |
| <u>U.S. Department of Agriculture</u> | | | |
| DIRECT PAYMENTS: | | | |
| Rural Rental Assistance payments | 10.427 | | <u>417,113</u> |
| Total Department of Agriculture | | | <u>417,113</u> |
| TOTAL FEDERAL AWARDS EXPENDED | | | <u>\$ 12,493,616</u> |

HOUSING AUTHORITY OF JACKSON COUNTY
Notes to Schedule of Expenditures of Federal Awards
December 31, 2013

A. 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 the Authority. 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.

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

**HOUSING AUTHORITY OF JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Housing Authority of Jackson County, Oregon.
2. No significant deficiencies or material weaknesses in internal controls were disclosed by the audit of the basic Financial Statements of the Housing Authority of Jackson County, Oregon.
3. No instances of noncompliance material to the basic financial statements of the Housing Authority of Jackson County, Oregon, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Federal Awards

4. No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed during the audit.
5. The auditor’s report on compliance for the major federal award programs for the Housing Authority of Jackson County, Oregon expresses an unqualified opinion.
6. No audit findings were noted that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

U.S. Department of Housing and Urban Development

| | |
|-----------------------------------|--------|
| Section 8 Housing Choice Vouchers | 14.871 |
| Moderate Rehabilitation #1 & #2 | 14.856 |

U.S. Department of Housing and Urban Development

| | |
|-------------------------|--------|
| Rural Rental Assistance | 10.427 |
|-------------------------|--------|

8. The threshold for distinguishing Types A and B Programs was \$374,941.
9. The Housing Authority of Jackson County, Oregon qualified as a low-risk auditee under the criteria specified in OMB Circular A -133.

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None